

Professional Transitions

How Do I Retire?

Believe it or not, we actually get this question quite often and the options can definitely make a difference.

Generally, practice owners fall into one of the following categories:

1. The Senior doctor decides to sell the practice and retire.
2. The Senior doctor continues to practice for as long as he desires. Over time, he may shorten his workweek and daily schedule by limiting his practice to only certain procedures, or by treating only existing patients.
3. The Senior doctor hires an associate doctor to begin taking over the practice with the intent that the associate doctor ultimately purchases the practice.
4. The Senior doctor brings in a partner and sell a portion of the practice with the intent that the partner purchases the practice.

Practice sales today nationally average about 62% to 65% of the gross income of the last year, while Florida percentages continue to be a little higher. The practice income history, practice expenses, age and condition of equipment, age and condition of facility, practice treatment focus, and the amount of reduced fee services will in large part determine the actual amount of the sale. So, in general, a practice sale should not be considered a major portion of a doctor's retirement planning. Generally, in most solo general practices, by working until the doctor is ready to retire, the doctor will realize more money than bringing in either a partner or associate.

Considering a partner or an associate? It is imperative that if the senior doctor considers either an associate or a partner, that the current practice will support the two (or more) doctors. We usually find that practices with gross production of less than about \$750,000.00 will not produce enough net income for all of the producers (doctors). Therefore, the senior doctor will be experiencing a loss of net income for any period of time that it takes to build the practice to support more doctors.

The expectations of associates / partners and senior doctors are often very divergent. Associates are reluctant to build a larger practice for the senior doctor only to find that they have increased their purchase prices. Partners expect that the senior doctor will supply patients for them. Senior doctors anticipate that they will be able to concentrate on the 'larger' cases in the practice and that the partner/associate will treat the 'routine' procedures. The partner or associate will get the emergencies, 'simple' restorations, and generally the procedures that the senior doctor chooses not to do. In the case of a partner, after purchasing half of a practice, is the partner not due half of the profits? Obviously, in order for the senior doctor to maintain his income level, the number of patients in the practice has to increase!

In the case of the associate, the senior doctor must decide how the associate will be 'given' patients. Are all patients of the practice open to the associate? Is the associate expected to do only specialty treatment that the senior doctor normally refers out of the office? Is the associate expected to find or bring in patients to work on?

Many doctors are under the impression that associates are 'money-makers' for the practice. Looking at the practice numbers may force a re-evaluation of that idea.

continued next page...

Professional Transitions

Coming Soon:

- Putting Yourself in the Buyer's Shoes
- Destressing: the Easy Ways
- Do You Really Need a Broker?

Congrats to Our Recent Transitions!

Cape Coral - October 2004

Dr. Mauricio Martinez for Dr. Robert Brasfield

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If you have questions for our professional staff or topics you would like us to address in the newsletter, contact us at:

newsletter@professionaltransitions.com

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How Should I Retire? (con't.)

Assume the following (with monthly payments over 84 months):

PRACTICE A

Gross Rev: \$500,000 Overhead: \$300,000 Net Income: \$200,000
SALE PRICE: \$325,000 FINANCING: \$4,907

PRACTICE B

Gross Rev: \$750,000 Overhead: \$450,000 Net Income: \$300,000
SALE PRICE: \$487,500 FINANCING: \$7,357

PRACTICE C

Gross Rev: \$1,000,000 Overhead: \$600,000 Net Income: \$400,000
SALE PRICE: \$650,000 FINANCING: \$9,810

Senior doctor continues to work for 5 years and will make:

- Practice A: **\$ 1,000,000**
- Practice B: **\$ 1,500,000**
- Practice C: **\$ 2,000,000**

With a 50% partner who buys in 5 years, the senior doctor makes:

- A: \$ 162,500 + 5*(\$100,000) = \$ 662,500 + \$ 162,500 = **\$ 825,000**
- B: \$ 243,750 + 5*(\$150,000) = \$ 993,750 + \$ 243,750 = **\$1,237,500**
- C: \$ 325,000 + 5*(\$200,000) = \$1,325,000 + \$ 325,000 = **\$1,650,000**

In each case, the partner pays the loan with an expected 5yr income of:

- A: 5*(\$100,000) - 60*(\$4,905) = **\$ 205,692**
- B: 5*(\$150,000) - 60*(\$7,357) = **\$ 308,539**
- C: 5*(\$200,000) - 60*(\$9,810) = **\$ 411,385**

When an associate does specialty work that is normally referred to specialists, the practice will indeed keep part of those revenues. However, when the associate treats patients of the practice that the senior doctor normally treats, the practice only keeps the difference between the actual net income of the practice and the total cost of the associate. This percentage may approximate 5% to 10% of gross associate collections!

The decision to retire and how to best do so should be carefully evaluated. Careful planning can avoid costly mistakes.

Questions about your own retirement?

Contact us at (800) 262-4119 or info@professionaltransitions.com

MARCELLA COHEN AUERBACH

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Fmr Chief of Narcotics Division
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Professionals at a Crossroad *by Douglas Friend*



How do I protect the largest amount of my earnings from taxes?
What type of retirement plans are available for a practice my size? What costs are involved?
What do I do with my retirement funds after the practice is sold?

An investment professional can personally assist you and your employees over the long term. You might want to consider not just using the services of any investment professional, but one who is affiliated with one of the fastest growing, privately owned, investment companies in the country - Sterling Financial Investment Group. We provide research, institutional brokerage, retirement plans, personal wealth management and investment banking services. The company is, today, a global financial services organization with more than 50 offices in seven countries.

For a personal conversation or meeting about your needs please call Douglas Friend at 561.394.4844 or toll-free 866.384.3048 or email dfriend@mysterling.com.



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Douglas Friend is a financial services professional with over 15 years experience. He is located in Boca Raton, Florida.

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GENERAL AND SPECIALTY PRACTICE PURCHASE OPPORTUNITIES

CENTRAL FLORIDA

Contact: Paul Rang, DMD, JD 407-839-8422
paul@professionaltransitions.com

	Gross	Ask
Crystal River - Facility 3 ops Condo w/ Equip.		\$ 90K
Lakeland - 4+1 ops FFS/PPO RE Avail	\$402K	\$225K
Leesburg - 3+1 ops FFS Pano. RE Avail.	\$431K	\$250K
Melbourne - 4 ops FFS Pano.		SOLD
North Central FL. - 4ops FFS RE Avail.	\$287K	\$165K
Ocala - 3+1 ops FFS 2 days/week	\$343K	\$225K
Orlando - 3 ops 2 days/wk RE Avail.	\$207K	\$125K
Orlando - 3+2 ops FFS/PPO Pano.	\$527K	\$345K
Orlando - 3 ops FFS/HMO RE Avail.	\$630K	\$200K
Orlando - 3 ops 2 days/wk FFS/PPO	\$202K	\$125K
Palm Coast -	\$556K	\$225K
Palm Coast -	Associate/Buy-In	
South Central FL.	Associate/Buy-In	
The Villages	Associate/Buy-In	

SPECIALTY PRACTICES

Orlando - Orthodontics 1-2 days/week	\$395K	\$250K
Treasure Coast - Prosthodontics	\$635K	\$495K

SOUTHEAST FLORIDA

Contact: Stuart M. Auerbach, DDS 954-431-3624
stuart@professionaltransitions.com

	Gross	Ask
Hallandale - GP/Pros 5ops 3d/wk	\$426K	\$295K
Miami (North) - 5+ ops FFS 3400SF Bldg.	\$170K	\$678K
Pembroke Pines - 3ops PPO/HMO	\$250K	\$125K
Pompano Beach - 4+2ops FFS		SOLD
Stuart - 3ops FFS with Spacious Ops	\$426K	\$295K
Tamarac - 3+1ops FFS/PPO		SOLD
West Sunrise - 5+1ops FFS/HMO/PPO	\$1.0M	\$750K

SPECIALTY PRACTICES

Pembroke Pines - Office to share new facility
Plantation - Oral Surgery for Associate/Buy-In

OFFICE SPACE

Plantation - Equipped Oral Surgery w/ RE \$279K

WEST COAST/NORTH FLORIDA

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Greg Auerbach, MBA 941-746-7959
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	Gross	Ask
Bradenton - 5 ops FFS RE Avail.	\$500K	\$325K
Brandon - 3 ops FFS Pano.Digital X-ray	\$342K	\$225K
Brandon - 4 ops FFS Pano. RE Avail.		SOLD
Brandon - 4 ops FFS/PPO Pano.		SOLD
Clearwater - 5 ops FFS/PPO Pano.		SOLD
New Pt Richey - 4+2 ops FFS Pan RE Av.		PENDING
Sarasota - 3 ops FFS/PPO	\$175K	\$095K
Sarasota/Bradenton - 2+2ops FFS/PPO	\$315K	\$225K
St. Pete - 9 ops FFS/PPO	\$1.25M	\$950K
Tallahassee -		
Tampa - 3 ops FFS 3 days/week		PENDING
Tampa - 4+1 ops FFS Pano		PENDING
Tampa -		ASSOCIATE
Wewahitchka - 3ops FFS/PPO RE Avail	\$250K	\$115K

SPECIALTY PRACTICES

Tampa - Pedo \$381K \$275K

SOUTHWEST FLORIDA

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Greg Auerbach, MBA 941-746-7959
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	Gross	Ask
Cape Coral - 3 ops		SOLD
Ft. Myers - 9 ops FFS	\$550K	\$300K
Naples Area - 3 ops FFS	\$500K	\$325K
Port Charlotte - 3 ops RE Available	\$430K	\$345K

OTHER OPPORTUNITIES

We currently have buyers looking for the following:
General - Broward, Charlotte, Dade, Sarasota
Orthodontist - Broward, Collier, Dada, Manatee, Sarasota
Pedodontist - Broward, Dade, Palm Beach
Periodontist - Broward, Palm Beach



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