



# Boomers — Are you thinking about retirement?

Our organization has found that **more dentists than ever are SELLING THEIR PRACTICES** and moving on to an active retirement or a new vocation.

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

In the metro areas around the country, there are many more buyers than sellers, which makes this an excellent time to sell. As more boomers sell, this buyer-seller ratio will change, making it harder to sell.

Although some new dental schools are planned and others are slightly increasing their class size, the current number of new graduates remains the same at approximately 4,600 per year. This matches the number of retirees, deaths, and dentists with disabilities. However, the latter are increasing at a higher rate than the new graduates.

On the other hand, the demand has increased for dental services in the metro areas due to population increases and the need/desire for dental procedures, particularly cosmetics.

The population in the U.S. is projected to be 300 million by 2050, up from the current 200 million. Other projections estimate that there will be eight metro centers in the country housing 80 percent of the population, making the need for dentists in those areas even greater.

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 to do so. This investment is in addition to their student debt, which can range from \$100,000 to \$200,000. These start-ups are normally very successful when planned well with the proper support from dental dealers, accountants, attorneys, consultants, and lenders who are experts in the dental industry.

## Why sell now?

❶ **Avoid the post 9/11 stock market decline.** Some dentists were forced to delay their retirement five to seven years due to the stock market decline following 9/11. By selling now, any future decline will be avoided in the event the market were to drastically fall again.

❷ **100 percent financing is available to buyers.** Buyers can still get 100 percent financing to buy a practice. But, it is possible that dental lenders will tighten their requirements in the future.

❸ **Interest rates/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 their 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.

❹ **Tax laws are now positive for sellers and buyers.** The capital gains tax for sellers at 15 percent 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 change in the future.

❺ **Practice sale prices are likely at their peak.** In the metro areas, the practice sale prices have remained high. Outside of the metro areas, practice sale prices are decreasing. Just as housing prices have declined in the metro areas over the last two years, as more practices go on the market, it is likely that practice sale prices will decline as well. Right now they are still at their peak in these areas.

## Recommendations

1. Plan ahead for your retirement now.
2. Have your practice valued by a dental practice broker.
3. Have a written, proactive financial plan that is reviewed and updated annually.
4. Choose a qualified company that understands the local market to assist you in planning and selling your practice. **DE**

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### REASONS FOR SELLING

Disability

Retirement

Tired of running the business

Moving to a new area

Death