

Are You Positioned for Transition?



Options for mid & late career veterinarians

Practice transition plays an extremely important role in today's practice business plan. While it was once viewed as a career-end consideration, practice transition is evolving with new strategies that help veterinarians prosper at all career phases.

Early career veterinarians are enjoying rapid practice establishment through practice acquisition and buy-in transitions. Mid career veterinarians are increasing profits and enhancing practice value through associate buy-in and mergers with other practitioners. Late career veterinarians are financially maximizing their exit from practice through creative selling strategies that include *deferred* buy-out and pre-retirement sales. These options allow owners to cash in practice equity years before retirement.

The following "Transition Profiles" represent a cross-section of strategies successfully implemented by veterinarians. Look at each option closely—you may find a strategy that fits you perfectly.

To capitalize fully on the benefits of practice transitions while avoiding pitfalls, professional help is essential. Seek

advisors with actual hands-on experience in structuring "win-win" practice transitions. Choosing the right advisors, like choosing the right strategy, can save you much stress, time, energy and money.

Transition Profile #1

The Associateship-To-Co-Ownership Transition

Doctor Profile: Solo practice for 12 years

Wanted: More profit, office coverage, more time off

What the Doctor did:

- Brought in an associate
- Sold part of the practice (buy-in) to associate two years later
- Brought in associate-#2
- Sold additional portion of practice to associate-#2

Results:

- Increased profit margin by 5-7%
- More Time Off
- Cashed-in expanded practice equity *twice* by age 46
- Established ownership profits separate from individual production income
- Secured for future transitions

Co-owners can enjoy increased profits through maximum use of their facility, and more time off through shared management. In addition, owners also profit from the sale of portions of the practice to associates. Since practice income and value expands as new associates enter, portions of the practice sell for a greater prorata value than the practice's original value. Two-tier compensation plan rewards ownership and productivity, establishing a secure income-stream until retirement. Built-in "transition partners" assure a smooth and profitable transition through perpetual succession.

Transition Profile #2

Associate Buy-Out (Deferred Sale) Transition

Doctor Profile: Solo practice for 30 years

Wanted: Retire in 3 years, securing sale of practice *now*

What the Doctor did:

- Brought in associate
- Sold practice to associate 2 years later
- Owner worked for buyer for 1 year
- Owner retired

Results:

- Practice sold and its value secured
- Practice income maintained while owner cuts back
- Cash income from sale
- Owner achieved target retirement date

In this scenario, the entire practice is sold to an associate, eliminating the need for a transitional partnership. The associate maintained practice gross income levels, allowing the owner to cut back as he approached retirement. Following the sale, the owner can continue working in the practice or retire.

Transition Profile #3

The Acquisition-Merger Transition

Doctor Profile: Solo practice for 17 years

Wanted: Larger client base and future associate

- What the Doctor did:**
- Purchased nearby retiring veterinarian's practice
 - Merged the two hospitals into one facility
 - Brought in associate 1 year later
 - Sold portion of practice to associate 2 years later

- Results:**
- Practice sale secured
 - Dramatically increased net income and practice value
 - Bought-out nearby competitor (and prevented new competitor from buying the practice!)
 - Created need for new associate
 - Cashed-in practice equity

This strategy is ideal for those wishing to enhance profitability and practice value. Profits rise due to increased production as well as from elimination of duplicated expenses through the merger. The expanded practice now easily supports a new associate, facilitating the previously described Associateship-To Co-Ownership Transition.

Transition Profile #4

Pre-Retirement Sale Transition

Doctor Profile: Solo practice for 32 years

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

- What the Doctor did:**
- Located buyer with *existing* practice
 - Sold & merged with buyer
 - Owner worked for buyer for 5 years
 - Owner retired

- Results:**
- Secured sale before retirement
 - Cash income-stream from sale
 - Created rental income (Seller-owned facility)
 - Facilitated gradual phase-out

Selling prior to retirement has many advantages. The ability to sell at "peak" value (before practice decline), a decreased work schedule, and elimination of overhead and management responsibilities makes this an ideal transition strategy. This strategy can also be implemented without locating a buyer with an already-established practice provided there is enough business volume to support both doctors through the transition period.



Dr. David Griggs is president and founder of The Transition Group, and has over twenty years experience in the planning, structuring, and implementation of 2000+ practice transitions for health care practitioners. The Transition Group is a fee-based consulting firm in the Tampa Bay area providing practice consulting, valuation and brokerage services, including Associateship-Partnership, Practice Buy-in, Practice Sale, and

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10 STEPS TO SURVIVE A RECESSION



- 1.** Implement a cash flow crisis plan and set your break-even monthly expense figure.
- 2.** Reduce expenses to your break-even point.
- 3.** Pre-block your schedule for significant treatment and dentistry.
- 4.** Motivate your staff to market the hospital, cut costs, fill pre-blocks on the schedule, and boost treatment acceptance.
- 5.** Increase low cost, internal marketing activities like asking for referrals, networking in the community, and nurturing your existing client base with extra attention.
- 6.** Run specials – offer discounts on some low overhead procedures.
- 7.** Offer outside financing (for example, Care Credit) to your clients to increase treatment acceptance.
- 8.** Utilize technicians fully by delegating appropriate procedures to give the veterinarian time to see more appointments, educate clients, and boost revenues.
- 9.** Add more services and products to your practice (grooming, behavioral training, pet supplies, nutritional counseling, micro-chipping etc.).
- 10.** Associate in another veterinary practice to supplement your income.