

Better Business Agreements:

A Guide for Massage Therapists

Second Edition



Donald Quinn Dillon, RMT

REVIEW COPY – Chapters 1,2 and checklist

Better Business Agreements: A Guide for Massage Therapists

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Reviews of *Better Business Agreements*, First Edition

"This book fills a void that has troubled both Clinic Owners and Massage Therapists for years. Whether you are owner or therapist, you will get a thorough understanding and appreciation for both sides of the coin, and you will find that workable solutions are possible. Mr. Dillon offers us hope that Massage Therapy can be professional and successful, just like mainstream health practices. Look forward to an informative and good read."

- Jim Smyth, RMT

"Don describes some of the most common pitfalls that massage therapists fall into - particularly when building practices or establishing clinical practices. A useful guide for recently graduated therapists, new clinic owners and teachers of MT business practices."

- Pam Fitch, RMT

"Your book is very informative, easy to read, clear and concisely written. You've found a way to enlighten both the clinic owner/manager and the associate to see exactly what is important to both parties - therefore establishing a mutual understanding before negotiations begin. It really is a straight-forward approach to doing business in a field full of non business-minded individuals. I hope you can take some gratification in knowing that you've probably saved some peoples businesses (lives) with this book."

- Mike Awde, RMT

"Better Business Agreements a Guide for Massage Therapists by Don Dillon, RMT is essential reading for all massage therapists who contract their services or operate clinics. Massage therapy schools across Canada should adopt this book as a central component of their business curriculum. Thank you Don for your continued commitment to the success of massage therapists and the strengthening of our profession."

-Scott Dartnall RMT

I wish I had had this information almost twenty years ago when I started my first practice. This should be a mandatory reading for anyone in our profession. It could have saved me thousands of dollars and a lot of wasted time both emotionally and physically. I have no doubt this will be a best seller and go international. Don't hesitate get this book and build better agreements.

Barry Jenings - CEO Jenings Seminar Group

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Disclaimer:

Although the author and publisher have made every effort to ensure the accuracy and completeness of information contained in this book, we assume no responsibility for errors, inaccuracies, omissions, or any inconsistency herein. Any slights of people, places or organizations are unintentional.

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My thanks to Jill Rogers, publisher of Massage Therapy Canada for encouraging me to dust off the business curriculum that I had shelved, breathe new life into it and share it with the massage therapy profession.

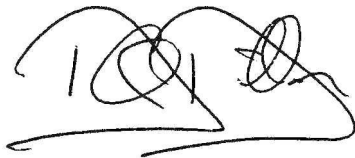
I also give thanks to Manisha Solomon of Solotext Editorial, and my high school friends Dennis Vincent and Bob Mangroo. As business mentors you have encouraged me in so many ways, and particularly to take action and write this book.

A special thanks to Pam Fitch, Scott Dartnall, Jim Smyth, Mike Awde and several other colleagues for reviewing the book in detail. Their critical reviews illuminated the holes in my arguments and the faults in my assumptions. Their collective suggestions have transformed the book into truly something worthwhile reading.

I thank my wife, Cheryl and my mother Carol for always supporting and nurturing me - especially when I've doubted my own abilities.

Thank you to my children, Gabriel and Noah, for reminding me when I'm not "walking my talk", and also to have fun on a regular basis!

Of course, I thank God the Universe for your daily doses of inspiration. Thank you for blessing me.



Dedication

This book is dedicated to the leaseholders – chiropractors, spa owners, fitness club owners - who have over the years rented me space to practice my craft.

I also dedicate this book to all my associates, past and present that have challenged me to forge better agreements.

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Preface

Bad agreements cost time, money and vitality. The therapist who associates in an existing practice invests a great deal of resources to start a practice. It's a challenge to shift his practice elsewhere if he can no longer live with the agreement.

The clinic owner/manager who doesn't ensure her agreement is financially sustainable may bear resentful feelings when she discovers it actually costs her more money to practice from her business than it does for her associate. If the parties involved don't feel the agreement fairly represents their individual and collective interests, bitter feelings can ensue.

Whether you're a clinic manager planning to add an associate, or a therapist wanting to associate in your ideal workplace, you probably have the same questions many other therapists do:

- What makes an agreement fair?
- What financial facts must I know to create a better agreement?
- How can I improve my position in agreement negotiations?
- How can I avoid leaving what seems to be a bad agreement, only to end up in an even more financially distressing situation?
- What regulations determine whether I have an employer/employee or contractor/client relationship?
- As a clinic manager, can I limit an associate from taking business elsewhere?
- As an associate, how can I protect the practice I've worked hard to create?

There is an epidemic problem of agreement-frustration for massage therapists. This book is an attempt to address the epidemic problem of agreement-frustration for massage therapists; and to provide the reader with clear and concrete strategies to save time, money, and energy when creating business contracts/agreements.

A lofty goal for this book, dare I dream it, would be to inspire the creation of fair agreement models across the profession...to guide

and standardize agreements while greatly impacting the quality of relationship between the clinic manager and the associate. This perhaps could curb transience (turnover) in associates, and seed deeper and richer relationships for all parties involved.

This book is also about value. It's about assessing your value and the value of your business...and, therefore, your income potential. Whether you are a clinic manager or a therapist seeking to associate, you bring value to the table. Applying the concepts in this book can help you leverage your value and provide you with a better agreement.

What is the value of this book? A bad agreement can cost you thousands and potentially tens of thousands of dollars. This book is designed to guide you in developing your financial, professional, negotiation and legal intelligence.

Note:

1. At the time of this writing, the massage therapy profession had a greater majority of female therapists. However, male and female pronouns are used interchangeably throughout the book.
2. "Agreements" is used in the title of the book, but I use this interchangeably with "contracts" to mean a formal, legal document between two parties. Likewise, I interchange clinic owner and clinic manager, as these are often the same person (although not in every case).
3. Case studies are included to illustrate concepts only. Any similarity between a case example and an actual therapist's story is entirely unintentional.

Introduction

My first practice was in a well-established chiropractic clinic. When my application was accepted as a massage therapist in this bright, modern and streamlined facility, I thought I had died and gone to heaven. The clinic enjoyed high traffic with two chiropractors, several chiropractic assistants, and me as the massage therapist.

For the opportunity to practice in this clinic, I agreed to pay 55% of my earnings. After some time, and a few conversations with colleagues, I became resentful of the contract because I thought that I was paying too much. I left the clinic to venture out on my own.

I soon discovered that in fact I wasn't paying enough to the chiropractor. My lack of skills and experience in operating a business quickly caught up with me, and I spent the next several years struggling to build a business. My rent was high to the chiropractic office because I was paying for the business skills and the traffic I did not have.

After intensive study and through many experiences I did develop my business acumen, and eventually my practice. When I fostered enough of a practice-base myself, I decided to bring on an associate. I reasoned that I could pass on some of my "wisdom" to a new graduate in exchange for rent to off-set my business expenses.

It would be a win-win situation, and I resolved (not yet learning my lesson) that I wouldn't charge my associate what the chiropractor had charged me for rent.

Of course, managing a clinic with associates requires a whole new skill-set including financial accounting, business analysis, communication and negotiation skills, and stronger marketing and networking skills.

I lost the first few associates rather quickly, and felt panic that I wouldn't be able to retain an associate. I responded by offering an agreement that was open (no base or cap rate) with a very

favourable (to the associate) percentage. And, I managed all the equipment, bookings, linen, and marketing for them.

I kept some associates longer, but I was spending an inordinate amount of time and money managing this larger enterprise. I refused to look at the financial numbers, believing that associates wouldn't pay more than what I had originally offered. I accepted the perception that a percentage model was the "industry standard" and was the only arrangement associates would agree to. I resolved that if I didn't keep the deal sweet, the associate would go down the road to some "better opportunity."

Eventually, I had to look honestly at the numbers. I was depressed, but not surprised, to discover what I subconsciously knew all along...it was costing me more to work from my business than it was my associates.

That chiropractor had been right, but I hadn't learned the lesson the first few times around. As Derek Bok said, "If you think education is expensive...try ignorance."¹

There is a high cost to ignorance in business. A survey of massage therapists in Ontario found that 43% of therapists were not happy with their level of income. The difference between income earned and income hoped for was significant...over \$20,000.²

In fact, a third of seasoned therapists seven-plus years in practice were not content with their incomes either. Could part of the problem stem from our industry's struggle to form better agreements? I hope to present this argument effectively later in this book.

Key Point: If you think education is expensive...try ignorance.

¹ Derek Bok, president of Harvard University from 1971-1990

² Collis & Reed: Report on the Massage Therapy Census 2003 – Membership Survey Report.

Why Is It So Difficult to Come to Agreement?

I believe there are a number of factors and influences in the massage therapy profession that make the act of creating agreements challenging.

First, I believe we are commonly encultured to be productive to society as employees. We're not taught entrepreneurial skills in business management, finances, labour law, or how to negotiate agreements. We learn skill-sets designed to ease our transition into the workforce. Entrepreneurial skills are often limited to the MBA schools, while health care providers study how to provide health services...not how to run a business.

Second, a massage therapist by design often works one-on-one with clients/patients, without the dialogue and collaboration with peers or other health care providers. The therapist is then left to her/his own inexperienced devices to figure out agreement terms when the opportunity to associate, or bring on an associate, occurs. This "reinvention of the wheel" can have tremendous consequences – in legal penalties, in financial loss, and associate turnover.

In my discussions with many therapists, I have heard (and we could certainly use some hard data on this) that our industry has a problem with associate turnover, or transience. Ralf Joneikies, in an article appearing in *Massage Therapy Canada* magazine³ entitled "Massage Therapists are not an Inconsequential Part of Ontario's Medical Services...But We Do Have an Identity Complex," describes this problem. "We are seen by the public and especially by others in the medical community as being transient. Translation: unreliable and not serious enough." Joneikies relates how therapist transience can negatively affect our profession in the eyes of other healthcare providers, while leaving a wake of frustrated clinic managers and bitter associates. I speculate that some part of this transience has to

³ Joneikies, R: *Massage Therapists Are Not...*. *Massage Therapy Canada*, Spring 2004. pp 30-34

do with massage therapists lacking experience and skills in forming better business agreements.

Third, we tend to view negotiation as a struggle...as a manipulative and confrontational exchange. If you and I are trying to create an agreement, we may guard our true intentions, dig into our positions, and try to outmaneuver each other to get the best deal possible. This potentially harms any long-term relationship we may otherwise develop, and severely limits other creative options that equally meet both our interests.

Alternatively, we may be conditioned to avoid differences of opinion and conflict. We may cave in to meet the other's interests to maintain peace. However, once we concede ground to an aggressive party, more is often demanded and the party who is meek in the face of negotiation may lose their shirt.

Fourth, and a reason I believe to be most important, is that therapists commonly undervalue themselves. Whether a therapist is assessing him or herself as an asset to a business, or a clinic owner is assessing the value of their business to potential associates, I believe therapists generally tend to undervalue what they bring to the relationship.

The topic of value and how both clinic managers and associates can create more value in him or herself is discussed in depth in the next chapter.

How You Can Create a Better Agreement

Historically, agreements could be sealed with a handshake. However, with the onerous and growing litigious nature of our current society, there has been an erosion of the trust accounted to agreements. The very act of working through agreements seems laborious and dreadful.

Understandably, therapists may find creating agreements, with the small print and legal-ease, complicated and contentious. The therapist may settle for an agreement that is less favourable for the sake of saving the relationship or the opportunity. But, there are ways to assess the quality of an agreement without giving away the farm, and this book can show you how.

When I ask the question in my seminars “What does a better agreement look like?”, therapists often respond in reference to the financial terms and provisions of the agreement. Therapists will talk about percentages, base-rates and caps, and who provides what (equipment, linen service, lubricants, advertising, etc.). These opinions may come from other sources, themselves based on conjecture and without any rigorous examination as to whether the numbers actually work.

Without knowing the operating costs of the business, or the value of the associate, how can we apply hard-and-fast formulas to suit all situations? How do we know if a flat-fee for rent is fair or not? Who “owns” the client/patient records? What value does a business retain in providing these services to associates?

Agreements are more than the financial terms...they outline the relationship the two parties will be undertaking. And for that, agreements should be clear, simple, and functional. Consider the following as helpful hints in creating your business agreement:

1. Clearly identify roles and expectations for both the clinic owner and associate
2. Place accountability for success with both parties
3. Outline financial terms and expectations clearly
4. Premise the agreement on a long-term relationship
5. Outline an entry and exit strategy
6. Comply with professional regulations and business law

1. Clearly identify roles and expectations for both the clinic owner and associate

The agreement should answer the question, “Who is responsible for providing what?” in a clear and effective manner. In addition to the financial terms, outline who is responsible for the clinic area, utilities, equipment, linen service, lubricants, appointment booking, payment methods (credit card/debit card payment hardware/software), professional and commercial liability insurances, professional registration, and uniform are all tangible aspects of a clearly defined agreement.

Clarify who is responsible for attracting and retaining business, determining appointment scheduling, confirming appointments or dealing with missed appointments, remitting GST on fees, and handling bookkeeping services. The best kind of agreement clearly defines the role of each party and expectations of both sides.

2. Place accountability for success on both parties

“Associates don’t do enough to bring in new clients/patients for them selves” say frustrated clinic managers. Many managers have claimed feeling resentful that their workload and costs have increased by helping the associate build their practice, yet the associate is too passive in assisting this process.

“The clinic manager doesn’t market enough to bring more traffic to the business!” associates may pronounce, and wonder whether they would be better off somewhere else.

Accountability for the success of the associate rests, in my opinion, on both sets of shoulders. This is a joint venture: the clinic manager is investing in the associate, and the associate is investing in the business. Clearly, both parties are responsible for the associate's success.

The manager has created marketing vehicles such as signage, brochures, newsletters, perhaps a website, advertising, and other integrated marketing methods that boost business traffic. In addition, the manager may take on a mentorship role, particularly in the first year, to coach the associate into becoming a better therapist both technically and business-wise.

The associate is accountable for continuously improving their skills, learning how to attract and retain business, networking and building professional referral streams, and contributing to the maintenance and reputation of the clinic.

When both manager and associate are accountable for the success, success rises exponentially.

3. Outline financial terms and expectations clearly

It seems that most people love a bargain. If we find a bargain at a flea-market or local retail store, we'll tell ten people about how cunning we were to obtain it. Consequently, if we feel we've paid too much, bitterness and anger quickly surface. Perhaps you've experienced this dynamic in a contract negotiation.

Ensure the agreement clearly outlines the relationship – employer/employee or contractor/client, how each party is paid, and who is responsible if a gift certificate is redeemed or an insurance company needs to be billed for an auto insurance or WSIB claim. An agreement must be based on financial facts, not opinions. We'll delve into this topic in great detail in the next chapter.

4. Premise the agreement on a long-term relationship

The process isn't over when an agreement is reached. The parties must now work with each other on a daily basis for potentially years to come. Any agreement should enrich the relationship between both parties, so it must be grounded in honesty, integrity, commitment, and diligence by both sides to go for the long-term. Almost as carefully as you consider a marriage proposal, so too carefully consider an agreement to practice.

5. Outline an entry and exit strategy

When we enter into agreements, we have the best of intentions. We assume the other party also has our best interests in mind. However, business relationships can collapse for many reasons. Sometimes expectations and roles haven't been clearly defined from the beginning. This strains the relationship irreparably until it fails. In other cases, the clinic owner may sell the business, or the associate may move away or go on maternity leave. It is wise to plan for "what if" openly with the other party by putting your exit strategy on paper.

In addition to the contract/agreement, the clinic owner should prepare a letter outlining the associate's hours in the clinic, financial terms (or wages, if an employee/employer arrangement exists), and a copy of the clinic policies. Have both parties sign the document to confirm mutual awareness and acceptance of the terms. If the associate is an employee, it is wise to outline an initial trial period to determine if the relationship is a good fit.

Your exit strategy should include policies around records access and ownership, terms of separation, and non-competition/solicitation of clients/patients. You will find these clauses discussed later in the chapter called "Cultivate Your Legal Intelligence."

6. Comply with professional regulations and business law

Regulatory bodies, whether professional or governmental, have standards of practice and legal provisions that must be upheld, regardless of our personal take on a contract. Examples include municipal, provincial and federal laws for business, taxation (personal and business, PST and GST, property tax), competition, and consumer privacy.

Your professional regulatory body will have additional standards of practice, by-laws, and policies you will need to adhere to. Your professional association will have rules for you to follow to maintain your active membership.

Check the websites of your professional regulatory body, professional association, and government offices to download the appropriate rules and regulations you will need to abide by.

Ensure that you are familiar with regulations and business law, and have any essential terms implemented into your agreement.

As a clinic manager, how much should I charge for services provided to the associate? As an associate, how do I know what is a fair rent to pay? Let's tackle these questions in the next chapter "Cultivate Your Financial Intelligence".

Cultivate Your Financial Intelligence

You may recall in the first chapter that I quoted Derek Bok: "If you think education is expensive...try ignorance." The word *ignorance* may be associated as negative and degrading. However, the actual definition of ignorance (Oxford Dictionary) is "lacking skills and experience; uninformed." It's not a negative reflection of the person, but outlines what skills and experience they may be lacking to deal with their present situation. *Intelligence* means the opposite of ignorance, and is defined as "possessing skills and experience; informed."

Financial Intelligence is the ability to understand and interpret key financial terms and measures in your business. With this intelligence, you have a great ability to make sound business decisions. Whether you're a clinic manager or an associate, Financial Intelligence is critical to determining whether your agreement is fair and lucrative.

If you're a clinic owner, it is essential first to clearly know the operating costs of your business, and the associated risks of taking on a larger enterprise. You need this information so you can fairly assess the value to an associate. The associate invests in your established business systems (by paying you rent) in exchange for utilizing those services.

If you are looking to associate in a clinic, strive to accurately assess what value you can bring to the business, and how the costs you would bear compare to other options you may have...such as associating elsewhere or opening your own business. We'll examine how to assess your value in the chapter "Cultivate Your Professional Intelligence".

In my experience, therapists new to practice may grossly underestimate the time, energy, and money required to start a business from scratch. I know that I certainly did!

Let's tangibly examine how to develop Financial Intelligence.

What are the costs of operating a business?

Owning and operating a business holds a number of financial responsibilities. A thorough, but by no means exhaustive, list is presented here:

- Lease (rent) of space
- Leasehold improvements – paint, construction, furniture, art, etc.
- Utilities – heat, water, phone line, electricity/lighting
- Linen supply / laundering
- Lubricants (lotions/oils)
- Equipment – treatment table, bolsters or pillows
- Teaching Aids – charts, models
- Office supplies – paper, file folders, pens, etc.
- Computer, printer, fax machine and other technology
- Reception / appointment booking system
- Promotion – advertising, brochures, business cards, website design and maintenance, direct mailings, external signage, and network group memberships
- Maintenance of equipment and property (if building owned)
- Cleaning services
- Professional development / skills-building
- Taxes (GST, income, property, PST on goods sold)
- Regulatory and professional association fees
- Professional services – accountant, lawyer, banking, financial advisor, business coach
- Memberships in networking or community groups

If you haven't tracked this before, you may be surprised that it can cost \$2500 – \$3000/month to operate a small therapy business! These costs will be higher for larger enterprises.

Note: if the agreement is an employer/employee arrangement, wages would also be an expense.

The first steps to becoming Financially Intelligent

If you are a business owner and haven't yet assessed your costs, I recommend taking the following five steps:

1. **Open two bank accounts - one for business and a second for personal.** Pour all business revenues into your business account. When you need money for living expenses, write a cheque to yourself as a draw from the business and deposit it to your personal account. Never confuse the two accounts...Canada Revenue Agency likes a paper trail.
2. **Track all your business income and expenses via your monthly deposit slips and receipts.** Purchase an envelope-sized accordion-style file folder with at least 15 pockets for your categorized receipts. Label the pockets – one for income, and six or seven other pockets for expense categories: operations (linen service, office supplies), promotion/marketing, lease and utilities, professional development, and general ledger. General ledger applies to infrequent expenses, such as annual tax accounting fees, dues for regulatory or professional association, or inconsequential expenses not covered elsewhere such as banking fees.

Dutifully retain and sort all receipts from your business into this folder. I recommend you use the remaining pockets in the file-folder to categorize and retain personal expenses. You can use labels such as personal care, household (mortgage/rent and utilities), transportation, food, taxes, children, and investment/savings/tithing. Business success is tied to knowing how you spend your personal money.

At month's end, calculate totals for each category. This prepares us for the next step.

- 3. Record your income and expenses into meaningful columns in an accounting ledger.** Use your bank statements and your categorized deposit slips and business expense receipts to record business income and expenses in an accounting ledger or spreadsheet. You can create column headings from the categories you've already assigned. Be sure to include a column called "Draw" which is the draw the owner takes from the business to cover personal expenses. These records are kept for tax purposes, and to analyze one's monthly business income and expenses.

Note: It can be very helpful to enlist the help of a professional bookkeeper to lay out your financial picture. Having an expert's perspective on your finances can yield you a great deal of savings and reduce a great amount of suffering in the immediate and distant future!

- 4. Analyze your income and expenses monthly.** The only way to have a clear indication of how your business is performing is to regularly analyze your business costs of operation, and examine whether your income is meeting these expenses.

The same advice applies to your personal expenses. At the end of each month when you've calculated your personal totals, analyze where your money goes. You may identify patterns of waste that, if corrected, will put more money in your pocket.

- 5. Calculate your average monthly income and expenses.** When you have at least three months of income and expense totals, calculate the average monthly income and expenses by taking the sum of all months examined and divide this number by the number of months tracked. For example:

Month	Income	Expenses
January	\$3500	\$2500
February	\$2800	\$2000
March	\$3000	\$2100
Average	\$3100 (\$9300/3 months)	\$2200 (\$6600/3 months)

If you are handy with a computer, you can create comparative charts or graphs with accounting and spreadsheet software to track these numbers and monitor the “pulse” of your business.

Your monthly income and expenses figures are very important in guiding your financial decisions. These figures help you decide, for example, whether an increase in your marketing expenditures is warranted; where opportunities to conserve on costs and limit waste lie; whether an investment into new equipment is plausible or needs to be put off for now. These figures can alert you to take action and decrease your personal draw, if necessary, until the business is more financially fit.

I strongly recommend tracking your personal expenses with equal diligence. Every month I track not only my business income and expenses, but also what it costs my family to operate our household.

Many small business owners make the mistake of waiting until the fiscal year end to learn their income and expenses from their accountant. **This is too late!** You should meet with your accountant and other business advisors on a quarterly basis to ensure your business is on track to be sustainable and lucrative.

Key Point: As Robert Kiyosaki, author of *Rich Dad, Poor Dad*, says: “Accounting increases your accountability.” Commit to staying aware of your financial picture.

Case Study – Building Financial Intelligence

Mary, in practice for several years, was concerned that she didn't have a complete financial picture of her life. Mary hired a bookkeeper that came highly recommended by several other therapists in the area.

The bookkeeper helped Mary set up a spreadsheet to monitor her income, including income from other sources and expenses – both business and personal. Now, Mary can easily see where she is financially every month, and can, therefore, make more "intelligent" decisions at home and in the business.

<u>Revenue</u>	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Mean
Therapy Fees	3800	3890	2240	3950	3750	\$3,526.00
Associates	1200	1200	1200	1200	1200	\$1,200.00
other income	140	25	70	200	135	\$114.00
Total Income	\$5,140.00	\$5,115.00	\$3,510.00	\$5,350.00	\$5,085.00	\$4,840.00
<u>Expenses</u>	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	
Therapy Business	2142.5	2392.02	2449.65	2398.92	2419.35	\$2,360.49
Re-creation	210.08	136.82	267.92	78.92	128.92	\$164.53
household	968.99	1520.02	821.98	982.22	1011.02	\$1,060.85
food	527.28	582.34	493.23	482.92	552.25	\$527.60
transportation	45	45	300	45	45	\$96.00
save/invest/tithe	200	200	200	200	200	\$200.00
Taxes	500	500	500	500	500	\$500.00
Total Expenses	\$4,593.85	\$5,376.20	\$5,032.78	\$4,687.98	\$4,856.54	\$4,909.47
Surplus/Deficit	\$546.15	-\$261.20	-\$1,522.78	\$662.02	\$228.46	-\$69.47
<u>Assets</u>	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	
RSP	17444	18054	18157	18229	18031	
Home Equity	15,235.92	15,924.92	16,613.92	17,302.92	17,991.92	
Savings Account	-107	978.52	-1059.53	-348.08	28.29	
Services A/R	60	180	300	90	120	
Contingency Fund	1125.26	1176.82	256.2	30.33	155.62	
Total Assets	\$33,758.18	\$36,314.26	\$34,267.59	\$35,304.17	\$36,326.83	
<u>Liabilities</u>	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	
Mortgage	66664.42	65681.21	64698	63714.79	62731.58	
Line of Credit	18359.28	17859.28	17359.28	16859.28	16359.28	
Credit Card	615.08	0	1037.9	1085.1	981.44	
Total Liabilities	\$85,638.78	\$83,540.49	\$83,095.18	\$81,659.17	\$80,072.30	

Note that Mary lists her income from all sources – therapy services provided, associate rent, and product sales, as well as her business and personal expenses. Mary learns that, on average she is financially short \$69.47 a month (\$833 a year). Mary now has the information she needs to make changes towards positive cash flow.

Also note that Mary has a complete and accurate financial picture of her assets and liabilities. When faced with a financial decision, Mary can make decisions based on sound information.

Your business must first be sustainable, then profitable

A business owner must ensure that the business remains sustainable – that is, it generates enough income through all its efforts to finance all business expenses incurred. It must also provide a draw for the owner, who relies on the business to cover her/his personal living expenses.

Ideally, the business should provide income in excess of the business operating expenses and owner's draw needed... The excess is called return on investment, or alternatively, profit. The return on investment (ROI) is a reward to the business owner/entrepreneur and reflects the hard work the owner has committed to growing the business. Growing a business is hard work, and there is risk incurred in seeing the business through the early lean years.

Let's look closely at the three areas the business needs to provide for to be sustainable and lucrative:

Business Expenses (BE)

Above all else, the business must meet its expenses. In the early years, a therapist may need to supplement their income with a second job or a spouse's income until he or she can build the therapy practice to the level of self-sufficiency. Alternatively, the therapist may need to dip into savings or take out loans initially until the business can provide for all business operating expenses incurred.

This is a critical point because if the business is not eventually covering all business expenses, the business owner will need to draw from savings or take on debt to sustain business operations. This is possible in the short run, but unsustainable for the long term.

Owner's Draw (OD)

The Owner's Draw is withdrawn from the business after all business expenses are paid. This is the amount of money the owner uses for personal living expenses such as mortgage/residential rent, utilities, food, home repairs/maintenance, car payments and maintenance, personal care, child care, recreation, entertainment, and income taxes.

In addition, the Owner's Draw is allotted for savings, investing for retirement, and tithing to church or favoured charities. I believe these last three considerations are very important because they can inspire the therapist to move beyond living "paycheque to paycheque" to reclaiming a sense of abundance.

Understandably savings, investment, and tithing may be the last things you're thinking about when you're just trying to meet the bills. The philosophy of attracting wealth is a whole different topic I hope to speak to in a future book. For now, though, I encourage you not to forget these three critical areas when budgeting for your Owner's Draw.

Return on Investment (ROI)

Return on Investment is the reward for creating a successful business. It's the gravy. It demonstrates that the business owner is cognizant of costs, actively eliminates waste, and provides excellent service at a fair value. It is excess money above expenses, which the business owner may use for several purposes.

ROI can be used as capital to expand the business, or can be allotted to a contingency fund should a catastrophe – major damage to the clinic, personal illness, loss of a key associate – occur. ROI also allows the business owner to buy other assets (investments) such as

securities, real estate or another business to increase their cash flow and quality of life. Let's look at an example of what income is needed to meet this therapist's financial goals:

Business Expenses (BE)	\$2500
Profit (ROI)	\$ 250
Owner's Draw (OD)	<u>\$2000</u>
Total Income Needed	\$4750

The business must generate \$4750 a month consistently to sustain its life, as well as provide a good quality of life for the owner.

As I mentioned, if the business does not meet its expenses – that is, is not sustainable - the owner will have to dip into their own savings (or take on debt) to make up the difference. If the business is not providing enough income, the business will not be sustainable for long.

Key point: The financial objective of the business is to cover business expenses (BE), owner's draw (OD), and Return on Investment (ROI). The business is not sustainable if it cannot consistently finance these three components.

Question: How much, on average, does it cost you to run your business each month?

When I ask this question in a seminar, few attendees will put up their hand. Many therapists are making financial decisions and writing agreements without knowing their monthly business expenses.

Knowing my business expenses is paramount to running my business effectively. How can I know if my business is sustaining itself? How do I know whether I can purchase that new electric treatment table? Where can I afford to go on vacation? What should I put aside for taxes? What should I charge as rent to an associate?

All these questions are unanswerable if I don't know my monthly business expenses. I am making decisions based only on opinion or speculation, rather than financial fact.

I emphatically make this statement to point out that many North Americans may be financially ignorant of their business and personal lives. I imagine that many of us struggle with this problem, and it may be a contributing cause to the alarming rates of personal debt announced frequently in the media.

Case Study – The Cost of Financial Ignorance

Sam had practiced for two years at a chiropractic office and had an impressive waiting list of two weeks in advance. Sam never paid attention to expenses...he simply handed his receipts over in a manila envelope to his accountant at year end.

Sam put professional development seminars on his credit card, along with many personal expenses. He ran a balance every month, not paying attention to the 19 % interest he was paying for the "privilege" of using his credit card. Sam figured "My practice is busy, I must be doing all right."

Sam decided he was paying too much rent to the chiropractor he was renting space from, so he gave notice that he would be moving to a new location across town. "I can make much more money in my own business...why should I pay someone else rent?"

Sam signed a 5-year lease, and took an equity loan against his house to finance the leasehold improvements, equipment, and marketing print materials. Sam even convinced several other local therapists to rent space from him on a straight percentage – no cap or base rate – agreement.

Sam soon found that many of his patients were not as loyal as he'd hoped, and most continued care with the new therapist at the chiropractic office. The associates renting space complained of inconsistent marketing and low business traffic. They soon left.

Sam realized too late that he didn't possess the necessary skills in business – marketing, accounting, communication, and management – to operate his enterprise. Sadly, Sam's inability to honestly look at his financial picture dug him a debt of \$20,000.

What are the symptoms of not being financially aware?

- Incurring debt to meet business or personal expenses
- Paying too much for products and services/not shopping around for competing products/prices
- Spending money on non-essential items (*Note: recreation and fun ARE essential items)
- Not tracking business and personal expenses
- Draining one's savings
- Not putting aside money for the end of one's work life
- Living from pay-cheque to pay-cheque
- As a clinic manager, not charging sufficient rent to cover the costs and risks of taking on associates
- As an associate, taking an agreement without analyzing other options

Contrary to the popular axiom, what you don't know *will* hurt you. Make a commitment to complete the first steps to Financial Intelligence, listed earlier in this chapter.

Do not put this off! Every day you remain unaware of your financial position is a step in the wrong direction. It moves you further from your long-term goals. Refuse to be in the position where you would ever say, "I don't know where it all goes."

The Greater the Enterprise, the More Financial Intelligence is Necessary!

Clinic Owners/Managers undervalue their businesses when they fail to collect enough rent from associates to cover business expenses. The manager complains that he pays much more to practice from his business than his associates do.

The manager mentions her personal debt has increased since buying or starting her business - causing her great concern. If you are a clinic manager who takes on associates, and do not charge sufficient rent for that opportunity, the effects of negative cash-flow are amplified, increasing your debt to non-recoverable levels quickly.

If you have associates, you need to calculate the associated cost and risk of creating a larger enterprise. Although some costs are scalable, other costs will rise in addition to your legal and financial obligations. How do you assess fair cost and risk to the associate?

One way is to calculate the cost of operating each clinic room – we'll call this "The Usage Model." Calculating your average monthly business operating costs and then dividing this amount by the number of available treatment rooms will give you your costs per treatment room.

Case Study – Mary Brings in an Associate

Mary is a full-time therapist who owns a massage therapy clinic with two treatment rooms. Mary decides to bring an associate into the practice to offer more service hours and diverse therapies to her practice patients.

Mary needs \$2500/month to cover the average monthly business expenses, and desires a 10% return on investment (ROI) of \$250/month. That's a total of \$2750 the business requires before Mary takes any money home for personal expenses.

There are two treatment rooms, both operative 5 days a week (20 days/month). The operating cost of each room per month is \$1375 (Business Expenses (BE) of \$2750/2 treatment rooms) or \$68.75 per day.

Usage Model illustrated:

BE - Business expenses	\$2750/month
Cost per treatment room (50% of BE)	\$1375/month

Each therapist is responsible for \$1375/month to cover all business expenses. Mary, as the clinic owner, would need to personally earn \$3875 per month (\$1375 for business expenses plus \$2500 for personal living expenses) to sustain the business and her self.

Second, and this is a key point, Mary must ensure she has solid associates in place to cover \$1375/month in business expenses. Otherwise, she personally will have to finance the business expenses of the whole clinic herself, greatly reducing take-home pay.

*Note: In this simple model, the business expenses stayed the same when an associate was introduced into the business. It is more common for expenses to increase when adding an associate, including extra signage and promotional materials, legal fees, increased linen and lubricant use, and possibly leasehold improvements to the second treatment room. Monitor expenses over time to determine what actual costs are incurred in bringing on an associate and schedule annual increases to associate rent as necessary.

“I can’t charge that much in rent!”

At this point during my Better Business Agreements seminar, the room often becomes quiet. Clinic owners/managers begin to realize what their businesses may actually be costing them too much money, yet they panic at the thought of asking associates to pay adequate rent as indicated by the “Usage Model”.

Many managers feel like they’re between a rock and a hard place. They believe that if they charge more rent to fairly meet costs, the associate will pack up and take their practice elsewhere. But, if they maintain the path they’re on, the clinic will go out of business.

What can the clinic owner do? There are several strategies available, and a few are outlined in the following pages.

Strategies for improving terms and maximizing returns

Maximize the utilization of your clinic. Most therapists treat four to six clients/patients a day. There is no reason to tie up a clinic room for the whole day to treat a limited number of patients — this is an inefficient use of resources. Also, with more information on therapist overuse injuries coming to light, we must examine how we are practicing if we want to improve our longevity in the profession. The clinic owner can split the clinic space day-usage into two shifts, each six or seven hours long. Two associates can operate from the same clinic room each day.

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
8 am –2 pm	8 am –2 pm	8 am –2 pm	8 am –2 pm	8 am –2 pm	8 am – 12 pm	
3 - 9 pm	3 - 9 pm	3 - 9 pm	3 - 9 pm	3 - 9 pm	1 - 5 pm	12 – 4 pm

The associate can schedule as many treatments as they desire, of whatever length they desire, within the allotted time-frame. They

may choose 15, 30, 45, 60, 90 or even 120 minute sessions. The associate decides how to maximize their time.

Therapists may appreciate working shorter hours and receiving more recovery time; while the clinic manager can apportion the daily business expenses of the clinic over two shifts. If the business enjoys high traffic, the clinic owner can run a very lucrative business, and associates can enjoy a very reasonable rent.

One caveat – develop into this model carefully. You don't want to bring on two or three associates at the same time if business traffic doesn't warrant it. Help your primary associate cultivate a practice for at least 6 months, then set your sights on cultivating the next associate, and then the next until all available shifts are filled.

Be transparent. When I became fully aware of my operating costs and had to convert my agreement from a complete percentage model to a flat rent, I realized that there might be some resistance. My associates questioned why I was asking for a higher rent. I knew I had to present the information honestly, transparently, and over time to win their agreement.

I carefully researched my costs and prepared charts to illustrate how the current model was unsustainable for the clinic. I met with the associates several times to address concerns openly. Eventually, the agreement was well accepted because I was transparent with my costs, and eager to listen to their concerns.

I encourage clinic managers to be open with their costs. Some managers hide these figures, afraid that the associate will be angry if the clinic is making a profit. Remember, *a business is supposed to make a profit*...that's how it survives to provide better service now and in the future.

That's not to say that you must lay out your receipts and business ledgers. Simply share with associates the average monthly costs of running your business - and don't forget to include your Return on Investment in the calculation! Then, outline the steps that need to be taken to reframe the terms to keep the business running.

Associates rely on the future of the business just as you do and will likely be very amenable in helping you ensure its survival.

Whatever your agreement is at this point, it is providing you with some in-coming cash. Even if the agreement is insufficient to meet full expenses, it gives you some cash flow to go with. Use the time now to examine your true financial costs and create a plan of how you will eventually create an agreement that is sustainable.

Stagger the rent for new associates. Sometimes, new associates will be apprehensive to commit to a flat rent arrangement initially. They worry about negative cash flow during the first year of building a practice on top of paying their school loans. If a potential associate appears diligent and capable, but finds a real barrier to making the rent, you can consider a staggered rent arrangement for the first year.

You can combine the percentage and flat rent models by setting a base rent – the minimum rent due each month regardless of associate’s income – and a cap rate. The cap rate is the same as the flat monthly rent figure arrived in your previous calculations. A percentage bridges the difference between the base rent and the cap rate. Let’s look at an example:

The new associate wishes to rent 5 shifts/week (20 shifts/month) from you. You calculate your business expenses per shift at \$50/shift, or \$1000 per month. Here’s how you could stagger the rent.

Base rate: \$350/month for the first 6 months.

The base rate rises to \$700 in the latter six months of the first year.

Percentage: 40% to the clinic or the base rate, whichever is greater.

Cap rate: \$1000 per month

Staggered rent converts to flat rent at one year: \$1000 per month

This means the associate pays \$350/month, regardless of her or his receivables, or 40% of her or his income (whichever is higher) in rent. The base rate ensures at least some income comes into the

clinic to offset operational expenses. If the clinic manager does a good job helping the associate fill their appointment book quickly, the clinic manager benefits from a higher rent approaching the cap.

If the associate does well, they are rewarded with the income they make above the cap. In this case, the associate keeps any income they earn above \$2500 (40% of \$1000 cap) free and clear. The base rate increases in six months to increase accountability on the associate's part to build their business. At one year, the agreement converts to a flat rent for the rest of the associate's tenure.

This agreement is less desirable for the clinic owner than a flat rent because the rent initially may not fully cover the expenses of operation. However, this concession may pay off as an investment in a strong candidate who later becomes a real asset to the clinic.

Key Point: You can improve your business cash-flow by maximizing the utilization of your clinic with shifts, being transparent with associates on expenses, and staggering the rent for new associates using a combination base/cap and percentage rent model.

The Litmus Test

A Litmus test is a water-soluble dye extracted from certain lichens and absorbed on to filter paper. The resulting piece of paper becomes a pH indicator used to test materials for acidity. The “Litmus test” is often used metaphorically to help a person make a decision: “Given the information I know about A or B, what decision will I make?”

Remember that your financial objective in business is to cover your business expenses (BE), owner’s draw (OD), and return on investment (ROI) with earnings from your business. Until the business provides for these expenses, you may have to dip into savings or take on debt to get the business to a sustainable place.

However, the business cannot continue with negative cashflow, and must become sustainable before your resources run out. I recommend that if you are going to take on the risk of operating a larger business as a clinic owner, you should be paid for it.

Here’s the Litmus test for your business: “Does it cost me more to associate in my own business than it would cost me to take an associate position in another clinic?” If it does, and your situation will not improve over the next few years, you may wish to reconsider being in business for yourself.

There are many reasons to be in business – autonomy, creative pursuit, convenience, flexibility, learning new skills, and acquiring new experiences...all in addition to earning a living. These reasons are important, but should be considered in conjunction with the Litmus test.

Key point: At least once a year in your business, take the Litmus test.

In my opinion, straight percentages and collective partnerships don't work

Massage therapy agreements are often designed as a straight percentage of income, resembling a commission model. However, I think percentage agreements are problematic.

If the associate is paying rent based on a percentage of earnings, then the income earmarked for business expenses can vary widely from month to month.

In the example below, we require \$1375 per treatment room/month to meet business expenses. If this was a commonly used 60/40 percentage agreement (that is, 60 % to the therapist, 40% to the clinic), then the associate would need to consistently earn about \$3440 per month to pay out \$1375 to cover expenses. This equates to fifty-three treatments per month if the fees for service are \$65 per hour.

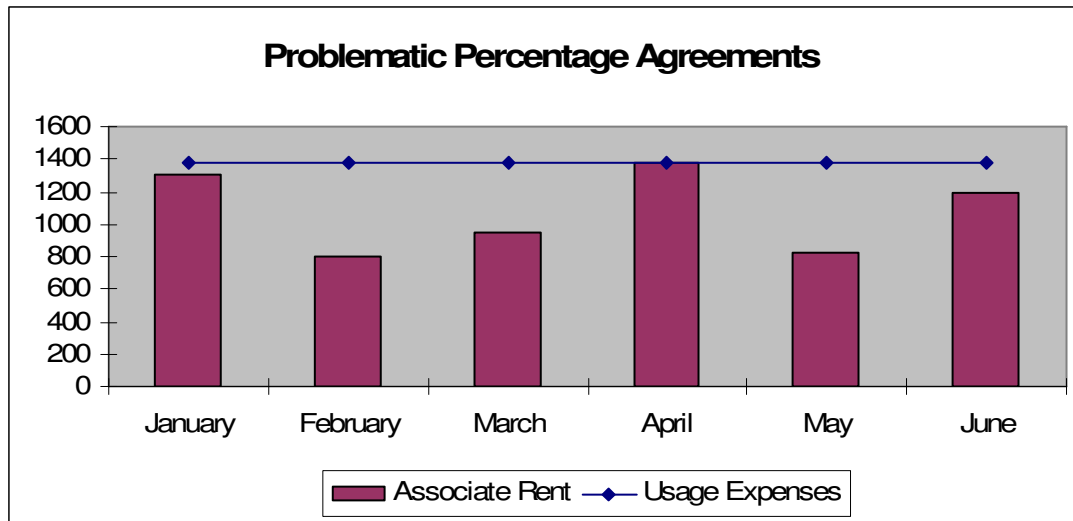
If the associate maintains gross earnings of \$3440 per month, all is well. But what if they have a slow week? What if they go on vacation for two weeks? If the associate is on a straight percentage agreement, the business is vulnerable to fluctuating income.

As the clinic owner it's important to grasp the concept that with a percentage agreement, whenever the associate does not work at adequate capacity to meet expenses, the clinic owner has to dip into his or her own pocket to make up the difference.

The owner is, in essence, left with the entire risk of the associate's success in covering the assigned business expenses each month!

Notice in the illustration on the next page how variant the rent amount paid to the clinic becomes. In all months except for one, the clinic does not receive adequate income to cover the expenses associated with utilization by the associate. The result is that the business owner must cover the shortfall with her or his own money,

or by incurring debt. This is, of course, not sustainable, nor desirable.



Some therapists who associate in a clinic may argue that they should only pay for expenses they incur, and the days they are in the clinic. In a percentage agreement, the therapist and the business get a determined portion of the income from work produced by the associate. But what if the production is inadequate to cover costs?

Consider this analogy. I am going on vacation and won't be home for two weeks. Can I call the mortgage company and ask them to suspend my mortgage for two weeks because I won't be using my house? Can I call the phone, hydro, and gas companies and ask for a reduction because I'm not using the service for two weeks? Can I ask the municipal government to scale back my property taxes for two weeks? No...I incur these expenses regardless if I'm home or not.

On the flip side, a complaint I've heard from therapists who associate is that when they're really busy, they are paying a lot of rent because there is no cap. They're grateful for the opportunity of lower rent early on, but they really pay for it later.

Straight percentage agreements can be useful, but also have many disadvantages. I encourage you to weigh these points carefully when considering a business agreement.

Key point: Make sure you know the average business expenses of your business before you determine your agreement. In my opinion, straight percentage agreements have some benefits, but have unacceptable disadvantages.

Another argument is for all the therapists in the clinic to simply divide the costs equally, as a collective partnership. This is fine if all associates are true partners and share the potential for profit as well as risk of loss. The partners divvy the costs and responsibilities for marketing, administration and reception, and other associated business expenses.

Partnerships can be problematic when there are “too many chiefs and not enough warriors.” Imagine for a moment, a clinic owner who agrees to equally divide the expenses for clinic operation between her or himself and three associates. If two associates leave, the owner and the remaining associate must now double their rent (and their clinic responsibilities) to cover the expenses until they can find two more “partners.” Are all “partners” willing to bear the risk of loss as the clinic owner must? If not, don’t make them a partner!

Remember, as a clinic manager if you’re going to bear the operating expenses and risk of loss, you should be paid for it. Ensure that your business fairly covers business expenses, an owner’s draw for your living expenses, and a reasonable ROI.

Key point: If you’re going to take on risk, you should be paid for it.

Regarding the fear that associates will seek greener pastures; I recommend you examine that perception. If you have an established clinic with solid business systems, you have a valuable asset. Associates will jockey for the opportunity to be at your clinic. You

can learn how to improve the attractiveness of your business in the next few chapters, but suffice it to say that I've found there are plenty of associates looking for a good clinic to associate with.

During associate interviews, I openly disclose what it costs to run my clinic every month, and let the associate know their full responsibility in sharing the financial load. In setting up expectations in advance, I am less likely to encounter problems with the associate later on.

If your business has high value – a well-established reputation, location and business systems – you will have better candidates to choose from.

Intuition versus Doing the Math

I regularly ask clinic owners, "How did you arrive at the financial terms for your agreement?" They typically respond with, "It seemed fair," or "It felt right".

The clinic owner often bases the terms of the agreement on their intuitive sense of fairness. We all have a values-based barometer; a guide to help us determine what we perceive as right and wrong. This barometer reflects our deep-seated beliefs. Beliefs are powerful – whether social, cultural, or experiential – and can dictate the way we see the world.

I have heard associating therapists describe a situation in which they felt they were paying too much rent. Their belief becomes, "I'm being taken advantage of. I'd have more money in my pocket if I opened my own clinic." Alternatively, I have listened to clinic owners describe that they know they're bearing most of the risk and financial burden for the clinic. However, they believe "If I take a more sustainable agreement to my associates, they'll leave and take all the business with them. I can't raise the rent!"

In both cases, these therapists base their agreements (or find great difficulty in coming to an agreement) because of their beliefs.

This is what I did in my career as a therapist, then later as a clinic owner. As I outlined in the introduction, I paid handily for beliefs that I formed based on inaccurate perceptions. Not until I changed my beliefs to reflect the reality of my business costs and lack of business experience did I end my dilemma.

Beliefs can skew the way we see the issue. The frustration and resentment therapists experience may in part be due to relying on their opinions, and not the facts, to create their agreements. While intuition is an important faculty to the therapist in providing care, they should not subjugate the need to “do the math” when it comes to forming a contractual agreement.

Key point: Make sure your agreement is based on financial facts...not opinions.

Looking to Associate? Assess Your Options!

If you’re looking to associate in a practice, there are ways to build your Financial Intelligence as well. The greater your Financial Intelligence, the more leverage you will have in negotiating an agreement.

You can strengthen your financial intelligence by weighing other opportunities and researching what it would cost to run your own business. Meet with a real estate agent to find out the costs of leasing in the area you’re looking to practice. You can find commercial real estate rentals and landlord/tenant information on the Internet to better prepare you. There is a checklist for how to create a good office lease in Richard D. Harroch’s book *Business Contracts Kit for Dummies*.⁴ This is a great book, which I will refer to again later. Locate it at <http://www.dummies.com/WileyCDA>

⁴ Harroch, Richard D: Business Contracts Kit for Dummies. Wiley Publishing Inc. 909 Third Avenue, New York, NY 10022. Year 2000

You'll then need to factor in services already provided in the established clinic – equipment, utilities, phone line and reception, established location, and marketing.

There is often great advantage to associating in a clinic including the opportunity to improve your technical skills, observe operational systems of an established business, receive "run-off" from the busier therapists, and hone your communication skills to effectively attract and retain more business. In addition, financing start-up costs and living expenses until the business is established can be prohibitive to the new therapist. By associating in a business, you can moderate the initial costs while receiving a great business education in an established clinic.

If you do decide to go straight to opening your own business, be sure to figure into your start-up costs any renovations, security down payments on utilities, first and last-month's lease, equipment (treatment table, cushions), linen and lubricants, furniture, reception, and a high amount of marketing to establish your new location. You should be prepared with some equity on hand to ride the times of scarcity until you get established.

Caveat: Do not under-estimate the value of the established business. An established business has far more opportunity and momentum for cash flow than a new start-up company. You will have to work for some time to achieve the same status. There's a good reason why 4 out of 5 new business start-ups fail within the first five years...the owners may lack cash flow and/or have an over-estimated sense of success in the early years.

If your plan is to associate and you've calculated what it would cost to start your business from scratch, I recommend you seek interviews at a number of work sites to see what they offer. Take the interviews as a learning process – learn about the current work environment in the area, financial terms, and provisions offered.

I encourage you not to simply settle for your first offer, but carefully research and gain as much perspective as possible into all your options. It is very time and money intensive to build a practice, so you want to be as sure as possible in your chosen location before you make the investment.

It may be helpful to identify a few “must-haves” of your ideal practice and use a point system to determine which of the opportunities you’ve interviewed with rank highest for you. Factors such as established location and reputation; other practitioners in the clinic; potential for referrals; financial terms; potential for growth; integrity of the agreement; and proximity to other amenities like grocery stores, child care, or fitness club (important if you have small children and/or are time-strapped!) can be measured for each opportunity.

Assign a rating of one (poor) to five (excellent) for each factor and then analyze the ratings for each opportunity you’ve identified. This should bring your first and second choices to the forefront. This exercise can be powerful because it removes the emotion of the moment and forces the therapist to carefully weigh the factors that are most important to them, and which opportunities to associate are the greatest.

Key Point: As an associate, do your homework first so you are in a better position to make a decision when the offer comes in.
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Does Your Accountant Add Up?

I’ve learned something about hiring professionals: Professionals may not be as proactive or as experienced as a business owner needs them to be. Incidentally, I believe that handing over your business or personal accounts to a professional, whether it’s an accountant, lawyer, or financial planner without first building some knowledge of these subjects yourself is risky. These professionals can only help you to the extent of their expertise and the quality of your questions so ensure you research your subject matter before going to see them.

I recommend that you first decide what you want to know and what you want to track in your business. Then, find an accountant who not only can do your tax returns, but who is also proactive in helping you make your business sustainable and successful. Preview the article “How to Find a Good Accountant” at Allbusiness.com

There are other aspects of Financial Intelligence you may wish to explore including more critical financial measurements for clinic owners, leveraging one’s resources effectively, healing one’s relationship with money, and creating other streams of income. These topics are covered in my other seminars and programs.

For now, get very comfortable with looking at your monthly numbers. The more you develop your Financial Intelligence, the greater will be your capacity to generate a solid business agreement.

Note: Chapters 4 and 5 (building professional intelligence, building legal intelligence) and an actual agreement working copy are provided in the full version of this book.

Agreement Checklist and Example of an Agreement / Contract

AGREEMENT CHECKLIST

All agreements and contracts contain a number of distinct parts. The following 'checklist' addresses each part and lists some of the items you may wish to consider in negotiating and drafting your agreement. A sample agreement implementing these clauses can be found on the following pages.

- Part 1. Introduction** – The commencement of an agreement should include the date of the signing or the date on which the agreement becomes effective.
- Part 2. Parties** – This is where you list the participants in the agreement by way of their legal names. There is usually a brief description of each so that the parties can be readily identified. You could also include the addresses of the parties.
- Part 3. Preamble** – This is where you set out the background and general purpose of the agreement. These recitals normally begin with the word 'Whereas'.
- Part 4. Body of the Agreement** – This is where you set out the terms of the agreement. These terms should be clearly set out in numbered paragraphs and ordinarily there should be a new paragraph for each separate term. The following are some of the terms you may wish to consider:
- (a) Position and Title
 - (b) Cancellation or Incorporation of any Prior Agreement
 - (c) Duties and Responsibilities
 - (d) Term or Length of the Agreement
 - (e) Probationary Period

- (f) Compensation and Other Legal Consideration
- (g) Performance Reviews
- (h) Insurance
- (i) Termination of Contract
- (j) Confidential Information and Trade Secrets
- (k) Non Competition / Non Solicitation
- (l) Dispute Resolution / Arbitration Provision
- (m) Amendment of Contract
- (n) Choice of Legal Jurisdiction
- (o) Whether Some Parts of Contract are to be Continued after End of Term

Part 5 Attestation Clause – This is where you include the date if it is not included in the Commencement of the agreement.

Part 6 Signatures – This is where the Parties actually sign or execute the agreement. Affixing a seal is more than a decorative gesture and should usually be affixed after the signature. The signature of an individual is usually witnessed, but not the signature on behalf of a limited company under corporate seal which is not ordinarily witnessed.

(Principal Source - O'Brien's Encyclopedia of Forms, Canada Law Book Company, Various editions.)

Following is a services contract example where the associate procures services in exchange for a monthly rental.

Caveat: the following is an example for the purpose of illustration. You should meet with your lawyer to determine what type of contract would best suit your needs.

Massage Therapy Clinic Services Contract

THIS AGREEMENT made in duplicate as of the _____ day of _____, 200__

Between: _____ (hereafter called **Associate**)

And _____ (hereafter called **Facility**)

WHEREAS the Associate and the Facility are seeking to enter into an agreement for the purposes of providing massage services at the following address

WHEREAS, the Associate finds that the Facility is willing to perform certain work hereinafter described in accordance with the provisions of this Agreement; and

WHEREAS, the Associate finds that the Facility is qualified to perform the work, all relevant factors considered, and that such performance will be in furtherance of Associate's business.

(full copy available in printed book)

Closing Remarks

In this book, I've attempted to address two fundamental problems I perceive to exist in the massage therapy profession:

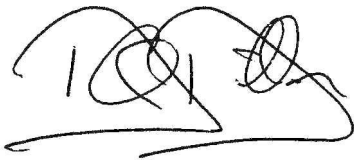
1. How to design better business agreements
2. Recognizing the value of one's contributions as an associate or as a clinic manager.

My hope is that this book will contribute to a reduction of frustration in clinic manager and associate negotiations. I also hope this book will generate a great deal of dialogue about what is an important, but often uncomfortable and avoided subject – how to create a fair, sustainable and mutually beneficial business agreement.

As such, the book may invite both praise and criticism. I truly look forward to both.

I'd love to hear what you think. You can contact me via my website at www.MTCoach.com.

All the best,

A handwritten signature in black ink, appearing to read 'Dillon', with a horizontal line underneath.

About the Author



Donald Quinn Dillon, R.M.T. has contributed over 50 articles to various massage therapy periodicals in both Canada and the U.S, including *Massage Therapy Canada* the OMTA's *Body Politic* and *Massage Therapy Today*, and the *American Massage Therapy Journal*.

Don has assisted the Investigations and Complaints committee of the College of Massage Therapists of Ontario (CMTO) in cases involving record-keeping. He has also served as a case assessor for auto-insurance cases for the Designated Assessment Centre (DAC) in Niagara for three years.

Within the last year, Don has presented to the Massage Therapist Association of Alberta (MTAA), the Association of Massage Therapists and Wholistic Practitioners (AMTWP) and the Massage Therapist Association of Saskatchewan (MTAS). Don has been a three-time presenter at the Ontario Massage Therapist Association's (OMTA) Hands Together conference.

Don received the OMTA's President's Award of Merit in 2000, and the Hand of Thanks Award in 2002. He served on the OMTA board from 1993 to 1997. During this time, he represented the OMTA in the auto insurance fee negotiations, and drafted the original OMTA brochures targeted to auto insurance adjusters and health care professionals.

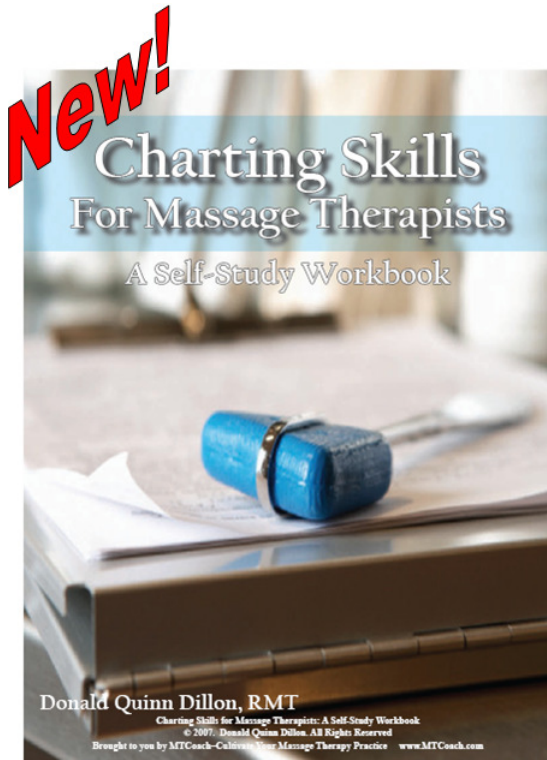
Don began his practice in 1991. He has worked in chiropractic, spa, and medical clinic environments before opening his own clinic in St. Catharines, Ontario. His primary focus is treating chronic biomechanical problems, and employs three associates with diverse skills to round out the clinic's service offerings.

Don lives in the Niagara region of Ontario with his wife Cheryl and their children Gabriel and Noah.

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