Feeling the crunch?

As the economy continues to find its way, everyone is beginning to feel the tightening up of the consumer. The patient today is still coming to the practice, but may not be taking the more costly approach for care. When patient visits are slightly down and procedure mix is not what's been anticipated, we can begin to feel the crunch between living expenses and business cash flow.

We have all heard the term debt consolidation before. Many of us may have negative thoughts associated with consolidating debt because of the horror stories. Some homeowners in the past have consolidated debt over the years and now are at risk of losing there homes because of balloon payments or the monthly payments escalated due to adjustable rates. In business, there are real solutions to the cash flow problem that can release the pressure valve that is created due to tight or nonexistent cash flow.

Cash flow is the amount of income available to pay all practice debts along with personal needs at home. Many practices spend money on practice technology or tenant improvements, but not everyone takes cash flow into consideration. Many doctors decide to take short-term notes, lease specials, or zero interest programs that only last for 12 to 24 months. Over time these types of payments become too much to handle. The compounding affect to this type of cash flow management is when payments begin to pile up, flexible lines such as credit cards and business lines only get paid minimums. This results in the perfect storm of business debt and negative cash flow, which can create stress on the business and home.

Consolidating all of your debt into one longer term note with friendly prepayment options is a decision that could not only change the perspective at your office, but also reduce the stress at home. Bank of America Practice Solutions offers this type of opportunity*. The following is a real example of how we changed a doctor's cash flow position and, in turn, positively affected their life.

Original Practice Debt:

Type of Debt	Original Loan	Terms	Rate	Loan Remaining	Payment
Primary Bank loan on practice	$355,000	60 months	7.9%	$280,000	$7,181.14
Equipment lease 1	$75,000	36 months	9.5%	$42,000	$2,402.47
Equipment lease 2	$45,000	48 months	8.7%	$15,000	$1,113.42
Zero interest loan 1	$15,000	12 months	0%	$12,500	$1,250
Zero interest loan 2	$9,000	12 months	0%	$6,000	$750
Business line of credit	$52,000	revolving	7.9%	$37,000	$1,040
Credit Card 1	$12,000	revolving	12.9%	$9,500	$240
Credit Card 2	$35,000	revolving	8.9%	$22,500	$450

The total of all outstanding debt was $424,500 with a monthly payment of $14,427. This Doctor felt overwhelmed and helpless. The clinic was running great with collections over $750,000 and income of $227,000, but the debt payment totaling $173,124 a year was smothering the doctors' business and personal life. Bank of America was able to help relieve the Doctor's stress. This resulted in an approved loan for $424,500 with a 15 year term at 7.45% which has a monthly payment of $3,923.12. This new loan program offered a yearly savings to the practice of $126,036.60.

Wondering what would happen if the Doctor wanted a shorter term? A 10 year term at 6.95% would produce a payment of $4,917.87 which would have saved our client over $110,000. If your bank is unable to produce the result you need or you just want to comparison shop with another lender please feel free to contact me at 1.800.210.5962 or visit www.bankofamerica.com/practicesolutions.

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