

# **Which Practice Do I Buy?**

**By Philip Kempler, DMD, Broker**

I am constantly amazed how many dentists call me inquiring about purchasing a dental practice and when I ask them what they are looking for, they answer, “I’m flexible”. What that tells me is that they really don’t have a clue. I hope that the following information will give you some ideas on how to clarify the important decisions you need to make before purchasing a dental practice.

First and foremost is location. If you were buying a house, you wouldn’t go to a realtor and ask to see houses in California. No, you’d break it down to either a city you live in or a city that you’d like to move to. It’s the same with a practice. I have had to sell numerous practices for dentists who in a relatively short time were “sick and tired of commuting an hour back and forth to work.” Look for a practice within 30 minutes of your home or city you plan to live in. That’s important for several reasons. One, emergency patients can be a great source of practice builders. But if you live too far from your office, emergencies will be more of a hassle than an asset. Two, being close to your office gives you more time with your family, reduces your daily stress, and makes it easy to complete paper work back at the office, if need be. Three, an office close to home saves gas and wear and tear on your car.

Second, pick a practice that you think you would be comfortable working in. Specifically, if you enjoy a slower paced environment and want to see only a few patients a day, don’t even consider a practice that sees 20 patients a day. Likewise, if you enjoy the fast pace of being on roller skates all day, you won’t be happy in a small practice. This sounds obvious, but I see it all the time.

Third, choose a practice with the kind of patients you like to treat. Eye specialists flock to Florida because Florida has an aging population that need and see value in Laser eye surgery and cataract surgery. If you enjoy doing implants and cosmetic dentistry, a college town would probably not be a good fit. If the typical patient is in a lower socio-economic class and only wants “necessary” dentistry performed, be sure that’s okay with you. On the other hand, if you want to do ideal dentistry and have a high acceptance rate of your treatment plans, plan accordingly. Likewise, if the majority of the patients are of a particular ethnic group, make sure that is acceptable to you.

Fourth, don't get hung-up over the price of certain overhead items as long as the entire picture looks good. I had a buyer all bent out of shape because the rent was \$6500 per month, although the total overhead was only 59% and the dentist was netting \$24,000 per month. Look at the complete financial statement. A good Broker should be able to help you get an honest evaluation of the anticipated net income if you don't have an accountant who is familiar with dental practices.

Fifth, don't get set on a maximum or minimum purchase price. Find the practice that best suits you and once you find it, make sure the Broker shows you how the price was determined. It should be done based solely on the numbers, not on potential. And the appraisal should be done according to one of the accepted mathematical formulas used today, not simply just a percentage of production, which in today's dental field, has little or no bearing. No practice that is priced fairly should be out of your range. I hear too many dentists tell me the most they want to spend on a practice is \$200,000 yet they want to take home \$100,000/year, have new equipment, and have digital x-rays. Well, it's not going to happen. Be realistic. Look at a lot of practices. And don't be afraid to spend \$300,000 or even \$400,000 to buy the right practice as long as there is sufficient cash flow to service the debt and provide you with a good take-home income. A good Broker, or dental accountant, should be able to help you make that determination.

Finally, all Brokers are not the same. Just like all dentists are not the same, so too with dental Brokers. It is important that you get individual attention and talk to the same person each time. Don't settle for salespeople. Be sure your Broker knows not only about selling a practice, but also about Buying a practice. He should have a working understanding of how a dental office operates. Be sure that your Broker knows the practice inside and out and acts like he's selling his own office.