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5100 Tamiami Trail North
Suite 106
Naples, Florida 34103

Toll Free: 800.262.4119

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Professional Transitions would like to

Congratulate

Stephen P. Belcher, DDS to
Garth B. McCaffrey, DDS
Bonita Springs

Asma Awad, DDS to
Bashar Al-Khouri, DDS
Brandon

Donna Allen, DDS to
Jonathan Freed, DDS
Ft. Lauderdale

Marc Pomerantz, DMD to
Janice Defelice, DMD
Hallandale Beach

Julio Hernandez, DMD to
Maria Figueredo, DDS
Hialeah

Sandra Gomez Trainor, DDS
to Allison Hidalgo Gonzalez,
DMD
Miami

Israel Negron, DMD to
Amani Alkhairi DMD
Orlando

CAN THE BUYER AFFORD YOUR PRACTICE?

In approximately 80% of transactions, the seller sells outright transitioning 100% of the practice to the purchaser immediately and remaining only for a period of 1-3 months to familiarize the purchaser with office systems and patients. They finish open cases, but don't begin new work. This is the simplest form of a practice transition, but dentists sometimes want a long transition period. Long transitions are usually not practical. For solo practitioners, the facility is generally not large enough for two doctors. This not only strains the facility, but also means the practice won't support more than one doctor.

Consider the following example:

Overall Practice Collections (Hygiene and Doctors)	\$750,000
Hygiene Collections (25% of Practice)	\$187,500
Total Dentist Collections (75% of Practice)	\$562,500
Seller Dentist Collections (33%)	\$185,625
Purchaser Dentist Gross Collections (67%)	\$376,875

While a practice generating \$750,000 seems enough to support a two-doctor practice, 25% is generated from hygiene leaving \$562,000 of operative dentistry. When the seller remains and produces 33% (\$185,625) that leaves \$376,875 for the purchaser. Compensated at 35% of collections, the seller grosses \$64,968.

The purchaser retains:

Hygiene Collections	\$187,500
Purchaser Collections	\$376,875
Seller Revenue Collections	\$120,656
Purchaser Gross Revenue (Minus Seller/Associate Pay)	\$685,031

Assuming a 60% overhead (\$450,000), the purchaser has income of \$235,031. The buyer pays a \$525,000 loan over seven years at 9.25% or \$102,162 annually, leaving \$132,869 gross.

The buyer here probably would not complete the purchase because he or she could work for another den-

tist, produce \$375,000 annually, with his or her compensation factored at 35% or \$131,250. This allows the same dentist to generate similar income without assuming the \$525,000 liability.

Had the seller done a complete sale with 1-3 month transition, the buyer would generate after-debt-service pre-tax income of \$197,836.

The practice would have to generate considerably more than \$750,000 to warrant the selling dentist continuing in the practice. If your practice generates sufficient revenue to allow you to remain, several additional factors must be considered:

- is your practice large enough to accommodate two practitioners and at least one hygiene chair?
- Are effective management systems in place to assure your practice is operating efficiently?
- Do your employees work as a team and will they accept direction from the new owner?
- Is your technology up-to-date in equipment and management-information systems?

If you are planning for transition, critically review your practice to develop a successful transition strategy. The key step is early planning. You should begin planning three-to-five years prior to the anticipated exit date. This is especially true if your exit strategy includes you remaining in the practice for several years.

In most cases, it makes more sense for you to remain in practice until you can afford to retire completely. We find that a seller remaining in practice for three or more years can make more money than by selling the practice prematurely.

A properly planned exit strategy allows you to update your practice with technology and systems, if needed, and increase your revenue to enhance the overall value of your practice. Additionally, you can properly prepare for a full transition out of dentistry and into your next endeavors as easily and smoothly as possible.

For more information or to discuss the possibilities for your exit and whether a longer or shorter term transition may be best for you, please contact us by phone at (800) 262-4119 or send us an email at info@professionaltransitions.com.

TRANSITION EXPERTS, FINANCIAL PLANNERS ACCOUNTANTS AND MONEY MANAGERS A POTENTIAL CONFLICT OF INTEREST

By Hy Smith, MBA
President, Professional Transitions, Inc.

Recently we've seen Certified Financial Planners and accountants acting as money managers and "Transitions Experts". At least three large firms have entered the practice transitions forum it seems, to manage the proceeds of the sale. In some cases claims are made that the right structure allows taxes to be avoided or deferred to a future date. Taxes cannot be avoided! They may be deferred by using retirement vehicles such as a Defined Benefit Plan, but ultimately you will pay the taxes.

Professional's expertise and their impact in the transition process

Transition Experts assist you determining the proper transition to enter into as well as facilitating that transition. They are current with tax implications, legal precedents and the market in general. They are not motivated by your choice of financial planners or money managers. They are paid a commission or fee for the services that they render.

Accountants (CPAs) keep track of money. They do accounting, auditing, tax, and consulting work. Generally they provide tax advice, profit and loss statements and prepare tax returns. They will also represent you should the IRS challenge your tax return. They are generally paid a fee for their professional time.

Money Managers either take a commission for each transaction, take a percentage of the money being managed or are paid a flat fee. In any case, they profit by long term management of your money.

Financial Planners evaluate your assets, your liabilities and your income to project the amount of money you will need for retirement and the amount of money you will have when you retire. They try to reconcile the two using actuarial tables that project a reasonable return on your investments and by anticipating your financial needs from the time you retire until you die. Financial Planners make money by charging

by the hour or by charging a fee for preparing a financial plan.

Actuaries review the increase or decrease of assets in the financial plan each year and re-project, using actuarial data, how the plan is tracking. After new projections are determined, the financial planner comes back into the picture to adjust investment strategy to meet the financial plan goals.

Understanding the role of these key professionals in your transition and financial planning is necessary to choose the right advisors. Most knowledgeable attorneys advise that being the financial planner and the money manager is a conflict of interest. Attempting to provide all four services within one firm seriously exposes your transition and your retirement plan to prejudicial advice. Using separate entities affords you an automatic check and balance system which is ultimately in your best fiscal interest.

Example 1 One financial planner recently suggested his client's proceeds go into a Defined Benefit Plan as a tax deferred strategy. Had the client paid taxes on the money at the time of receipt, using appropriate allocations, he would have paid 95% of the purchase price at the capital gains rate of 15% as his total tax. Capital Gains tax is currently the lowest form of taxation.

Following the financial planner's advice means the client is taxed at 35% when he takes possession of the Defined Benefit Plan. The \$800,000 that was tax deferred ultimately results in an additional \$160,000 in taxes. Had the doctor taken his money and paid taxes at the time he sold, the financial planner would not have had the opportunity to manage that money and profit from the fees received for those services.

Example 2 We saw a similar scenario in another recent transaction. The seller was advised to allocate the purchase price so that nearly 100% of the practice sale would be tax deferred. The motive was for the

accountant/financial planner to gain control of the proceeds and invest them for "retirement". Again the deferred amount would be eventually taxed at 35% and in this case, the advice totally ignored the financial condition of the seller and his current need for the money to repay existing loans.

Conclusions As in all transactions, "Caveat Emptor" or "Buyer Beware". We strongly recommend finding an ethical transitions expert, a knowledgeable accountant, a good financial planner, who will usually refer you to an actuary, working at arms length and a list of money managers, again arms length, with whom they have worked and are comfortable. This grants you the protections offered by diversity and separation.

Death and Disability

Your steps now are the key to set your practice up for success in event of the unexpected happening to you.

For information call (800) 262-4119
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Speakers Available For Your Meetings

*Learn the latest in transition
and exit strategies.*



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Unlock Your Future *General and Specialty Practice Purchase Opportunities*

Southeast Florida

Contact: **Stuart M. Auerbach, DDS**

		Gross	Net
Aventura	5 ops FFS/C&B	\$1M	\$312K
Boca Raton	4 ops FFS/C&B	\$1M	\$333K
Coral Gables	3 ops FFS/PPO	Ask: \$155K	
Coral Springs	5 ops FFS/PPO 3 days/wk	PENDING	
Coral Springs	6 ops FFS/PPO/HMO	\$1.3M	\$475K
Ft. Lauderdale	2+1 FFS *New* Digital Paperless	SOLD	
Hallandale Bch	6 ops PPO/HMO	SOLD	
Hialeah	6 ops FFS/PPO Pan	SOLD	
Lower Keys	5 ops C&B (24 hr/wk w/RE)	\$1.2M	\$280K
Miami	4 ops FFS/PPO/HMO (3.5d/wk)	PENDING	
Miami	5 ops PPO/HMO	\$535K	\$157K
Pompano Beach	3 ops FFS/PPO (3d/wk)	\$491K	\$140K
Sunrise	7 ops FFS/PPO including Condo	\$825K	\$242K

Specialty Practices

Palm Bch Cty	Perio - 4 ops w/condo	\$812K	\$274K
N. Dade Cty	Pedo / Ortho - 6 ops FFS	\$515K	\$80K

Practices Ready Facilities

Boca Raton	5+1 ops with Pan -Ortho/Pedo	SOLD	
Jupiter	5 ops equipped Shopping Ctr	Ask: \$150K	
Miami Beach	2+1 ops Dig X-Ray Networked	Ask: \$150K	
Pembroke Pines	4 ops - Equipped *FACILITY*	Ask: \$125K	
Plantation	Condo - 1750 SF	SOLD	
Vero Beach	3 ops *FACILITY* w/equipment	Ask: \$460K	
Wellington	4+1 ops equip'd *ORTHO FAC*	Ask: \$ 75K	

Southwest Florida

Contact: **Hy Smith, MBA or Greg Auerbach, MBA**

		Gross	Net
Ft. Myers	3+4 ops FFS 3 days/week	\$535K	\$145K
Ft. Myers	5 ops equipped facility only	Ask: \$75K	
Ft. Myers Area	4 ops FFS Pan, RE Avail	\$640K	\$191K
Naples - South	3ops FFS Paperless	\$460K	\$130K
Naples Area	7 ops FFS	PENDING	
Naples Area	9 ops FFS	SOLD	
Naples Area	4 ops Equipped		
Punta Gorda	4 ops FFS/PPO	\$716K	\$215K

Specialty Practices

Naples	Oral Surgery	\$450K	
Naples	3ops Gorgeous Facility	\$225K	

West Florida

Contact: **Greg Auerbach, MBA or Paul Rang, DMD, JD**

		Gross	Net
Avon Park	4+2 ops FFS RE Avail	\$561K	\$160K
Bradenton	5 ops FFS RE Avail	\$500K	\$135K
Brandon	3 ops FFS Pan Dig. X-Ray	SOLD	
Crystal River	8 ops FFS Pano RE Avail	\$1.1M	\$315K
Englewood	5 ops FFS Pano. RE Avail	\$500K	\$105K
N.P.R./ Pasco CTY	5 ops FFS	\$732K	\$206K
Sarasota	3 ops Facility 1100SF	FOR RENT	
Tampa	4 ops HMO/Cash	\$375K	\$121K
Tampa	5 ops FFS	SOLD	

Specialty Practices

Tampa	Ortho - Associate/Buy-In		
Tampa Area	Oral Surgery - 5 ops RE Avail	\$2.7M	\$1.75M

Central Florida

Contact: **Paul Rang, DMD, JD**

		Gross	Net
Cocoa	6 ops FFS Pano. RE Avail	\$1.1M	\$378K
Crystal River	8 ops FFS Pano RE Avail	\$1.1M	\$315K
Daytona Beach	4 ops FFS RE Avail	\$480K	\$170K
Gainesville	4 ops FFS Pan 2d/wk RE Avail	\$254K	\$101K
Gainesville	4 ops FFS/PPO Pano	\$1.1M	\$328K
Ocala	5 ops FFS	\$619K	\$210K
Orlando	5 ops FFS/PPO Pano	SOLD	
Orlando	4+1 ops FFS/PPO Pano	\$573K	\$145K
Orlando	3+1 ops FFS	PENDING	

Specialty Practices

Orlando	Endo	SOLD	
Orlando Area	Orthodontics 3 days/week	\$577K	\$177K
Orlando	Orthodontics 2 days/week	\$350K	
Treasure Coast	Prosthodontics	\$635K	\$225K

Buyer Projected Net Income Assumes 100% Financing

For the most recently updated listings visit

www.professionaltransitions.com

We currently have buyers and associates looking for the following opportunities:

GENERAL DENTISTRY

Broward, Collier, Dade, Hillsborough,
Manatee, Orange, Sarasota

PEDODONTIST

Broward, Dade, Palm Beach

ORTHODONTIST

Broward, Collier, Dade, Lee,
Manatee, Sarasota

PERIODONTIST

Broward, Palm Beach



Contact us for a FREE informational CD
and book on buying or selling your practice.

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Exclusive Transition Specialists for The Pride Institute

Southwest Florida

Hy Smith, MBA
(239) 262-3077

hy@professionaltransitions.com



Southeast Florida

Stuart M. Auerbach, DDS
(954) 431-3624

stuart@professionaltransitions.com

West/Southwest Florida

Greg Auerbach, MBA
(941) 746-7959

greg@professionaltransitions.com



North / Central Florida

Paul Rang, DMD, JD
(407) 671-2998

paul@professionaltransitions.com