



Don't be afraid to make a change!

IN OUR CONSULTING BUSINESS, we have helped thousands of dentists buy and sell practices during the past 42 years. Until the past five years, the traditional practices or transitions took place when the seller was in his or her 60s and ready to retire.

During the last five years, we have found many sellers choosing to make a change by selling their practice in their 30s and 40s and moving to a new geographic area or a different practice discipline.

Here are some of the reasons for making this change.

- ① *Moving to an area preferred by a spouse — i.e., to be closer to family or begin a new lifestyle.*
- ② *Selling an unsuccessful start-up and purchasing a practice in a new area.*
- ③ *Selling a practice to an absentee owner and remaining as an independent contractor to get rid of management and staff responsibilities.*
- ④ *Selling a practice in a metropolitan area and buying in a smaller town with a slower pace and lower cost of living.*
- ⑤ *After owning multiple practices, selling one or more to concentrate on one practice.*
- ⑥ *Senior dentists setting up an equity buy-in and buy-out in their 40s and 50s for the peace of mind of increasing income, practice value, and taking more time off.*

Instead of remaining in an unfulfilling situation, dentists are taking advantage of the opportunity to change their environment to one that is more positive. Because of the need for dentists in certain areas, the continuing education available to perform advanced cosmetic dentistry, and patients' desire for excellent dental care, opportunities are unlimited.

Here are some examples of clients who have made successful changes:

1. Moving to a new area

Many of our clients are choosing to move closer to family or change their lifestyle. It is common for dentists to own a practice near the dental school they attended. Often, they met their spouse in this area and remained after dental school. A client in Maryland fits this description and



when his second child finished high school and was off to college, he decided to sell his practice and home. He purchased a practice in Oregon to be closer to family and live in a milder climate. He sold his original practice and home at a premium due to a positive market, and bought a practice and home in Oregon for less money.

2. Unsuccessful start-up

Unfortunately, many clients come to our organization after starting a practice and want to sell. They have not received good advice and have a big loan, but they still want to make a change. Start-ups can be very successful, but they must include excellent demographic information and financial planning. We have a client in Pennsylvania who sold his underachieving start-up practice to a dentist who had a following in the area. Our client then purchased a practice in California with a positive cash flow. He is now practicing and living where he wants and making a profit.

3. Sell and stay in the practice

This strategy is becoming more and more popular. The biggest complaint of dentists in their 50s and 60s is they don't like the management side of dentistry. Dealing with staff, insurance companies, and other issues have taken their toll on the owner. What they still enjoy is providing dentistry and communicating with the patient. There are many absentee owners who will purchase and manage the practice, keeping the seller on as an independent contractor. Unlike the unsuccessful groups who tried this in the 1980s and 1990s, many private individuals and groups are successfully pursuing this strategy.

4. Move from the city to the country

Most dentists gravitate to the metropolitan areas when they start up or purchase a practice. The majority of new owners who contact our organization want to purchase a practice in a metropolitan area. On the other hand, as people age and children move on to college, we find many dentists want to live in a suburban or rural area. The opportunities to buy practices and homes in the smaller communities are excellent. There is normally a lower cost of living and higher profit in these communities. There also is an opportunity to purchase the building housing the practice. The lifestyle change is very attractive in these areas.

5. Selling one or more of multiple locations

We have numerous owners of multiple locations engaging us to sell one or more of their practices. Examples of this include:

- *A specialty group had four locations and found that the original location was geographically outside of the three newer locations. The three partners were having difficulty covering the fourth location. By selling the original office, they can comfortably cover the remaining three locations and maintain the profit of the business.*
- *A family of dentists had four dental practices in a metropolitan area. They also made positive investments in real estate in the area. They sold all of the practices to focus on their real estate business. Each practice was sold at a premium price.*

6. Preparing Early for Equity buy-in and buy-out

When solo practice owners wait until their 60s and 70s to sell their practice, revenue usually has leveled off or declined. This occurs because the solo owner works only three or four days a week, takes more vacation, refers out most specialty services, and sees fewer children and young families. Many practitioners have discovered that when a plan is established in their 40s and 50s to include a valuation, growth potential, financial and transition-planning, the practice value and profit will increase considerably.

With this plan, the owner can work less and increase

Action Plan

1. Exhaust all strategies to improve your current practice and living conditions before implementing a change.
2. Choose a qualified transition-planning organization to prepare a healthy plan.
3. Have your current practice valued to prepare for the sale or transition.
4. Choose a quality broker to sell your practice and assist you in locating a new opportunity.

The time to change is now!

practice value and profit. More importantly, by identifying an associate with a buy-in and buy-out plan, the owner has established his or her future transition.

A client in his mid-40s implemented such a plan. We identified an associate and created a valuation for the practice, and cash flows for the buy-in and buy-out. The associate is now a partner buying into the practice. The practice has grown, and the senior dentist is taking more time off and earning more than he did as a solo practice owner.

If your practice or lifestyle is not what you want, you can make a change. Many dentists who have not fulfilled their potential in their practices or want to change lifestyle and living conditions have done so successfully. **DE**

John F. McDonnell is the founder of The McNor Group, a dental brokerage, accounting, and practice-transition firm. He is currently president of American Dental Sales and can be reached by phone at (888) 273-1014, by e-mail at JohnF@McNorGroup.com, or by writing to 1301 York Road, Suite 800, Lutherville, MD 21093. See the ADS classified ads in Dental Economics® for names and phone numbers of ADS members in your area.