



# Thinking About Purchasing a Practice?

## The Top 10 Issues

**B**uying a dental practice is a time-consuming, demanding process for a young professional, mainly because it's a very complex transaction that forces you to make some difficult decisions.

First, it is important to determine your geographic limits. You may, for example, decide you need to be within a 30-minute drive from home because of a desire to be close to family and friends. This limitation has prevented many dentists from relocating and considering thriving practices for sale outside of greater Toronto. The sooner you commit to an area, the more precise your search will be, so it's best to set your sights on one or two areas. Other questions that must be answered include:

1. How much debt are you prepared to incur? \$250,000, \$750,000, or more? Many young dentists have student loans, car loans, new families, mortgages, etc., and they don't want to borrow a large sum of money for a dental practice at this stage in their careers.
2. How many days or hours per week do you want to work? Some practices offer part-time hours that may be more suitable if there are parenting obligations. Others may demand that you work 50 – 60 hours per week plus some evenings and weekends. Think about these issues carefully.
3. What is the scope of treatment you can offer, and what must you refer to another dentist? Do not overestimate your skills too early — problems may arise when inexperienced dentists take on cases that they should have referred out.

4. Do you prefer to work out of one or two operatories? How many hygiene recall appointments can you comfortably accommodate per day? How fast is your dexterity and operative speed? How much full-time experience do you have?
5. Will you be expanding your practice in the future to include other services, dentists or specialists? If your long-term goal is to own a large practice, think well ahead. Relocating is very expensive and has the potential to be a serious disruption to practice income.

Once you have answered these questions, you can begin your search. Here are **10 key issues** to consider:

**1** Start by phoning several dental practice brokers, let them know you are in the market and express your commitment to thoroughly investigate practices in the city or town you prefer. Many brokers have more buyers than practices for sale.

Each practice you consider should have a *Professional Appraisal* ready for your viewing. Most brokers ask that you sign a confidentiality agreement stating that your personal information, and the data supplied to you about the other dentist, will be protected. This is usually done just prior to viewing the appraisal report, which

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should include all operational and financial data about the practice. If a proper appraisal is not available (complete appraisals are usually 50 – 75 pages in length) you are entitled to request one, so that you will have the data you require in order to make an informed decision.

**3** A professional appraiser does not mind if you take the report to another professional appraiser for a second opinion — as long as he or she is informed. You will likely pay a fee for this service, as the other party will not be involved in the sale.

Visit your accountant.

**This is the most important step and will determine your ability to manage the practice. Accountants will also prepare a budget for your personal living expenses and income taxes over and above the office expenses.**

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**5** You're now ready to view a practice. This is generally done after hours in the majority of cases. Most dentists do not tell their staff the practice is for sale due to the risk of damaging their goodwill. Staff and patients have been known to leave practices when rumors about an owner are started, because people think the owner has personal, health or financial problems.

Verify the information **6** found in any appraisal or report given to you. For example, counting charts in a practice is something you should do, because a chart count will help determine how busy you may be in the future. However, a chart count is a very unreliable way to value the goodwill of a practice. The revenue earned from patients is a far superior indication of value.

**7** Brokers usually work for, and are paid by, the seller and accordingly our duty under agency law is to represent only the vendor. This does not mean you participate without representation, so be sure to include your accountant, lawyer and banker. It is uncommon for two different brokers to be involved in the sale of dental practices.

Once you have viewed the practice and performed your own verification of charts, appointment books and financial records, it's time to draft an offer. At this point it is essential to obtain legal advice. Remember that the *Agreement of Purchase and Sale* document is designed to be fair

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## Practice Management

to both parties and since most brokers want your business in the future, we must treat you fairly. Under agency law you are entitled to full disclosure of all meaningful business facts about the practice you are purchasing.

9 The broker will perform most of the negotiations between both dentists. He or she acts as the intermediary between the lawyers, accountants and the financial institution, if necessary.

10 Be certain you have investigated the entire process before signing the final offer. If you are not sure, walk away. Do not act too fast or bow to pressure by anyone who threatens that you may lose this opportunity. There will be other practices for sale in the future. Do not compromise your career because of a rash decision. 

*Timothy A. Brown is the President & C.E.O. of ROI Corporation & ROI Capital, companies that specialize in dental practice appraisals, brokerage, consulting, locum placements, associate-ships and practice financing across Canada. Timothy can be reached at 905-820-4145 or timothy@roicorp.com.*

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