



For sale: one dental practice

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With a book and a little bit of free time, it is possible for a dentist to perform his or her own electrical work. The problem with this approach to a **DENTAL PRACTICE SALE** is that disputes and liabilities resulting from the sale may be more significant than a blown electrical fuse or a little shock. **Obtaining professional advice from a practice broker, attorney, and CPA** is essential for structuring the details of any sale or purchase.

Agreeing upon a price and signing the papers is the easy part of a practice sale. Many dentists plan to sell their practices with the attitude of “Don’t sweat the small stuff.” Unfortunately, the “small stuff” becomes “big stuff” months after a sale when either the buyer or seller believes that he or she was wronged.

A practice broker determines the value of the practice, suggests terms of the contract, and coordinates the input from the attorneys and the CPAs. Here are just a few things the CPA needs to discuss concerning the tax consequences of a practice sale: Will the purchase price allocation for a sale be for goodwill or an asset sale (one is a capital gain, the other ordinary income)? Will there be any consequences from the timing of the sale? Should the sale occur before one year ends or after a new one begins? Should the price be paid in a lump sum or should payments be spread out over a few years? Can the seller bear the financial risk of owner financing? Careful planning and timing of a sale can minimize the tax burden, thus maximizing a seller’s profit.

Legal advice is strongly encouraged for all dental practice sales. Good legal advice generally pays for itself in the long run. Most practice brokers will provide sample contracts for the attorneys to minimize legal fees and ensure the contract covers the unique aspects of dental practice sales. A method for settlement of accounts receivable and prepaid procedures, as well as the details of any postclosing warranty work (who will do the work, who will pay the bill) must be determined. Will the buyer assume the current contracts for Yellow Pages and lawn maintenance, or will the balance left on those contracts be the seller’s responsibility?

If a dentist plans to continue to work after a sale, a sound employment contract, as well as a noncompetition agreement, are necessary. What happens to the employment

contract if Dr. New feels he or she can handle all of the dentistry in the practice? A competent broker should discuss the potential postclosing problems *before* the transaction, and an attorney should include agreed-upon solutions in the contracts.

It is a natural tendency of the seller to only disclose the positive aspects of a practice. Good brokers will list the defects of the practice, as well as its attributes. It is the buyer’s responsibility to thoroughly investigate a practice and the seller’s obligation to reveal all defects. The contract should cover these components of the sale.

A broker is invaluable in negotiating the office lease or building purchase aspect of the sale. Because the location of a dental practice is often a key to its success, negotiating the assumption or formation of an equitable long-term lease is essential. In addition, most dental-finance companies require a lease term or renewal options covering the loan repayment period. Coordinating the signing of the lease at the time of the sale is important.

Brokers warn buyers about implementing changes too rapidly and too frequently, since this will be detrimental to a practice. Even without drastic changes in policy, there can be a perceived or real change in the buyer’s competence which can lower the income of a practice after a sale. It is very important that this potential be discussed with the buyer.

Dental brokers are aware of all the numerous potential pitfalls associated with practice sales. There is no way that both parties will remember every detail of a 20-page contract, even though their attorneys review it with them. There will occasionally be an unforeseen disagreement. For example, who would anticipate that the seller would have all office mail forwarded to his home three times? An experienced professional dental broker will anticipate problems and have solutions included in a sound contract.

It is impossible in this brief space to list all the items important in a practice transition, so choose your broker carefully to avoid being shocked. **DE**

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