



ADS Florida Insider

EXPERIENCE, INFORMATION AND CONSULTANTS YOU CAN TRUST

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Is The Price Right?
(No Guessing!)



2013 Outlook:
Look Out! (And Act!)

ADS Florida
Congratulates

Barry Gibberman, DDS to
Jeffrey Rhodenbaugh, DDS
Cincinnati, OH

Charles Czerpack, DDS to
Tehmina Richardson, DDS
Chicago, IL

Rocky Salinas, DDS to
Luz Martinez, DDS
McAllen, TX

Cosmetic & Implant
Dentistry of Naples

Krista Fisher, DMD to
Kelli Bradey, DDS
Old Tappan, NJ

Steve Wang, DMD to
Heidi Finkelstein, DMD
Plantation

Sandy Parrott, DDS to
David Lomasue, DDS
Port Huron, MI

Nicholas Bell, DDS to
Mili Patel, DMD
Westchase

Jeffrey Lang, DDS to
Rachel Caldwell, DMD
Winter Springs

Take the Guesswork out of Pricing Your Life's Work



Often when we talk to sellers who have attempted to sell their own practice, they say the asking price was set by reading a few manuals, asking a few friends, glossing through posts on message boards such as Dentaltown, or even just setting a "percentage of gross" of some kind. Some transition companies also use only a "rule of thumb" percentage of gross revenues to set purchase prices. While these methods can be successful for some, in many cases, if there is actually a sale, one party may have paid too much or the other may have received too little. There seems also to be a feeling that neither party needed a valuation report or an expert on valuations involved.

The reality is, a proper evaluation of the value of a practice is important for every transaction, most notably when planning for retirement. It has been stated several times that your practice is very likely the most valuable asset you will ever own. We see this ring true, over and over and over. If you don't know what that asset is worth, how do you effectively plan for the rest of your life? That is a lot of money to leave to a "guesstimate."

The same can be said in a sale. Why trust a guesstimate that may or may not be financeable, or may or may not even be palatable or workable to a purchaser? Why take the chance of misreading the market and leaving money on the table or overpaying in taxes, closing costs or even legal/accounting fees?

Beyond the benefit of ensuring that equipment and intangible assets are properly valued in a sale to a third party or for gift and estate tax purposes, in the event of a sale to a family member it is also important to review Treasury Regulation, Subchapter B, Sec. 25.2512-3, which discusses the importance of a valuation and the ramifications of an improper valuation. If the valuation claimed is less a certain percentage of the actual value, a varying (significant) penalty will be imposed on the amount of the understated value.

If you are considering the transfer or sale of your practice (especially in the case of selling to a family member), acquire a true practice valuation (see our previous article, "When Is an 'Appraisal' Not an Appraisal? Why Sellers Need to Know the Difference") or at least consult a true expert to determine a real value for your practice.

Are you charging Enough? Request Your Localized Fee Report Today

Treatment fees directly impact your annual income,
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to review what you charge.



This report is free to ADS Florida newsletter subscribers. Visit FeeSurvey.ADSflorida.com to request your localized report.





Try a New Year's Revolution For Your Practice

If you were waiting for the end of the Mayan calendar and the world, that passed on December 21. The rest of us have survived to make it to a New Year! All of us at ADS Florida hope you enjoyed your 2012 holiday season and wish you a very happy, healthy and prosperous 2013.

In the last few years, we have noted that doctors have faced unprecedented uncertainty in the economy, their practices, and investments. Our outlook has certainly brightened due to the general trends of the economy during 2012. (Most signs continue to point towards an ongoing and imminent recovery; visit <http://economy.ADSflorida.com> for indicators.) Economists nationally and worldwide have become more optimistic, but we know we are not out of the woods yet, and there continue to be constant and varying pressures on your practices. Uncertainty in Europe continues to affect our financial system. The "Fiscal Cliff" has been put off for two more months but will only now be packaged within a larger discussion that will now include the nation's debt ceiling. At this point, we can only hope that the politically charged gridlock in Washington can be lessened and our "new" Congress and President can get to work on substantive policies that will enable our economy to continue its recovery.

Key to Success in 2013: A Practice Budget

To help assure success, it has become most imperative that doctors spend the time and energy to establish a practice budget, in conjunction with a full review of their fee structure. This is particularly important if you will be taking over an established practice in the coming year. While only about 10% of doctors nationwide have a written practice budget, their practice profits are dramatically higher than the remaining 90% who do not.

Previously, we have suggested a close examination of overhead expenses, comparing to prior years and then adjusting accordingly. We have also suggested a review of your staffing, as this is the largest single overhead expense item. You should also review your policy on automatic pay raises versus bonus plans.

Another change to be aware of for 2013 is the treatment of health insurance. Health care reform does not require practices with fewer than 50 employees to provide health care insurance coverage for the staff. However, if you do provide health care insurance, there is a provision requiring that eligibility and benefits no longer discriminate in favor of the doctor and/or his family once the plan loses its "grandfathered" status. Policies already in effect on March 23, 2010, may not be affected, but the new regulations will be triggered if "significant" modifications are made. Fines and penalties for non-compliance are severe, so you will need to keep up to date with the implementation of this new provision. Other new taxes will be decided—or not—after the first of the year. We have already anticipated increases in capital gains tax, Medicare tax, and Federal income tax.

Another New Tax?

Of recent interest to dentists, a Medical Device Excise Tax is set to be imposed. The ADA has recently sent an advisory as follows:

1. Dentists will not be responsible for collecting, reporting, or paying the new 2.3 percent tax.
2. The tax on "devices" specific to dentistry will in many cases be applied to the materials from which dental devices are manufactured rather than to the customized items supplied by a dental laboratory, whether or not a device is ultimately adjusted and adapted by the dentist for a patient. "Device" is used as a term-of-art since many "devices" would be more commonly described as "products," "materials," or "substances."
3. The tax will result in some increased costs for dentists and dental patients.
4. Dentists should be alert in reviewing manufacturer and vendor price lists and invoices to make sure that the 2.3% tax is not being applied as a general cost increase with respect to all items, but is only being applied in cases where the law so requires.

This tax survived the New Year's votes, so is currently in effect.

Review Fees to Offset Loss of Income

All of these tax increases mean only one thing for you: less take-home income, unless you are able to offset them with higher gross income or an increase in the profitability of your services. As a supplement to budgeting, you should also review your fee schedule and consider the timing and amount of a fee increase for this year. We recommend that doctors select a fee percentile that accurately reflects their quality of care, and then increase all fees below that percentile up to it. (Request a localized ADA code report at <http://feereport.ADSflorida.com>.) Once your fees are at the desired percentile, you should raise every fee by the same percentage across the board, **every year**.

Your practice budget and fees are vital for the ongoing success and health of your business. A little time now will save stress, and dollars, throughout the year.

Do you have more questions about your practice for 2013? Email us at question@ADSflorida.com. For a local overview of fees by zip code, ADS Florida is offering you a free customized report. If you are interested in receiving one, please visit <http://feereport.ADSflorida.com> and complete the form.

ADS FLORIDA



[PROFile]

Skip Stamper, CNE
Mid to North Central
East Coast

Skip Stamper learned firsthand the many aspects of a successful dental practice working in his father's dental office in Daytona Beach. He was also instrumental in development of a dental insurance program that helped many area dentists increase their patient base. Later, he worked as an account executive for a national digital dental imaging company. And most recently Skip has been a licensed Realtor® and broker/owner of Halifax Area Properties. With his dental, business and real estate background, he brings a comprehensive approach to assisting dentists in planning and completing successful transitions.

[Contact Skip]

386.547.2552 or Skip@ADSflorida.com

Seminars & Events

Throughout the year, ADS Florida invites you to join us for educational opportunities that can enhance your professional development, financial success and security, and practice transition planning.

Strategies for a Successful Transition

Sell or Partner? Understanding the Economics of Your Exit Options

February 8 - 9, 2013

Nashville, Tennessee

April 12 - 13, 2013

Boston, Massachusetts

June 21 - 22, 2013

Seattle, Washington

Register online at PrideSeminar.com

What Our Clients Say

"I have the highest of praise for the professional handling of my practice sale as well as the sale of my professional building through Dr. Paul Rang. He was there for any questions that I had, helped me understand the values and pitfalls, guided me through the technical paperwork. I could go on and on. He was great."

— Stanley W. Pfost, DDS

Meet the ADS Florida Team



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