

## **BUYING OR SELLING A DENTAL PRACTICE?** **THE DO-IT-YOURSELF FOLLY**

Most people have dreamed about designing their dream house. They can envision the white picket fence, the enlarged doorway leading to a grand staircase, the master suite that makes you feel like you are in a five-star hotel and the kitchen that seems to have everything in the right place. However, when those few people actually get to build their dream house, they enlist the help of professionals to help them realize their dream, instead of trying to build it themselves. They know that, although it is their dream, they do not have all of the tools required for them to build the perfect house. It is the same when dentists have decided to buy or sell a dental practice. Those that have the do-it-yourself mentality rarely live the dream because of problems that develop in realizing that dream, but those who enlist professionals to help attain their dream have the best chance of having their fantasies fulfilled.

When our law firm receives a call from a dentist who is either trying to buy or sell a dental practice, our first question is, “Who is on your team?” Quite often the reply is, “Team? What team?” While it may seem strange, this is how you should approach buying or selling a dental practice, with a team mentality. Purchasing or selling a dental practice has too many unique areas that are instrumental to the life of your practice or to your retirement, which an untrained eye will not be able to see or even understand. Brokers, CPA’s, attorneys and other professionals are people who you want on your team, and not all teams are equal. While any broker, CPA or attorney can help you with your purchase or sale, a unique subset of these professionals have crafted their professional practices around helping dentists. These professionals would be your All-Stars, the ones who know the industry inside-and-out, who don’t have to “learn on the job” and can quickly help you realize your dream. Below are some of the reasons why having these professionals on your team can help you realize your dream.

### **DENTAL BROKERS**

There is no better person to have on your team than a dental practice broker. These professionals have often spent years (if not decades) in the dental industry, they know everyone and have a long list of buyers and sellers to help you purchase or sell your dental practice to just the right person. Think of them as your team captain. For sellers, they can appraise the value of your practice quickly, market your practice to a wide array of potential buyers, give you expert advice on how to get the most money out of your dental practice and help facilitate the transaction. Although expensive, most dental practice brokers are worth their weight in gold and can help you close on your transaction. Our law firm has seen far too many do-it-yourselfers fail, time after time, when trying to sell their dental practice without utilizing a dental broker. For buyers, calling a dental practice broker will put you in touch with a long list of sellers along with an inventory to fit every budget. As a buyer, you can be assured that the dental broker will be working for you as well, because most of the dental practice brokers have a dual agency to both the buyer and the seller. One note of caution in finding a broker to sell

your dental practice: make sure it is a broker who specializes in selling dental practices and not a general business broker. Unfortunately, general business brokers do not have the expertise required to sell a dental practice and will provide you with a standard business purchase agreement which will not take into account the unique nature of a dental practice, i.e. uncompleted dental work, restrictive covenants, appropriate representations and warranties, redo work, etc. Using a general business broker will always be far less satisfactory than using a dental broker.

### DENTAL CPA'S

Although you may already have a CPA who works for you, if you are looking at purchasing or selling a dental practice, you may want to enlist a CPA who specializes in helping dentists. As a seller, they can save you thousands of dollars in taxes by using the proper ratios for purchase price allocations, thus making them worth almost any fee you may pay them. As a buyer, a dental CPA can also save you thousands of dollars in taxes by using the proper ratios for purchase price allocations because of the heavy use of equipment within dental practices and changes within the tax code that many general CPA's are unfamiliar with. Having your dental CPA review the books and records of the dental practice, the tax returns for the last 2 years and profit and loss statements will further protect you from an unscrupulous seller. Furthermore, when purchasing a dental practice you may want to enlist the services of a dental CPA to help you with all of your business needs since owning and running a dental practice is much different than running a general business. Dental CPA's have spent years helping dentists with day-to-day business needs and they know how to best run your payroll department or to help you receive a deduction for that new piece of equipment that you have been eyeing for the past six months. Out of all your advisors, your dental CPA will be the one who is around the longest, helping you on a yearly basis with taxes and other business issues.

### DENTAL ATTORNEYS

Although there are thousands of attorneys to choose from in the State of California, very few (less than 10) have tailored their practice on a full-time basis around helping dentists in their business needs. Think of your attorney as your catcher or goalie: they take everything in but they stop the bad things from happening. As a seller, enlisting an attorney to review your purchase agreement is a way to protect you in your retirement or at your new dental practice which you are acquiring. There are many areas within a purchase agreement which can hurt your chances of continuing to practice dentistry or can leave you "on the hook" for years to come due to issues like the past treatment of patients, etc. You should also have the attorney review your lease and draft an assignment of the lease to give to your landlord. Generally, you will remain liable under your lease for the life of your lease, which could be another 10-15 years! However, a dental attorney will try to remove this liability by speaking with the landlord and inserting a provision into the assignment of the lease relieving you of liability after a specified period of time. As a buyer, a dental attorney helps you primarily on two fronts, the purchase agreement and the lease. In a purchase agreement, the dental attorney will try to protect your new investment as much as possible, making sure the seller isn't

hiding any problems in the dental practice and insuring that the seller won't compete with you after the sale of the practice. With the lease, the dental attorney will try to protect your goodwill and your leasehold interests (your lease) as much as possible since these are the most valuable assets you have in your dental practice. Unfortunately, many landlords don't understand what they have in their lease and many of these provisions can have a significant effect on the value of your dental practice when you go to resell it!

Although this brief article only mentions three types of professionals that can help you realize your dream, there are other professionals within the dental community that can help you just as much. Lenders who specialize in providing loans to dentists will generally provide a better rate than regular banks or other lending institutions, practice consultants can show you areas within your practice which you are not using to their full potential which can help you to make more money, as well as other professionals who have spent years with dentists helping to perfect the ownership or sale of a dental practice. The most important thing to understand when thinking of buying or selling a dental practice is that you are not alone. Unfortunately, our law firm receives too many calls from frantic dentists who have seen their dreams go up in smoke simply because they were trying to accomplish their dream on their own. Using advisors to help you in this stage of your professional life will be worth the extra cost to you, especially if you use professionals who are specialists in the dental community. Remember, the do-it-yourself mentality usually ends with a headache and an unrealized dream.

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