

Are You Thinking of Retirement?

The Time to Sell Is Now!

We have found that more dentists than ever are selling their practices and moving on to an active retirement or a new vocation.

The retirees that postponed their retirement due to the stock market decline post-9/11, the baby boomers that are beginning to retire and the dentists moving to new areas have created an increase in practice sales.

In the Maryland, DC and Northern Virginia areas there are still many more buyers than sellers, which makes this an excellent time to sell.

Although some new dental schools are planned and others are increasing their class size, the current graduates remain the same at approximately 4,600 per year. This matches the number of retirees, deaths and disabilities, which are also approximately 4,600 per year.

On the other hand, the demand has increased for services in this area due to the population increase and the desire for all dental procedures, particularly cosmetics.

Because of this demand and the shortage of practices for sale, many new dentists are starting practices from scratch and spending \$350,000 to \$450,000. This investment is in addition to their student debt, which can range from \$100,000 to \$200,000, depending upon circumstances. These start-ups are normally very successful when planned well and with the proper support and advice from dental dealers, accountants, attorneys, consultants and lenders who are experts in the dental industry.

REASONS FOR SELLING

1. *Disability.* Because of the physical nature of providing dental care, many dentists are forced to retire due to back, arm, wrist, leg or other ailments that make practicing painful and difficult.
2. *Retirement.* Many dentists have planned well financially and are choosing to sell their practices and retire to enjoy a new lifestyle. These retirees are often in their late 50s and want to enjoy retirement while

they are healthy and physically active.

3. *Tired of running the business.* We frequently hear a practice owner relate that they still enjoy performing the dentistry and communicating with the patients, but are tired of dealing with insurance companies, staff issues and running the business. Although many times the sellers leave the practice after the sale, some are staying on when possible and working for the buyer for a period of time.
4. *Moving to a new area.* Many of our sellers are 30 to 50 years old and are choosing to sell and move to a new area. Some want to be closer to their families and others want a different climate or lifestyle. About 40% of our sellers over the last five years are doing so to move to a new area and

buying or starting a practice in that area. As members of a national group of practice brokers, we have been able to refer our sellers to quality individuals that have practice listings in the area they are relocating.



HOW TO PLAN FOR RETIREMENT

1. *Have your practice appraised.* Whether you are selling now or in the future, it is a wise investment to have your practice valued.

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Single Source Solutions for the Dental Professional

Why Choose the McNor Group?

- Practice sales
- Practice start-up
- Practice valuation and cash flow analysis

Largest and most experienced practice broker in MD, DC and VA
Serving dentists exclusively for over 60 years with:

- Partnership and equity buy-in and buy-out
- Buyer representation
- Financing

Highest level of expertise in the industry for practice valuation and financial analysis, with the unmatched experience and credentials of a certified valuation analyst

Selling more million dollar practices than the combined competition in this market area

Representing buyers and sellers on a national basis

Client representation based upon integrity, comprehensive industry knowledge and an unparalleled track record of success stories with dentists in this market area

Call for a free consultation
888-273-1014
or view our listings at
www.mcnorgroup.com or www.dentalsales.com
Contact us via e-mail: mcnor@mcnorgroup.com

Having a valuation of your practice will allow you to know how this piece will fit into your retirement planning. Although you do not want to depend solely on the proceeds from the practice sale, this will likely be a significant amount. You will also find out methods to increase the value if you plan to retire in the future.

The valuation needs to be continually updated and connected to your will and estate plan in the event that death or disability were to occur. The valuation should be performed by an organization that deals exclusively with dentists in your area and is a CVA (Certified Valuation Analyst).

2. *Have a financial plan.* We encourage you to have a written, proactive financial plan. You should know when you can retire and what steps are needed to prepare financially for this retirement. The plan needs to be in writing and reviewed and updated annually by a financial professional that understands dental practices.
3. *Plan for life after retirement.* The majority of our sellers tell us that they are busier and more active in retirement than they were while in practice. Some enjoy family, travel and hobbies, and others combine this with starting a new business outside of dentistry. Having a plan for what follows retirement will reduce anxiety and give one the peace of mind of knowing what the future will look like.

WHY SELL NOW

1. *Avoid the post-9/11 stock market decline.* Some dentists were forced to delay their retirement three to five years due to the stock market decline following 9/11. By selling now, any future decline will be avoided in the event that the market were to fall drastically again.
2. *100% financing is available to buyers.* Buyers can still get 100% financing to buy a practice. With home mortgage lenders having serious problems due to the failure of sub-prime mortgages, it is possible that dental lenders will tighten their requirements in the future and make it harder to get the 100% financing that is now available.
3. *Interest rates and terms are still reasonable for buyers.* Dental lenders' interest rates and terms are still reasonable. Normally, the lender does not require the buyer to have a down payment, have a spousal signature

or have the residence as collateral. There is no guarantee that this will be the case in the future. Lenders now will also extend loans beyond the traditional five to seven years and drop prepayment penalties after a few years. These are all conditions that are buyer-friendly now, but could change if lenders tighten their requirements.

4. *Tax laws are kind now for the sellers and buyers.* The capital gains tax for sellers at 15% is very favorable. Also, the buyers are now allowed to depreciate and/or amortize the entire amount of the practice purchase price. These tax laws, though favorable now, are subject to and likely will change in the future. There is no guarantee that they will stay the way they are at present.
5. *Practice sale prices are likely at their peak.* In the Maryland, DC and Northern Virginia areas the practice sales prices have been higher than 95% of the sales prices in the rest of the country. Just as housing prices have declined during

the last two years in this area, it is likely that practice sales prices will decline as well. Right now they are still at their peak.

WE RECOMMEND

1. Plan ahead for your retirement.
2. Have your practice valued by a dental consulting company with a CVA (Certified Valuation Analyst).
3. Have a written, proactive financial plan that is reviewed and updated annually.
4. Choose a qualified company to assist you to plan for and sell your practice and who also understands the local market.

John F. McDonnell is the founder of the McNor Group, a dental brokerage and practice transition firm. He is currently President of American Dental sales, the largest national brokerage organization, and can be reached by phone at 1-888-273-1014, by e-mail at johnf@mcnorgroup.com, or by writing to 1301 York Road, Suite 800, Lutherville, MD 21093. Also, visit on the Web at www.mcnorgroup.com. ■

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