



**Dr. Wayne Raborn**  
Senior Associate

# Dental Practice Appraisals

*What are they all about anyway?*

*The ROI Corporation News (Alberta Edition)*

Issue # **1** ...of a Series

**An Appraisal is an Opinion of Fair Market Value:** The purpose of an Appraisal is to determine from a qualified, independent Practice Appraiser and Business Valuator, the current fair market value of the practice goodwill and the market value and replacement costs of the tangible assets of the practice. The opinion should be supported by recent arms length sales comparisons of similar practices based on factual, historical and legal records.

*The Professional Appraisal contains a complete description and history of the practice, including the type(s) of treatment provided, patient profiles, fees, systems and personnel, location of facility, floor plans & photographs, premise lease, agreements/contracts, renewals, restrictions and community demographics. All financial statements, practice expenses and market comparisons are provided, with a full analysis and cash flow prepared.*

The record should contain an accounting of all assets, leasehold improvements, clinical equipment and administrative furniture, instruments and materials, liabilities and accounts receivable. It should include details of all major assets - (approximate age, condition, manufacturer, model and serial number with both market and replacement costs).

*Did you know? There are at least 10 different reasons why,*

**Every dentist owner should have a Practice Appraisal on hand for when it is needed**

*See page 2 of this Issue.*

- ✦ ***ROI Corporation is the only truly national Appraisal and Brokerage firm in Canada with 11 Associates (5 of whom are dentists) to represent and serve the profession from sea-to-sea-to-sea.***
- ✦ ***ROI Corporation is a team of 22 dedicated individuals and has appraised nearly 4,000 Canadian dental practices. It has acted as exclusive broker in the sale of over 850 since its inception in 1974.***

ROI Corporation 122 Executive Estates Sherwood Park Alberta T8B 1A8

[www.roicorp.com](http://www.roicorp.com) 866. 416.2146 (voice/fax) 780. 699.5550 (cell) [wayne@roicorp.com](mailto:wayne@roicorp.com)

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## There are at least TEN different reasons to have your practice appraised:

While the obvious motivation to most dentists would be when a sale of the practice is imminent there are, however, many others that are equally important. As a planning tool, knowing the value of your practice will assist in the determination of:

1. **The selling price (as just mentioned)** - when the time finally comes to exit ownership. Please consider that selling your practice does not always mean retirement from dentistry. Many dentists remain as Associates of the new owner or become locum dentists.
2. **The approximate number of years until retirement** (*using reasonable assumptions and time value of money calculations*). Maybe you'll be surprised to learn that you don't have to practice for as long as you'd thought,...and still be able to enjoy the lifestyle you'd dreamed about!
3. **The amount of Life Insurance coverage you should have** (*by way of a detailed Capital Needs Analysis*). While there will always be insurance salespeople in a position to both inform you about the various types of life insurance products available, and to offer them to you, they may not be able to determine just how much coverage you should have. Only with a professional appraisal of your practice can an accurate net worth statement be calculated – a major building block of the *Capital Needs Analysis*.
4. **The level of financing that creditors would be willing to advance** (*for operating lines of credit, office expansion, equity borrowing, etc.*)
5. **The directions your Estate would take in the event of your death** (*The Appraisal document is ready, or could be updated quickly and easily to begin marketing the practice ASAP*)
6. **The feasibility of Incorporating your practice** (*A professional Appraisal will determine the value of the practice free from all bias – one value is provided which can be used by all parties with equal confidence*)
7. **The structure of a partnership agreement** or similar group practice arrangement (*i.e., setting the buy-in price, and fully disclosing all aspects and details of the practice*)
8. **Whether or not to sell in the event of a disability** (*recognizing that many other factors would be involved – our Atlantic Canadian Associate, Dr. Jeff Williams can certainly offer a very personal accounting of the thought process involved in this situation*)
9. **The amount of insurance coverage needed for the practice assets** (fire & theft, other loss, office overhead) and practice interruption. (*A professional Appraisal will determine the true cash flow of the practice*)
10. **Dissolution Values in the event of Business Partnership or Marriage breakdown** (*i.e., A professional Appraisal can readily determine the value of one partner's share. Also note that Forensic Appraisals can be completed "as at" any date in the past*)
11. and finally – for **curiosity's sake**, or for peace of mind!

### Dr. Wayne Raborn

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[wayne@roicorp.com](mailto:wayne@roicorp.com)