

## **CAN YOU CHOOSE THE “BEST” WAY TO SELL OR TRANSITION YOUR DENTAL PRACTICE?**

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Selling your dental practice is one of most important decisions you will ever make. It involves at the very least deciding on how you will leave your practice. To simplify, we can break down the options for selling your dental practice into three alternatives: Associate Buy-in to Buy-out (partnership), Associate Buy-out (brief associate period with full sale), or a Direct Sale (owner sells all assets without an associate process).

- ▶ You may want to begin by asking yourself some basic questions:
- ▶ Do I enjoy teaching and would I be willing to give up more of my personal time to train a dentist to take over my practice?
- ▶ Do I prefer working alone?
- ▶ Would I feel comfortable with another dentist in my practice treating my patients?
- ▶ Am I open to operating the practice differently than I do now?
- ▶ If I bring in an associate and it doesn't work, can I afford the effect on my practice?
- ▶ What is my timeline for leaving day to day clinical practice?
- ▶ Is my staff flexible enough to support a transition buy-in or buy-out?
- ▶ What might be the issues that I would face in transitioning the team?
- ▶ Do I have enough production to consider an associate process?
- ▶ Am I aware of all I need to do to prevent a failed transition experience?
- ▶ Do I have many days where I wish I didn't have to go into the office?
- ▶ Has my health affected either my mental or physical approach to dentistry?
- ▶ Am I ready emotionally and financially to sell my practice?
- ▶ Can I let go? If not, how can I learn to let go?

An **Associate Partnership Buy-In to Buy-Out** can take on many forms. One scenario is where a solo practitioner brings in an associate to buy 50% of his or her practice after let's say two years. The two dentists form a partnership and work together as partners for a period of time. When ready the associate buys out the other 50% ownership and the seller walks away. Recognize that this process requires a seven to 10 year transition plan. To structure a shorter transition period such as four years (two years as an associate and two years as partners) is usually not worth the risk, process, and cost for this type of sale. With a two year associate process, the seller will need five to eight years to make the partnership worthwhile. Partnerships should be about sharing a business to enjoy the benefits of working with someone else, collaborating, etc. A short partnership doesn't give the partners the time to truly develop the business. The owner dentist gives up more income than may be necessary. If the practice grows to a "two doctor" practice during this time, there could be another two year transition period to bring in a different buyer to buy out the second 50% ownership.

A dentist choosing a partnership buy-out will also need to be a mentor who wants to share what he or she has built in the practice with another dentist. This process requires organization, patience, guidance, commitment and financial investment. The first objective is to have a means for paying the associate. The practice should be in a position where it has more production than the current owner can handle or there should be strong growth opportunity. Another option may be that the seller is willing to give up some of his or her compensation and work part-time if necessary. Associate Partnerships can be very rewarding for the seller especially if bringing in a son or daughter to take over the practice. Theoretically the transfer of ownership should be seamless. In addition, patients are usually very accepting of the new dentist after the owner leaves. However, not all dentists are meant to practice in a group setting. If you have never worked with an associate and really would prefer not to work with another dentist, then this method is most likely not for you.

An **Associate Buy-Out** involves a six month to two year process where after the term of employment, the associate is prepared to buy-out the owner. The owner may stay on in a reverse role, but not always. In most situations the seller leaves. The full ownership is transferred through this process. An Associate Buy-out can be ideal for a dentist who wants to mentor and teach and who has the ability to let go and groom the associate to become the owner. Associate Buy-Outs also require a strong producing practice to support more than one dentist or a method for the seller to earn less. Of the transition models, the Associate Buy-out may carry the highest risk to the seller. This is because the buyer has a chance to learn the trade secrets of the seller and if the relationship doesn't go well, the associate could leave the practice. This can create a negative view in the eyes of the patients and staff for a future transition. In addition, there is lost revenue and time through supporting the associate while preparing for the sale. It may mean because of the time involved to start over that the seller has to transition the business through a direct sale. There must be formal agreements and a financial commitment in place at the beginning of the process to help avoid misunderstanding and conflicts. The purchase price and all terms must be determined before the associate comes into the practice. Failure to do so may mean a disagreement at the time of purchase that cannot be resolved.

A **Direct Sale** happens in about 30-60 days after the parties agree upon price and terms of the purchase. The overall process is estimated to be between six months to one year. This includes appraising the practice, advertising the opportunity, meeting with qualified buyers, and then completing the transaction period. The owner usually stays on with the practice for approximately 30 days to complete cases, etc. Ownership is transferred at closing and the new owner takes over patient care and management on day one. The Direct Sale may be the most secure process for selling a dental practice because it avoids the personality conflicts, closes the time gap between the buyer wanting to purchase and the time the buyer becomes the owner, and releases the seller from the future details of managing the practice forward.

A Direct Sale is the best choice for a dentist who is used to working alone and who will struggle with the change in the practice once it is sold. It is also a better choice if the seller wants or needs to minimize his or her risk. A seller facing a medical issue that may require a long time

recovery or one who is facing physical challenges that go along with practicing dentistry for many years, would benefit from a faster transition process as well. There also comes a time in each dentist's career, where he or she knows that it is time to let go of the day to day operations of a business. A Direct Sale doesn't provide for as much control over who will take the patient care and staff forward in the future, but in reality a dentist can only be responsible for the time of his or her own tenure. The success of Direct Sales is very good in dentistry. The American Dental Association estimates that the national patient attrition is only about 10% if the process is managed correctly.

Before choosing an option for selling your dental practice it is always important to include a planning process to help ensure the method you choose is realistic for your particular situation. Consider both the pros and cons of each scenario. Knowing when to move forward with your plan is essential to improving the chance for a successful outcome. If planning an Associate Buy-in to Buy-out you will want to begin planning at least a year before you actually bring in an associate. It can sometimes take a year or more to find the "right" associate/partner/buyer. The planning process is similar for an Associate Buy-out which requires six months to one year. This will provide the appropriate time to market your opportunity, screen applicants and find the buyer. With a Direct Sale, you can plan to sell tomorrow. However, if possible it is always helpful to plan two to six months in advance to strategize the sale, appraise the business, and advertise the opportunity.

The good news is that there are several ways to transition your business and you do have a choice in what method works best for you!