



▶▶ Prepping Your **Dental Practice for Sale**

Steps to consider as you explore walking away from your practice.

Overview

Selling a dental practice requires careful planning and preparation to ensure a smooth and successful transition. From financial considerations to patient relationships, there are numerous aspects to address before putting your dental practice on the market. Let us navigate you through all the steps to consider in five key areas as you look to walk away from your practice.



01 Financial Evaluation

Before you even consider selling your business you need a clear picture of its financial health.

► Financials

Compile accurate financial records for the practice over the past three to five years, including your tax returns. Make sure you can segment out your personal expenses from the business expenses.

Work With Experts

Work with dental CPAs to ensure your financial statements are exact and up to date. Your CPA should be able to guide you through setting clear financial objectives and ways to build up key value drivers to maximize your results in a sale.

Independent Valuation

Get a valuation completed to calculate the practice's current value, considering factors like revenue, expenses and EBITDA. It is recommended to have an independent third-party vendor, one with Certified Valuation Analysts, complete this to get an unbiased, accurate valuation — taking into consideration all the internal and external drivers. Remember, perception is not always reality when it comes to the value of a practice.

Accounts Receivables

Look at where your accounts receivables stand. Before you negotiate a sale, you will want to determine how accounts receivables will be collected. You may choose to sell them to the buyer or keep them separate so you get paid on the work already completed prior to selling.

Payroll Records

Make sure your payroll records are up to date and accurate. Interested buyers will want to look at this when evaluating staff for retention post sale.

02 Define Your Plan

Consider your goals to help lay the framework for the eventual exit and sale of your dental practice.

►► Retirement

If you are ready to sell your practice, but not looking to retire quite yet, consider what your ideal post-close position entails. Often times, buyers will let you stay on in some reduced capacity and that stipulation can be worked into the negotiations.

Wealth Advice

Consult with a wealth advisor to ensure your affairs are in order prior to the sale. If you already have an estate plan, make sure it is updated to reflect the sale of the practice once it occurs.

Tax Strategies

When selling a business, it is important to realize gains on the sale of your practice could be the largest one-time tax you will ever pay. To minimize your tax liabilities, work with your CPA to devise tax planning strategies to help meet your long-term financial goals. Don't wait until the sale is upon you. There are many strategies that can be implemented years prior to the sale to save at signing.

03 Legal and Regulatory Compliance

Legal documents are a necessity to a successful sale when your goals and objectives are on the line.

►► Legal Counsel

Never go at a sale of your practice alone. If you don't already have legal counsel, be sure to hire an expert to help navigate the sale. Preferably it should be someone who specializes in this practice area of law.

Review Documents

Review all contracts, leases and agreements to make sure they're transferable to the new owner. This will help speed up the process in determining what can be included in the transaction or not.

Pending Litigation

Tie up the loose ends on any outstanding legal issues or pending litigation before you start marketing your practice. This could be a deal breaker from the start.

Licensing

Ensure all your licensing is up to date with the state and applicable dental board authorities.

04 Facility and Equipment

Often the largest assets in a dental practice sale is the equipment and building.

► Working Condition

Ensure all dental equipment is in good working condition and meets current safety standards. If any updates are needed, make them prior to the practice going on the market. The better the condition the higher value it will bring to the sale price.

Inventory

Create a detailed inventory of everything at your practice. Document large equipment that will remain at the practice, including the purchase date, estimated replacement date and other relevant information. Additionally, have a good idea of the inventory of other dental and office supplies you have on hand at the practice.

Building

If you own your building, consider if this is something you would like to sell as part of the practice sale. You may decide leasing it out will provide a sustained stream of income post-sale that you desire. Address any necessary repairs or upgrades of the building, both internal and external.

Get Organized

Make sure your practice space will create a positive impression for potential buyers — from the employee lounge to the patient lobby.



05 Operations

Get your back office in order to foster a quick close and seamless transition.

►► Policies and Procedures

Document your practice's policies and processes, which should include roles, responsibilities, insurance and collections policies.

Patient Practices

Develop a patient transition strategy that maintains continuity of care. You should also conduct an active patient audit to identify which patients have been seen within the last 12-18 months. All patient records should be up to date and stored in an organized manner for easy accessibility. When you sell the practice, this will help make the process seamless for your patients with records in good working order.

Vendors

Create a list of all the businesses your practice works with including the business name, contact information and any policy information that may be relevant. This will be a helpful tool when the time comes to sell and you need to communicate to the vendor about your exit. And if wanted, provide the information to the seller.

Insurance

Be sure your insurance is in good standing, especially your malpractice insurance. You'll want to have copies of certificates of insurance and policies on hand.

Digital Sphere

Make a record of your digital presence including website, social media accounts and affiliated associations where your practice appears online. This will all need to be updated after the sale is complete.

Post-Sale

Before you can set off into your retirement journey, there are a few steps that need to be completed once the deal is done.

- Schedule a meeting to tell your staff once all documents are signed.
- Send a mutually agreed upon letter with the buyer to your patient base.
- Begin accounts receivable collection, if not purchased in the sale.
- Inform the appropriate state and dental board authorities.
- Cancel any unnecessary insurance policies.
- Make any necessary updates to bank account information.

Here to Guide You

Following this comprehensive checklist will help you navigate the selling process smoothly, creating a successful transition while safeguarding the practice's legacy and reputation. You don't have to go at it alone, remember that seeking professional assistance can greatly enhance your chances of achieving a favorable outcome in the sale of your dental practice.

A well-thought-out strategy must be in place long before a transaction occurs. At Doeren Mayhew, we've supported hundreds of dental practices from start-up to sale. Working hand-in-hand to maximize your practice's value with good financials, an accurate dental practice valuation and proactive tax strategies, while also creating a roadmap to help you achieve your transitional goals.

Considering selling your practice?

Contact our dental CPAs today to help set you up for a successful transition. We know the way »



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