

Are You Ready? A Guide for Buyers

You graduated dental school five years ago and have been working in different practices since graduation. You have worked in private fee-for-service practices, practices with PPO programs, and in HMO practices seeing lots of patients every day.

Now you have decided you are ready to go it on your own, be your own boss, and own and operate your own practice. So now what?

This article will give you a guide to the issues you need to consider and some of the steps you need to take before you take the plunge.

What Type of Practice Do You Want? Now that you have had exposure to different types of practices, what do you want? You need to decide if you want a fee-for-service practice, where maybe you see fewer patients and do more comprehensive treatment. Many dentists want this type of practice, but they are harder to find these days you need to look closely at Practices with PPO programs as you could be doing dentistry at a 20-50% discount or more, depending on the plans in the practice. And, if you like fast pace, the HMO practice pays a flat fee for seeing a designated group of patients plus a co-payment. You need to understand how these types of practices work before buying one.

What Clinical Skills Do you Possess? Dentistry is more complex today than it was thirty years ago. Dentists today provide cosmetic services and do veneers and smile design for their patients which requires additional training from what they received in school. Many general dentists restore implants as part of their practice. Do you work with Invisaline? These are questions you need to consider when looking for a practice. What type of work do you want to do? When you look at a practice, be sure to look at the production report from the office dental software system which should provide you with a production summary of procedures by ADA code, you can see how many PFM crowns, composite restorations, endodontic procedures, etc. were done by the office. For example, you might have endodontic training, and if the seller did not perform root canal therapy, you could expand the practice almost immediately.

Do you Want a Big Practice or a Small Practice? This is a question buyers often ask us. If you buy a bigger practice, you will already have the income you are looking for, but the payment will be larger. A smaller practice does not provide the income at the beginning, but you can grow it, and for a smaller investment, get to where the bigger practice is in a year or two. We generally suggest a smaller practice that costs less is easier to qualify for and allows you to grow. A lot depends on your income needs. If you need to support a spouse, children, and a mortgage, you might need a large practice just to pay your bills. For example, if you need net income before taxes of \$150,000, you would need a practice grossing about \$600,000-700,000 to pay the overhead, make the loan payment, and net for you the \$150,000 you need. On the other hand, if you need say \$80,000 per year (maybe you are single and rent an apartment with roommates)

you can afford to buy a smaller practice, maybe one producing \$300,000-400,000 per year and still pay your bills.

Make Sure you are Pre-Qualified with a Lender: Many of the better practices are listed by brokers who know which buyers are ready and able to buy. If you have contacted one of the dental practice lenders and have sent them your tax returns and personal financial statement, they can tell you how much of a practice you will qualify for. We have links on our web site to the dental practice lenders we work with who can assist you in the process. If you are pre-qualified, let the local brokers know, so they realize you are serious and ready to move when the right practice comes onto the market.

Where do you Want to Practice? We always recommend that a dentist practice in the community where he or she lives. By doing this, you can get involved in your church, you children's school, and your community which always brings patients into the practice. One of the dentists in Art Wiederman's CPA practice lived in his community and raised his two children in that community. He coached his children in soccer, baseball and basketball and sponsored numerous teams. His practice grew and he not only had the parents as patients, but their children who he came to know, as they grew up.

You also need to decide whether you (and your family) want to live in a rural or metropolitan community. In our experience, rural practices tend to have higher profit margins as it is less expensive to live in those areas and employees salaries tend to be lower, as are costs in general. But, if you like a life where there are more social and entertainment opportunities, living in a metropolitan area might be for you.

These are some issues you need to consider. Although we only represent the seller, we do discuss with buyers these issues which are critical to your success. If you are buying, be sure to consult with a qualified dental attorney, CPA, and dental management consultant, so when it is time to go after the practice of your dreams, you are ready. And finally, remember what we call the 75% rule. This rule states that 75% of any major decision in life (getting married, choosing a career, buying a home and buying a business) is in your gut. If you walk into a practice and after seeing the location and talking with the seller your gut is yelling "this is it", then do everything you can to buy the practice. If your gut tells you that this is just not right, do not make an offer and look for something else.

-Arthur S. Wiederman, Broker

Wiederman & Potter Premium Practice Sales