

Are You Positioned for Transition?



Options for Mid & Late Career Dentists

Practice transition plays an extremely important role in today's practice business plan. Once viewed by some as an end-of-career consideration, new transition strategies are helping dentists today to prosper at *all* career phases. Early career dentists are enjoying *rapid practice establishment* through practice acquisition and partnership transitions. Mid career dentists are *increasing profits* and *enhancing practice value* through associate buy-in and merger transitions. And late career dentists are *maximizing exit strategies* that include deferred buy-out, retirement, and pre-retirement sales strategies.

Well-planned transitions can unfold both predictably and seamlessly, but how does one know which options to pursue (or avoid), as well as *when* and *how* to implement them? The answer to this question is crucial for mid- to late-career dentists to know, as it's this group that benefits the most from well-planned transitions. But this is also the group that **loses** the most when transitions are poorly planned. Dentists who have successfully transitioned typically share one commonality: the desire to explore new options, and a willingness to invest time in **planning**.

The following transition profiles represent a cross-section of strategies pursued by many of the dentists we've worked with. It's useful to look at what they each wanted, the action plan they followed, and the results they achieved. You may find a strategy that fits your situation.

Transition Profile #1

The Associateship-To-Co-Ownership Transition

Profile: Solo practice for 12 years

Wanted: More profit

What the Doctor did: ■ Brought in an associate

■ Sold first partnership 2 years later

■ Sold second partnership 4 years later to associate #2

Results: ■ Increased production profit margins (33% → 42%)

■ Created ownership profits (in addition to production income)

■ Cashed-in practice equity (twice by age 46)

■ Positioned for future transitions

Selling part of your practice to a committed associate is a tangible reality today, with future portions of the practice often selling for more than the original value of the entire practice. Co-owners enjoy increased profits through maximum use of facility, and more time off through shared management. In addition, two-tier compensation plans reward both ownership and individual productivity, establishing a secure income stream until retirement.

Transition Profile #2

The Acquisition-Merger Transition

Profile: Solo practice for 17 years

Wanted: Expanded patient base and an associate partner

What the Doctor did: ■ Purchased/merged retiring dentist's practice

■ Brought in associate 1 year following merger

■ Sold partnership interest in 2 years

Results: ■ Increased production profit margins (30% → 39%)

■ Created passive income

■ Enhanced practice value

■ Patient-overflow for an associate

■ Cashed-in practice equity

This strategy is ideal for those wishing to enhance profitability and practice value. Profits rise directly from increased production and passive income results from the selling dentist's production. In addition, profit from the seller's hygiene department supports the debt service on the purchase price, which is why most acquisition-mergers "pay for themselves." The expanded practice now easily supports a new associate, facilitating an Associateship-To-Co-Ownership Transition.

Transition Profile #3

Associate Buy-Out (Deferred Sale) Transition

Profile: Solo practice for 30 years

Wanted: Retire in 2 years, secure sale today

What the Doctor did: ■ Brought in associate

■ Owner sold practice to associate
2 years later

■ Owner retired

Results: ■ Practice sale secured

■ Dead-end associateship avoided

■ Cash income from sale

■ Achieved target retirement date

Here the entire practice is sold to an associate in one to three years, with no partnership needed as an interim step. Upon the sale, the seller can work for the buyer for an agreed upon period of time (similar to the next strategy, the Pre-Retirement Sale Transition).

Transition Profile #4

Pre-Retirement Sale Transition

Profile: Solo practice for 32 years

Wanted: Sell Practice at "peak", retire in 5 years

What the Doctor did: ■ Located buyer wanting to expand

■ Sold & merged with buyer

■ Owner worked for buyer for 5 years

■ Owner retired

Results: ■ Secured sale before retirement

■ Cash income-stream from sale

■ Rental income
(Seller owned facility)

■ Facilitated gradual phase-out

Selling prior to retirement has its advantages. The ability to sell at "peak" value (and before any decline), a decreased work schedule, and elimination of overhead and management responsibilities make this an ideal approach! The pre-retirement sale can be accomplished without a merger if sufficient patient flow exists, and/or if the buyer's willing to work elsewhere part-time during the building phase.

There are other successful transition options not mentioned here that may work best for you. Each situation should be analyzed individually followed by development of a specific checklist prior to proceeding. Here's a partial checklist of some general items we recommend as part of a comprehensive transition plan.

Comprehensive Transition Plan

- ◆ Practice valuation (as a baseline)
- ◆ Financial forecasts of proposed transition
- ◆ Pre- and post-transition compensation models
- ◆ Financing issues and tax implications
- ◆ Preliminary and final transition agreements (with Dissolution Guidelines)

Dental practices have expandable, saleable value that can be cashed in at anytime in the dentist's career. This coupled with *increased profits, shared management and overhead, and the enhanced sense of accomplishment* that accompanies a successful transition makes it essential to start early. Planning ahead increases the number of viable options to consider, avoiding hasty decisions that can cost you tens, if not hundreds, of thousands of dollars. To capitalize fully on the benefits as well, and to avoid minefields and pitfalls, professional help is essential. Seek unbiased (i.e. fee-only) advisors with hands-on experience willing to act as mediators, not hired-guns. Choosing the right advisors, like choosing the right strategy, can save you much time, energy, money and even some relationships.



W. David Griggs, DDS, is president and founder of The Transition Group, and has over twenty years experience in the planning, structuring, and implementation of 2000+ dental practice transitions. The Transition Group is a fee-based consulting firm located in the Tampa Bay area, providing transition planning and consulting services, as well as the structuring of Associateship-Partnership, Practice Buy-in, Practice Sale, and Practice Merger transitions. Dr. Griggs and the Transition Group team of consultants can be reached by phone at 888.449.8350, fax 727.449.8113. Contact them by email at clientservices@thetransitiongroup.com or visit their website www.thetransitiongroup.com.



Successful Practice Transitions

by David Griggs, D.D.S.

"This book is just as valuable to new dentists looking to purchase or buy into an existing practice as it is to mid- or late-career dentists seeking the best way to cash in practice equity..."

"It gives readers the opportunity to view transition as a career-long process by defining a path for the various types of transitions available."

—REVIEW FROM THE JOURNAL OF THE
FLORIDA DENTAL ASSOCIATION

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