

Stay prepared to sell your dental practice

If you enjoy running your own dental practice, selling it may be the furthest thing from your mind. But the reality is that eventually an opportunity to sell will come, whether due to your own life changes or a perfect buyer walking in the door. Planning, often years in advance of the sale date, is necessary to get the most value for the love, sweat and tears you've invested. Here are some tips to stay prepared:

- **Assemble a great team.** Selling a business is a complex process, especially as you grow larger. You're likely to need three kinds of professionals to help that specialize in working with dentists: a certified public accounting firm, to help analyze and produce clean and easy-to-understand financial statements, as well as perform a practice valuation; a lawyer, to create the necessary legal documents and help you negotiate terms; and a practice broker, to help you market your practice and find the right buyers.
- **Develop your exit strategy.** With the help of your advisory team, create a clear picture of what selling your practice might look like. Outline the risks and opportunities that could affect the valuation of your practice. Planning out an ideal scenario as well as a plan B will help you avoid getting backed into a corner and selling at a discount.
- **Clean up your financials.** As you get closer to selling, go over your business financial statements as well as your tax returns from the last three years. A practice broker will like to present a clear and compelling financial picture to a client, and that will include a year-to-date financial report.
- **Have a plan to improve sales.** The worst time to sell is when sales are declining, even if it's just a temporary or seasonal dip. Part of your planning should include some tactics to boost your sales and cash flow, such as increasing marketing and promotion, liquidating bloated inventories or collecting on accounts receivables.
- **Be prepared to evaluate buyers.** Be prepared to take a calm approach to any offers you get. You don't want to jump at the first offer, and many offers that seem too good to be true often are. Lack of solid financing is often an issue, so work with your practice broker to find buyers who have been prequalified by a dental practice lender.
- **Have your after-sale plan down.** Often a buyer will want to include a clause that the previous owner stay on awhile as an advisor. Make sure that the advisory period lined out in the contract isn't longer than is comfortable for you. Finally, work with your accountant on a tax-efficient plan for the proceeds of your sale.

The spring and summer is the perfect time of the year to do some housekeeping of your dental practice. This should include having a practice valuation (appraisal) prepared, so that you know what your practice may actually be worth.

This would be the first step to getting a true understanding of the value of one of your most significant assets and will also help you plan for your ultimate exit strategy.

As part of the specialized services I provide to dentists, I can prepare a practice valuation for you. Let's schedule some time after tax season to discuss the steps involved, as well as the cost.