

The Dental Transition

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Retire On Your Own Terms

What does the end of your career look like to you? So much focus is placed on ramping up a dental career – purchasing a practice, growing a patient base, creating a team of employees – but surprisingly, it's scarce to find guidance on how to wind down a dental career.

It's important that you make this decision on your own terms, and the best way to do that is to be well-informed of all your options and plan EARLY. Taking control of this decision and facing it head-on is a kindness to your family and staff and will be a stress-reliever for you.

While there's no definitive "right way" or "wrong way" to do it, there are some undeniable truths to the situation: someday, you will cease to practice dentistry, and someday your practice will be sold. What you get to decide is the HOW and WHEN of these truths.

Making a plan for the future of your practice can be overwhelming. Particularly if you're still enjoying practicing dentistry and don't see the immediate value in spending time on this plan.

Recent ADA statistics suggest that for dentists, 70 is the new 65 – which sounds like great news at first

blush, but one has to wonder whether these dentists are continuing to work past retirement age by choice, financial necessity, or just simple fear and hesitation. We all know we're not guaranteed tomorrow. As we think

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about the final years of our practices, we know we should have a plan, yet many dentists delay these tough decisions until it's too late. Leaving these plans unmade is effectively kicking the can down the road, forcing your family to make them for you.

We've all seen the sad situation of the dentist who died or becomes disabled while practicing. The practice loses value immediately and increasingly with each successive month.

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PRACTICE SALES + APPRAISALS + TRANSITION CONSULTING + ASSOCIATE PLACEMENT

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 Practice Impact

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We've watched as the grieving family is forced to make difficult decisions about what to do with the practice, with no idea where to start or who to call.

There may be some lucky dentists who are financially secure in retirement without the sale of a practice. They can retire without reducing their standard of living or just keep working until they are finally ready to just close the practice.

No matter what path you choose for the future of your practice, it's important that YOU be the one to make the decision. Allow us to help you take control of the situation and face the end of your career on your own terms.

What's important is for this to be a conscious decision shared with your loved ones well in advance of an unexpected tragedy. In this situation, one of the best kindnesses you can do for your family is to inform them about your future plans for your dental practice.

Screen Your Potential Buyer

The process of selling your practice can be straightforward and easy, or convoluted and difficult, and everything in between. To compare this process to the process of performing a dental procedure is relevant. While performing a dental procedure, you follow the proven steps that have worked for many years in order to get a positive result. When selling your practice, you should take the same approach. Valuing the practice by a qualified practice broker is a great place to start. But once the asking price is determined, you need to target and locate the best buyer, in order to obtain the best outcome. Of course, chemistry and compatibility with the potential buyer will give you the emotional satisfaction that you have found the right buyer. But what is equally important are business characteristics of the potential buyer that make him/her a viable candidate.

We've seen many families expect value from the sale of practices that are essentially worthless after the loss of an aging dentist who had no transition plan. Communicate to your family your plans to continue working and don't mislead them into thinking that your practice will have any value in the event of your incapacity or death while practicing. The best way to accomplish this would be by signing a "Letter of Direction" with a reputable broker like Practice Impact and making sure your family has access to it. This will remove any uncertainty and allow them to avoid the difficult decision of what to do.

For those of you who do not have the option of simply closing your practices and walking away without receiving any value from your years of work, a timely sale of the practice is an ideal solution. Making a thoughtful exit plan with the help of an experienced practice broker is quite important if a dentist wants or needs to realize the value of a practice.

No matter what path you choose for the future of your practice, it's important that YOU be the one to make the decision. Allow us to help you take control of the situation and face the end of your career on your own terms.

In today's data-driven world, this is an attainable goal. Here are the characteristics to look for from a business standpoint when searching for a qualified buyer.

EXPERIENCE

Typically, we like to see at least two years of working experience as an associate for our general dentist buyers. The lenders that are financing these sales look for this as well. A dentist who recently graduated from dental school or recently completed a residency does not yet have the knowledge and speed to adequately take on his or her own dental practice. There are exceptions, but this is the basic rule.

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ABILITY TO PRODUCE

The variety of dental practices' gross revenues on the market for sale can range from \$100,000 in one year's gross revenue to \$10,000,000. It is advisable to match your practice with a buyer who can take on and produce the kind of numbers you are producing. A buyer who has been out of dental school for 10 years and is only producing \$200,000-\$300,000 annually should not be taking on a practice with an annual gross income of \$1,000,000 or more. That buyer will most likely not be able to produce what that seller is producing, and potential lenders won't be willing to lend the appropriate amounts of money for such a purchase.

Is your practice a "bread and butter" general dental practice or are you performing all your own endodontic and oral surgery procedures? Are you pulling impacted wisdom teeth? Are you placing multiple implants and doing many Invisalign cases? If your buyer doesn't perform these procedures, they will fail at this endeavor which will be detrimental. They should only be looking at practices which are within their own scope of skills.

FINANCIAL

The buyer of your dental practice should have:

Good Credit – The first action a lender will perform is to pull up the applicant's credit history. If the credit is sub-par the bank may pass on the loan application immediately.

Earnings as an Associate – Your buyer should have at least a two-year record of solid production and earnings at their job as an associate. This is a key metric that lenders use to predict future success in being a practice owner.

Cash on Hand – Many lenders want to see that an applicant has 2-4 months of cash on hand for both the purchase and their personal expenses. If the economic environment becomes difficult, they want to see that the buyer can ride it out.

Reasonable Debt Levels – Most lenders are not concerned about an applicant's student loans. But they are concerned about large mortgages, bank debt, and excessive credit card debt. They see these items as red flags.

We once had a young potential buyer come to our office to talk about dental practices for sale. He drove up to the office in a brand-new leased Mercedes. Once we sat down and started talking about his financial status, he told us that he recently graduated from dental school and had zero assets (no funds) and \$300,000 in student loans. His auto lease payments were astronomical. Did he really need to lease a Mercedes to drastically increase his overhead just days out of dental school? Not advisable.

WINDOW SHOPPERS

In the era of the internet, window shoppers have upped their game. They can now look at more practices, decide to pass, and move on to the next. The same goes for practice sales. Our company has had several potential buyers that see listings on our website and then want to visit the practices. In most cases that is great news. But some of these buyers have been looking for years and years. They seem to be looking for a practice that doesn't exist. Will they ever make a purchase? Doubtful. Our ability to track and filter out these "lookers" can save you considerable time in the sales process.

NON-DISCLOSURE

All potential buyers should sign a non-disclosure (NDA, confidentiality agreement) before you give out your financial data and other pertinent information about your practice. Truthfully, this should be signed before even your identity is given out. You want to make sure potential buyers are not spreading the word in your community that the practice is for sale. Rumors as such can cause undo harm and might even cue patients to start looking for a new dentist. Also, you don't want your office staff to find out you are selling your practice. This news may cause them to start looking for a new job. At a minimum, it will make your staff anxious about their futures. In a worst-case scenario, the staff could leave and not be around for the transition. In another worst-case scenario, a potential buyer could steal your staff and take them to another practice. In the post COVID era, good staff has become very difficult to find. Have your potential buyers sign an NDA.

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The good news is that these important screening measures can be easily accomplished. Doing it yourself can be difficult and awkward. But using a qualified dental practice broker makes this an easy standard process. The broker has the same goal as you do, which is to make a successful sale and not waste time with unsuitable prospects.

Give us a call today so we can set up a free transition consultation to discuss the best options for you and your practice.

**Contact us TODAY to schedule
a free consultation!**



HAPPY NEW YEAR!

From the entire team at Practice Impact!

We look forward to helping you achieve your Practice Transition goals in 2023 and beyond! Contact us and let us know how we can help!