



# Four basic practice sale strategies

In the peak of your career, **SELLING YOUR PRACTICE** may seem too far in the future to consider in any detail. On the other hand, with retirement on the horizon, the prospect of your career's end may feel overwhelming. Either scenario can prevent the wheels of planning from turning. Although early planning is always ideal, it is never too late to develop a strategy for selling your practice. Abraham Lincoln is quoted as saying, "The best time to plant a tree is 10 years ago. The second best time is now."

To identify the strategy with the best probability of meeting your expectations, you should start by addressing the following assessments:

## Personal Assessment

- 1 *Are you envisioning retirement immediately in two or more years or in the distant future?*
- 2 *Do you need or desire to work in the practice after the sale?*
- 3 *Would you be happy practicing with someone else in control of the practice?*
- 4 *Would you be willing to give up sole autonomy for a partnership?*

## Practice Assessment

- 1 *Is your facility capable of supporting an additional dentist?*
- 2 *Does your practice have the ability to provide an income for you and an additional dentist?*
- 3 *Will your staff be open to change and able to support an additional dentist?*

Once these assessments are addressed, you can evaluate different sale strategies and initiate a systematic approach to your practice transition.

**Strategy 1 – Immediate Sale:** If you need or wish to complete the sale in a short time, your best option may be a straightforward strategy that will allow you to sell and exit the practice. If you determine that your practice is unable to support more than one dentist's income, this may be the only viable option. In this scenario, you would work until you are ready to retire, sell the practice, continue practicing on a very limited basis for a short transition period, and then exit the practice. This is the most commonly used practice sale strategy because it suits the majority of practices.

**Strategy 2 – Delayed Complete Sale:** If your anticipated retirement horizon is two or more years out, this

type of sale may be an appropriate choice. In this scenario, the associate/purchaser and owner/seller agree that the sale of the practice will occur at a predetermined date in the future after an association period. This option is ideal for a practice owner with a larger practice who is not yet ready to retire, but wishes to slow down. This gives the associate/purchaser - who is not yet prepared to manage a large practice - two or more years with the practice to become management-ready. The buy-out mechanism should be clearly documented when the association is initiated. The practice income and facility must be adequate to support both dentists. The selling dentist retains control of personal production and management until the sale is complete, and then retires at the time of the sale unless he or she is remaining on as an associate.

**Strategy 3 – Delayed Fractional Sale:** If your anticipated retirement horizon is in the distant future, you may want to consider a fractional sale. In this scenario, a fractional part of the practice is sold to an associate after two to three years of employment, creating a partnership. The goal is to enjoy the benefits of a multi-doctor practice over an extended period of time, with a predetermined buy-sell agreement in place. This form of practice sale is complex and requires detailed planning and documentation. The practice income and facility must be capable of supporting both dentists throughout the association and partnership for this strategy to be successful.

**Strategy 4 – Merger Sale:** In certain situations, a merger sale may be an excellent option. In this scenario, one existing practice purchases another practice in close proximity, merging the two into one facility and eliminating one set of fixed expenses. The purchasing practice's net income should increase significantly, allowing the purchasing dentist the flexibility to retain the selling dentist as an associate if this is mutually agreeable.

These strategies work very well given proper planning and structure. Professional advice should be sought from an experienced transition consultant. Exiting your practice is an important professional and personal passage, and proper planning is a wise investment. **DE**

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