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**The uneven economic recovery we're experiencing**--and the changing demographics and approach to dentistry by today's younger dentists--is altering the market for practice opportunities.

Over the past decade, it was predicted that dental practice values would drop as large numbers of baby boomers approached retirement and fewer dentists would enter the market due to the closure of some dental schools.

**More women were also becoming dentists**, and the theory was that many would work as part time associates in order to fulfill family responsibilities. In actuality, the economy has gone through several boom-bust cycles, which has made it difficult for many baby boomers to establish healthy retirement savings. While the market has come back for many well invested dentists, others have not been as fortunate. As a result, more dentists are finding that they have insufficient savings to retire by their mid-60s. And some who are financially able to retire are still feeling insecure because of continuing economic uncertainty. The result is that dentists in both camps are putting off retirement.

**This scenario is changing** the traditional notion of the "walk away practice sale", where a practitioner sells a full time practice and leaves after a short transition period. We are finding fewer of these transitions occurring, unless it's due to disability or relocation. As a result, younger dentists working as associates are finding fewer practice and/or partnership opportunities.

**Plus, many are earning less income** than expected because the practices where they work as associates have been

attracting fewer patients in this economy and practice owners tend to book themselves fully first.

**Another significant development** is that more dentists now own more than one practice, and they are hiring associates to work with little or no prospect of having the opportunity to purchase equity in the practice. Additionally, today's young dentist is as likely to be a woman as a man, and more women are becoming primary wage earners, seeking the same practice opportunities as their male colleagues.

**In the past few years**, the sale of part-time offices has become more common, as older dentists work longer either for financial reasons or to continue practicing as a hobby. Some dentists who own more than one part-time practice are choosing to sell their lower performing one. Many practice transition opportunities today are part-time practices grossing under \$400K, with older facilities in need of renovation. This is because the late-career dentist is finding it harder to attract new patients to maintain full-time income and it's more difficult to raise fees as well. Many dentists now resort to participating in insurance plans with lower fees to gain new patients. They often need to do more production to stay even financially.

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*continued*

**NEXT PAGE: OPTIONS FOR A NEW ECONOMY**



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**Martin and Risè Mattler** are principals of Countrywide Practice Brokerage, a full service practice sales and appraisal firm headquartered in Manhattan.

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Yet, **late career dentists who are clear about their goals** can still maximize their practice equity while continuing to work and providing a good opportunity with a future for a young practitioner. Full-time practitioners usually have more options. One strategy is to structure a buy-in/buy-out with a younger dentist. In this scenario, the senior dentist sells half the practice today, with the other half purchased three to five years in the future. The owner typically continues to practice either as a partner or an employee with a work contract. Obviously, this works best when there is sufficient production to book the younger dentist fully, with work still left to be done by the senior dentist.

**Part-time practitioners who** are seeking more personal time and don't want to invest in upgrading their facilities find that merging their practice with a nearby dentist's facility allows them to take the equity out of their practice while continuing to work a few days a week.

**Younger dentists looking to establish** a first-time practice may need to modify their expectations in today's environment. Several options are available

to create a win-win situation. One is the aforementioned buy-in/buy-out over a multi-year period. Or, the younger practitioner can purchase the practice outright and retain the current owner on a part-time basis, provided there is enough income and patient load for two dentists.

**It's also fine to buy a part-time practice that needs updating** provided it has a good patient base relative to the income generated. This is often attractive to young dentists willing to make a moderate investment and build up the practice over several years. A fourth option is to expand the geographic area you'll consider in order to find more practice opportunities. A reasonable approach is to consider a 75 mile radius of where you're willing to practice. This can open up many more opportunities.

**The good news** is that financing for practice purchases is still available at attractive rates and terms. To qualify, you need to have good credit and be able to demonstrate that you can produce the volume of the practice you'd like to purchase. In addition, the bank wants assurance that you will be making sufficient profit to maintain your lifestyle while paying back the loan.

So, while today's environment for practice transitions is more challenging than in the recent past, **there are still lots of opportunities for those dentists who think creatively about their options** and then pursue the one that makes the most sense for their future.