

The Dental Transition

N E W S L E T T E R

In this issue

Page 1

Essential Considerations Before Listing Your Practice for Sale

Page 3

Debunking Common Myths About Dental Practice Transitions

Essential Considerations Before Listing Your Practice for Sale

Deciding to retire is a significant milestone—one that not only reshapes your daily routine but also impacts your long-term financial future. Retiring too soon may lead to boredom or financial strain, potentially compromising the lifestyle you envisioned. Since the sale of your practice plays a crucial role in your retirement plan, it's essential to ensure that both you and your practice are well-prepared. Below are key factors to consider before listing your practice to maximize its value and secure a successful sale.

Assess Your Financial Readiness for Retirement

Before making any commitments, ask yourself:

- *Can I comfortably afford the lifestyle I desire?*
- *Am I relying on the sale of my practice to fund my retirement?*
- *Do I need to reach a specific sale price to retire securely?*
- *Will I need to continue working part-time post-sale?*

Consulting with a financial advisor can help you determine if you are truly ready to retire or if additional planning is necessary before moving forward with the sale.

Maintain Productivity and Office Appeal

Once you decide to sell, it's important to continue operating your practice as if it's your first day in business. Reducing productivity before the sale may lead buyers to question the value of your practice, potentially resulting in lower offers. To maintain appeal:

- Keep production levels steady. A decline in revenue may deter buyers.
- Ensure all equipment remains in good working condition—repair or replace any malfunctioning tools.
- Maintain a clean, modern, and inviting office environment with neutral décor, fresh paint, and clean carpets. A well-maintained practice is far more attractive to buyers.

Avoid Major Equipment Purchases

While keeping equipment operational is essential, investing in significant upgrades (e.g., a new digital X-ray system or CEREC machine) shortly before selling is unlikely to yield a return on investment. Instead, allow the buyer to make

Continued on Page 2

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Essential Considerations Before Listing Your Practice for Sale

Continued from page 1

those decisions. However, if critical equipment breaks, replace it with a comparable model to maintain workflow efficiency.

Clean Up Financial Records

A well-organized financial history enhances buyer confidence. Take the following steps:

- Review and adjust accounts receivable. Write off uncollectible debts to present a more accurate financial picture. High levels of overdue payments may raise concerns about poor collection practices or potential fraud.
- Resolve patient credit balances. Excessive patient credits can be a red flag, suggesting improper fund management or potential future liabilities for the buyer. Address these balances before listing your practice to avoid complications.

Hire a Reputable Broker

A knowledgeable broker can provide an accurate valuation of your practice, helping to set realistic expectations for pricing and marketability. When selecting a broker:

- Avoid those who simply promise the highest price without conducting a thorough valuation.
- Choose someone who assesses all aspects of your practice, including revenue, profitability, staff, location, and potential growth.

- Understand that buyers today are financially savvy and work with advisors to ensure they're making sound investments. Even if a buyer is willing to overpay, their lender must approve financing based on the practice's true market value.

Establish Realistic Timeline Expectations

Selling a practice is a complex process that takes time. Even if you're ready to sell, buyers won't immediately be lined up—especially if your practice isn't in a high-demand area. The process typically includes:

1. Multiple visits from prospective buyers.
2. Financial review and due diligence by the buyer's accountant.
3. Negotiation of terms for a letter of intent.
4. Securing financing for the buyer.
5. Finalizing the purchase agreement and closing the deal.

Working with a trusted broker can streamline this process, making it as smooth and profitable as possible so you can confidently transition into retirement.

By carefully preparing for the sale, maintaining a strong financial position, and working with experienced professionals, you can ensure that you receive the best possible return on your practice—allowing you to retire with confidence and peace of mind.

Debunking Common Myths About Dental Practice Transitions

Transitioning out of your dental practice is no small task, and you will inevitably encounter plenty of advice along the way. However, not all of that advice is rooted in fact. Over the years, we've helped hundreds of dentists successfully sell their practices, and we've repeatedly heard the same misconceptions that can cause unnecessary stress—or worse, financial loss.

To help you make informed decisions about your transition, we're here to set the record straight about these myths.

Myth: The practice will lose 30% of patients after the sale.

Fact: Some patient attrition is expected but far lower than 30%. Typically, practices lose just 5%-10% of their patients post-transition. This number can increase if the seller and buyer have mismatched treatment philosophies or if the buyer struggles with business operations. However, patient retention can remain strong with careful planning and alignment between seller and buyer.

Debunking Common Myths About Dental Practice Transitions

Myth: Sellers must stay and work in the practice for at least one year.

Fact: Every transition is unique. While it's true that sellers staying on temporarily can help with patient and staff retention, this isn't a one-size-fits-all rule. We've worked on transitions where sellers left immediately after closing, and others where sellers stayed for a few months to a year (or more). The most common arrangement is for the seller to leave immediately after closing.

Myth: My associate can buy my practice.

Fact: While this seems like a logical solution, statistics suggest otherwise. The American Dental Association (ADA) estimates that 75% of associate buy-ins fail before closing. Challenges often arise due to personality clashes, differences in practice philosophy, or disagreements over assigned procedures. Setting clear expectations and seeking experienced guidance early can help mitigate these risks, but many alternatives typically provide a smoother transition.

Myth: My landlord will release me from all liability in the lease.

Fact: Most of the time, landlords will not fully release sellers from lease liability. Instead, they might require the seller to remain a guarantor for the total lease term or a negotiated period, such as 2-3 years. While some landlords may agree to a total release, this is the exception, not the rule. Before finalizing a lease agreement, consult a professional to explore your options.

Myth: Sellers will need to finance the purchase price.

Fact: This is uncommon. Buyers typically secure financing through banks, often with little to no down payment required. Seller financing generally only comes into play in specific situations, such as when a buyer has low credit or when a practice has insufficient cash flow. Even in these cases, sellers usually finance only a small portion—typically around 10% to 20% of the purchase price.

Myth: Keeping and collecting my accounts receivable (A/R) rather than selling them is better.

Fact: While holding onto accounts receivable may work in some cases, we often recommend selling them to the buyer. This approach ensures a cleaner transition, avoids

potential disputes over payments, and simplifies the overall process. Most buyers value A/R at around 85% of "collectible" value—accounts under 90 days old, after insurance adjustments. Selling A/R provides convenience for both parties and minimizes legal and financial conflicts.

Myth: Slowing down your practice before selling is a smart transition strategy.

Fact: Slowing down your practice before selling can significantly devalue it. Many dentists fall into this trap, reducing collections from above \$1 million to \$600,000 or less, ultimately costing themselves hundreds of thousands of dollars in equity. Instead, consider hiring an associate to take on some of your workload or sell your practice while continuing to work part-time under the new owner.

Myth: Practices are always valued and sold for 100% of collections.

Fact: While some practices sell for 100% of collections, they are often the exception. Valuations typically range between 50% and 100%, depending on factors like net income, location, overhead, updated technology, and local market demand. A proper valuation should go beyond collections and encompass all aspects of the practice, including goodwill and the book value of assets. Sellers' market conditions may push valuations higher, but not all practices qualify for top-dollar sales.

The Importance of Dispelling Myths

Making decisions based on myths or bad advice can cost you valuable time, money, and peace of mind. By relying on facts and seeking guidance from experienced professionals, you can ensure the transition of your dental practice is as smooth and successful as possible.

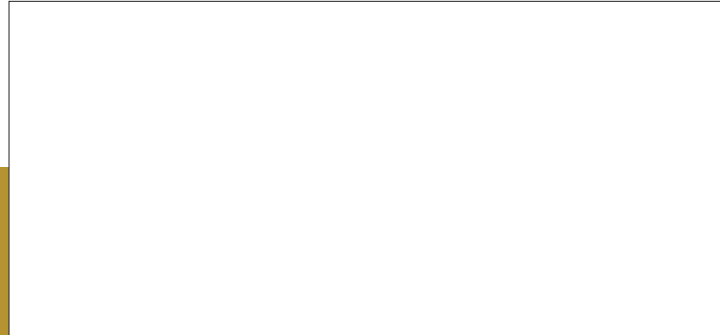
We're here to guide and support you through every stage of your transition. Whether planning the next steps or just starting to explore your options, accurate information can make all the difference. Remember, selling your dental practice isn't just a transaction—it's the culmination of years of hard work and dedication.

Connect with our team of experts today, and ensure your transition is grounded in knowledge, not misperceptions.



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What Our Clients Have To Say About Us Matters

"When I decided to buy a dental practice, I quickly learned that practice brokers represent the seller. As a buyer, that posed some challenges. Of all the brokers I worked with in St. Louis, Kim was the only one who managed to make me feel that she was actively trying to find a practice for me to buy. Not only did she help me find a practice I loved, but she still represented her seller well and was fair throughout the entire process. Because of her, I am now the owner of a great dental practice that I love and I truly believe she made that happen for me. Thanks Kim."

– Dr. Victoria Daugherty

Contact us TODAY to schedule a free consultation!

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