

Preparing Your Practice for Sale



Visit Countrywide on the web at www.ddsbrokers.com for more valuable information and exclusive practice listings.

Copyright ©
Countrywide Practice Brokerage, Inc.

Contact us

1.800.222.7848
1.877.269.1291 fax

www.ddsbrokers.com
info@ddsbrokers.com

319 E. 24th Street
Suite 23-G
New York, NY 10010

11 Cottontail Road
Greenwich, CT 06807

PREPARING YOUR PRACTICE FOR SALE

By Risë and Martin Mattler

WHY

Why is planning ahead a smart thing to do?

Deciding on the best time to sell an established practice is a lifestyle and financial decision that only you can make. From a planning standpoint, however, the optimal strategy is to strive to time the sale of your practice to achieve the maximum financial gain possible. A practice that enjoys high production and profits, a solid patient base and dependable staff is at its most valuable point in the marketplace.

WHEN

When should I start planning for the transition of my practice?

We recommend that you start planning at least two years before you wish to be phased out of your practice. In our experience a typical general dentistry practice can take four to nine months to sell from the time it's advertised for sale. Once you decide you want to wind down, you'll need to decide whether to cut back your hours for a few years and then sell, or put your practice on the market right away. Cutting back your hours from full to part time often will reduce the value of your practice to a prospective buyer. Putting your practice up for sale or establishing a phased buy-out while it is at its most profitable may be a better option for you.

HOW

How do I go about preparing my practice for sale?

The first step is to establish a realistic financial timetable for this transition. You'll need to know that you can provide for your financial needs once you no longer have income (or reduced income using a phased buy-out option) from your practice. If you already have a financial planner, this professional should be implementing an investment strategy to help you prepare for retirement. If you don't have a planner, we recommend hiring one. The time and money spent to retain an investment professional are well worth the effort.

When you meet initially with your planner, he or she will ask you a number of questions, like: how much money do you spend now to support your lifestyle, how much will be needed in future years, what sources of income do you have, etc. A clear understanding of your current and future financial needs will reduce your anxiety and help you determine when you will be in the best position to sell your practice. While the proceeds of the sale of your practice should supplement your retirement income, generally these monies are not sufficient to be the major source for your retirement years. In many cases, the proceeds of a practice sale will have less value than your investment and real estate portfolio.

continued

Preparing Your Practice for Sale

Sign Up for our Free Email Newsletter

Visit Countrywide on the web at www.ddsbrokers.com where you can sign up for **free** and informative email newsletters.

For questions or to learn more, call Countrywide at 800.222.7848.

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

Copyright ©
Countrywide Practice Brokerage, Inc.

Contact us

1.800.222.7848
1.877.269.1291 fax

www.ddsbrokers.com
info@ddsbrokers.com

319 E. 24th Street
Suite 23-G
New York, NY 10010

11 Cottontail Road
Greenwich, CT 06807

HOW (cont'd.)

Once you have determined your financial needs, you may find that you have a few winding down options to consider. Depending on your income needs, you may opt to sell a portion of your practice now to an associate, with a full buy-out structured over a two to five-year period. This option is especially applicable to dentists earning \$500,000 or more from their practice. A buy-in/buy-out is attractive if you have sufficient practice profits to support two dentists and don't want to retire yet, but would like to work fewer days, maintain a certain level of income and keep the equity value of your practice for a while longer.

The next step in preparing for the sale of your practice is to start gathering the information you will need to describe the key attributes of your practice. A prospective buyer has a right to know how you earn your income, the types and volume of procedures you do and the fees received, the number of active patients in the practice, and other pertinent information that will substantiate the value of your practice. The easiest way to gather this information is through your office computer system. Your dental software should generate the reports that will be needed. If you don't have a computer, you will need to gather this information manually, starting with the current year and going back to the prior year.

If you're planning to sell your practice within 18 months, a practice appraisal can also be useful. A professional appraisal is key to determining the fair market value

of the practice being sold and will be a marketing tool for explaining the benefits of your practice. The appraisal should include, but not be limited to, information about the patient base, fee structure, and expected profits a doctor will receive upon purchasing your practice. Of obvious importance to a prospective purchaser will be a plan for the orderly transfer of these benefits to him or her.

We are often asked whether to invest in your practice in preparation for selling it. Generally, we don't recommend making any substantial leasehold improvements or buying new equipment or fixtures strictly for the purpose of increasing practice value. That's because these assets are likely to be highly depreciated by the purchasing dentist. We do advise our clients to maintain their physical plant and equipment in good working order. If the office appears tired and worn, you may want to make some cosmetic improvements that are not that costly, like painting, reupholstering waiting room chairs, and installing new rugs in public areas.

In sum, if you think you'll be selling your practice in the near future, ensure its ongoing attractiveness by keeping production and profits high, maintaining a solid, active patient base and continuing to attract new patients. By keeping your practice on solid footing and gathering the facts and alternatives in front of you, you'll be in a position to make an informed decision on when and how to move ahead.