TIMOTHY A. BROWN
Speaker Profile

Timothy A. Brown has risen to national prominence as President & CEO of ROI Corporation, Canada’s #1 dental practice appraiser and broker. His insights, research and experience in the dental field has made him a highly sought after professional speaker and a respected author.

As a leading national authority in understanding and identifying the potential of today’s dental market, Timothy has customized a presentation that illuminates themes and trends that are of interest to dentists at all stages of their careers.

Career Achievements/Accomplishments:

- Author of “Profitable Practice - Why a Dental Practice is an Exceptional Investment”, 5th edition (2014) and now over 4,000 copies have been sold.
- Publisher of Profitable Practice Magazines – Dental, Veterinary & Optometry Editions.
- Established Locum Lifestyle™, the concept promoting dentists (Locum Tenens) who work in part-time, temporary assignments in dental practices.
- Created Ethiclease™ (www.ethiclease.com), an equipment finance company.
- Conceptualized and trademarked Investor Dentist™ and i-Dentist™, the growing market of third party buyers investing in Canadian dental practices.
- Over 250 public speaking engagements including: Canadian Dental Association, Ontario Dental Association, Alberta Dental Specialists, International Dental Congress and many Dental Society meetings, Dental Study Clubs, Canadian Dental Faculties and Alumni Associations.
- Over 250 articles published in respected Canadian dental journals.

His book, “Profitable Practice - Why a Dental Practice is an Exceptional Investment”, is a potent reminder that dentistry can indeed be very profitable if the right steps are taken from the very beginning. Timothy brings these credentials to the podium and delivers a message that inspires and energizes dentists to reach their highest potential. He communicates clearly and concisely, empowering dentists to acquire the business acumen needed for success with his enthusiastic, insightful presentation.

For more information or to check availability, please contact:
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Timothy A. Brown is the Practice Management columnist for Just For Canadian Dentists magazine. The following articles are as they were in first publication. Timothy specializes in dental practice appraisals, brokerage, consulting, locum placements, associateships and practice financing across Canada.

A 2014 Western Magazine Awards nominee, Just For Canadian Dentists is distributed 6 times a year to practising dentists across Canada. In each issue, domestic and international travel destinations, a dental CE calendar and our regular columnists, aim to enhance, enrich and inform dentists professionally and personally on a wide range of topics.

Visit www.justforcanadiandentists.com to view first edition of Timothy’s column.

IN ADDITION TO TIMOTHY’S COLUMN, JUST FOR CANADIAN DENTISTS MAGAZINE ALSO FEATURES:

- Issues and challenges in the dental profession
- On the humorous side, a dentist's perspective on life
- A wine and food review; suggestions and recipes
- Tech Works: Technological advances in dentistry and the latest gadgets
- Inspirations for mind, body and soul – Living your life + leisure
- Featured guest columnists on a dentists personal experiences
- Financial check-up: Professional and personal financial, estate and asset management
- Wealth and practice management
- Small talk: Dentists share their picks, pans, pleasures and fears
In 1974, I was 11 years old when my father, Roy Brown, started a business that was to become ROI Corporation Brokerage. Three years later, I completed (with the help of my father) my first appraisal of a dental practice in Calgary. At 16, my father asked me to help him show a practice he was selling to a potential buyer-dentist. Since those early years, I have met thousands of dentists and have personally appraised and sold more dental practices than anyone else in Canada.

The appraisal and sale of a dental practice is not only my business—it has been and continues to be—my passion. When I started with my father, dental practices were grossly undervalued compared to other business opportunities. I purposely set out to write, speak and fiercely advocate for the fair market value of a dental practice. Dentists deserve to retire with dignity and profitably.

My sole mandate has been to persuade bankers, accountants, lawyers, dental practice owners and most importantly dental practice purchasers of the true economic value of a dental practice.

This collection of articles were selected from the many I have written over the years about doing practice appraisals, relaying effective practice management strategies and interacting with countless buyer and seller dentists. To put it another way, these articles are the culmination of the wisdom derived in working with and for dentists over more than thirty years.

Timothy A. Brown

Left to right back row: Timothy, wife Sandy, son Justin, daughter-in-law Elysia; Left to right front row: grandsons Jax and Jace, granddaughter Ellie
the booming market

It’s a fabulous time to be a dentist and own a practice

Dental practice sales volumes for the first quarter of 2010 will be higher than in the first quarter of 2009. As the market matures, in terms of the average age of a practising dentist, the number (supply) of practices for sale will increase and the demand will eventually decrease. Any change in these two critical variables will impact price.

While this topic has been documented by many experts for almost 10 years, since the early days of the Boom, Bust and Echo phenomenon, the real increase in supply has yet to materialize. Thus demand remains very strong. In the unique marketplace of dental-practice sales, the cycles are somewhat predictable yet have proven to be resistant to outside economic forces. When compared to the units of measure for the traditional economy such as the stock market, currency fluctuations, oil prices and real estate, dentistry, as a profession, remains very stable.

Proof of such resilience is the continuing supply of financing from all the major lenders in Canada. All five major lenders continue to pursue the dental market assertively with financing offers to dentists that remain very attractive—typically 100% of the purchase price! This lending invariably stimulates the demand for practice acquisitions, expansions and in some areas, a steady stream of brand new start-ups.

One would expect a marginal withdrawal from the current generous lending practices of the banks when studying the drastic changes to the global financial markets in late 2008. The major stock markets dropped dramatically and the US entered a long and serious “recession.”

Yet the average Canadian dental practice proved to be stronger than ever, and most completed the year 2009 at previous or higher levels of income than in 2008, indicating that dental practices are very resilient to some recessionary pressures.

With a steady supply of new buyers entering the Canadian market each year (about 525 new dentists will graduate in May of 2010) and combined with a continuing short supply of practices for sale in the highest demand areas, prices should continue to increase in the most desirable regions, namely those surrounding the major cites like Vancouver.

One might ask: “How is this possible?”

1 Dentistry has educated the public for many years, cementing itself as an essential service, and educated patients continue to appoint regardless of negative economic data. This has kept the income of most dental practices stable or rising;

2 Dentists and dental practice teams are steadily becoming much more “business savvy” and better at addressing consumer demand for elective dental treatments. This is in contrast to the more traditional practice of treating immediate needs only, which to a large extent was influenced by insurance benefits in past generations;

3 Our ageing population needs more health care and it’s expected that the ageing population will consume an even greater volume of dental care each year. This will be the likely pattern for at least another 10 to 20 years;

4 The Canadian economy at large remains very stable, and is growing in many regions. Consumer confidence remains solid. This confidence will always stimulate elective spending on many items, including health care (cosmetics) and other “luxuries.”

In short, this continues to be one of the greatest growth periods for dentistry. What a fabulous time to be a dentist, to own a practice or enter into ownership! Even with the climbing sale prices of dental practices in the major markets, the cash flow and the return on investment remains one of the best purchases a dentist can possibly make.

A.B. Superior Implant Quality - $165
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the locum lifestyle

How to keep working and start living at the same time

I wrote a column several years back titled Freedom 55: Who Are We Kidding? It was a challenge to the Freedom 55 mentality and the “race” to get there. A number of dentists telephoned me to express their appreciation for a new perspective on the topic. Basically, I was saying slow down, take your time, it is NOT a race to retire at 55—what the heck would you do anyway?

The financial “experts” have been advising dentists to work, work, work so they can achieve an early retirement. This advice has poorly served the baby boomers and left many highly stressed! The pressure tactics of the investment community at large that encourage dentists to maximize production at any cost are flawed. This shortens career spans, increases risk of disease and abuse of substances, amongst other problems...

My advice:
1. Book a vacation—now!
2. Take a minimum of two weeks off—at least twice per year;
3. Follow your own goals, not those set for you by others;
4. Hire a locum dentist and relax; your practice and patients will be there when you return!

Slow down and take your time. A dental career is not a race to see who finishes first. If your classmates have let go of ownership before you, so be it. There is no script or master plan that dictates when you should exit dentistry.

Enter the locum. This concept is an excellent alternative for dentists, and I’ve been actively promoting it for many years. There’s wisdom in the idea of part-time dentistry, which allows you to enjoy the freedom of not owning a practice.

Part-time is ideal for those who have most of their lifetime financial obligations fulfilled (educating children, mortgages paid off, etc.). Part time can mean one month on then one month off, or one week on and one month off; or any such combination. Boomers have not embraced the “job-sharing” philosophy of Generation X and Y. But why not? It should be encouraged when we reach the age of 50, when we should be allowed to gradually slow down yet plan a continued career of another 20 or 30 years.

Most boomers I know are still “racing” at this age and putting their health at serious risk—especially most male dentists.

One dentist I suggested the Locum to is Dr. Galina Mayer, who has this to say about her experience:

After a long maternity leave, I was looking for a part-time associate position. Timothy A. Brown of ROI Corporation suggested that I consider a locum position in the practice of a dentist who had recently passed away.

I am grateful for Tim’s suggestion. It set me upon a wonderful path. He explained that as a locum, I would have the flexibility to practice dentistry, without owning a practice, and the owner would have the freedom to practise without worrying about internal competition.

After practising as a locum for three years, I learned that dentists perceive a locum as temporary labour for emergency situations only. Locums are thought of for illness or maternity leave and nothing more, but there are numerous situations when a locum may assist:

- If you are tiring of routine and wish to reduce hours and patient load,
- If you wish to concentrate on specialized procedures,
- If you are contemplating the sale of your practice in the next three to five years.

Think of a locum as:

- Mature, knowledgeable and experienced
- A dentist who is not looking to open a practice and compete with you
- An experienced dentist who can easily establish rapport with patients and staff.

It is possible for a professional to extend their earning years. And it has been proven that those who choose to work part-time for many years, versus those who work full time for a lesser number of years, will live longer.

Dr. Mayer’s comments suggest that a new trend may be forming, I call it Part Time Dentistry for Life (PTDFL). Locums are well established in many other professions such as law, accounting and medicine. Using locums for temporary labour is perfectly aligned with the baby boomer’s lifestyle needs. We need income, yet we also recognize that we need to own a business in order to secure the income. I call this trend the freedom from ownership cycle.

So, what’s your career and lifestyle choice?


**Practice Management**

**Timothy A. Brown**

Timothy A. Brown specializes in dental practice appraisals, brokerage, consulting, locum placements, associate ships and practice financing across Canada. Reach Timothy at timothy@roicorp.com.

**up for sale**

The top-5 short-term value drivers when preparing your practice for sale

Experts are predicting a dramatic increase in the volume of dental practices on the market in 2011 and beyond. If your practice is one of those that will be competing for today's particular buyer, what can you do to increase its appeal?

Our clients follow a very simple formula, often implemented at the appraisal stage, which easily covers the costs of the appraisal process. This simple plan almost always yields higher sale prices and, with an ever-increasing supply of vendors, your practice must be positioned to yield the highest and best price while appealing to the demands of today's buyers.

A few days work can uncover tens of thousands of dollars in hidden value

Witness the popularity of the recent trend in home decorating, makeover and home resale TV shows. Homeowners have discovered that a few days of work, typically at minimal cost, can uncover tens of thousands of dollars in hidden value. The same can be done for a dental practice.

1. **Cull your charts**

The first negative impression to a buyer, that has the greatest impact on value, is the chart review. In many practices there are charts that have been inactive for many years, yet they are stored in the primary, front-desk chart cabinets. I strongly urge our clients to cull their charts, regularly, and most importantly, prior to sale. Charts that are two years old or more should be moved to storage—they can easily be retrieved if needed.

Most buyers prefer to use the criteria of treatment within one year or less to define an "active" chart, so if you really want to impress a buyer, cull your charts down to a term of one year or less. Another option is to use the new 8.5" x 11" charts (the preferred chart type of today's buyers) and tag them with the last year of treatment sticker. This tag makes it patently obvious exactly how many patients have been in the current calendar year.

I have reviewed privacy legislations, both Federal and Provincial, and the RCDSO guidelines respecting patient data. Accordingly, our company does not perform chart audits (we never have) and I believe that laypersons should not be going through patient charts, at any time, for any reason. However the buyers, being licensed dentists, often wish to inspect charts for obvious reasons. Provided they have signed our confidentiality forms, it's usually permitted.

2. **Record or recall overdue patients**

If selling your practice is near, why not catch up on some overdue patients and fill up the appointment book? With the aid of the computer, most practices have done a good job of keeping up with patient recall frequencies, but there are always a few patients who have fallen behind. Some of our clients, in their later years, openly admit they are too tired to keep up with hygiene and that they are falling behind further and further as they cut their hours. Some of our clients are just plain "out of steam" and can't keep up. Do your best, or book the hygienists as far in advance as reception can accomplish. While you may not get around to seeing these patients, a fully booked and thriving hygiene program is very impressive to the buyer, and will usually increase sale price substantially.

3. **Prepare your performance data**

Many dentists do not track the monthly, daily and hourly production figures for each individual producer. Your appraisal will uncover and record this essential data, and most purchasers will demand to verify it by means of examining the day sheets, monthly production records and the appointment protocol. If you do not track income hours per producer, you can easily begin to do so by recording the time spent with patients in any given day, week or month by saving your day sheets or by examining the appointment book (if manual). Most of today's dental software programmes have the capacity to produce reports of this nature. Unfortunately, many practices have not maintained the data entry and the reports may not be accurate. Your appraisal should identify income earned per hour, per producer, by day, by week and by month. If it is not contained in your appraisal, be assured that the buyer, his accountant and his banker will request this data during their standard "due diligence" exercises.

4. **Refurbish and repair worn items**

We often see upholstery on dental chairs, stools and reception furniture that is in need of recovering. There are several companies who specialize in one-weekend upholstery replacements, thus preventing downtime. This is an easy fix that has a huge impact on the important first impressions of the buyer. Handpiece tubing is often worn or stained and they are another easy item to fix. Call your dental dealer; they can exchange them in a matter of hours (usually during a lunch hour per operatory). Shampoo the carpets; paint the office if necessary (choose neutral colours). Fix cupboard doors that don’t close properly (hinge adjustments are a common problem), and repair any plastic parts that are cracked (curing lights and the front face of the Statim is common).

5. **Dust, clean and discard**

Dust the practice, top to bottom. We find it everywhere. The tops of dental light arms are one of those places where few cleaning people ever think to reach. Inspect the ventilation diffusers (HVAC vents) and the cold air returns; they are often clogged with dust. Clean out the cupboards. Much like your wardrobe at home, the rule is this—if you haven’t used it in one year, discard it! This is not an easy task for some of us, as we like to save things with nostalgic value. However, when selling, nostalgia items should be taken home or stored away—not left in view for the buyer. Old charts, models, x-rays (less than 10 years of age) should be boxed and stored. If you have any out of date supplies—discard them—they can leave the impression that you don’t buy current dated material and subject you to an accidental quality of care issue.

As a commissioned broker, we want to help our clients to obtain the highest price afforded by the market. The appraisal process usually uncovers any deficiencies in a practice. When rectified, most practices sell for significantly more compared to the price they would have obtained if put on the market in its original condition. In the spirit of home-makeover TV shows, I challenge you to see how much you can increase the value of your practice by following these top five tips.
hours of operation

What’s best for your practice?

One of the top 10 questions asked when someone is looking at buying a dental practice is: “What are the owner’s hours and days of operation?” These are key factors that motivate and attract a purchaser to a practice.

Today’s buyers are typically young associates, many of whom have had to work evenings and weekends. Now that they are considering the purchase of a practice these buyers no longer want the late nights and weekends away from family and friends. Some will say: “I have paid my dues, and I want a more regular schedule.” Today’s buyers are ambitious and willing to work hard, but they are more motivated by lifestyle than dentists of previous generations.

Principals have earned and enjoy (rightfully so!) the privilege of limiting their practice hours to a more traditional daytime schedule. The hours needed to generate income, along with patient expectations, dictate how much time per day and per week the practice should be open.

There are many views on what hours are best for a specific practice. When a practice is in its early stages, it may be necessary to open evenings and weekends to build the patient base. Extended hours can attract new patients, especially those in newer residential areas where young families have little choice but to seek evening and weekend appointments.

Many dental offices are situated in retail plazas and malls. Some landlords specifically require the dental office to be open during all mall hours (9 am – 9 pm for example). Today’s buyers are reluctant to buy such offices, as they simply don’t want the burden of staffing the practice with associates, especially if only to meet the landlord’s demands.

Of course, it’s absurd to suggest that dentists looking to sell cut back to a 9-to-5 workday merely to attract a buyer, but it cannot be overlooked that this is becoming more and more relevant to saleability and price.

Three questions need to be answered by all prospective purchasers:

1. Where do you want to practice?
2. What hours and days do you want to work?
3. What is your family structure and location?

Young dentists often mention a desire for less work and more play. This may be due to the generational attitudes of dentists under 40 who often have very different attitudes about when and how much they should work in dental practice. It’s not that they lack a work ethic; most are ready and willing to make an honest commitment.

Another factor to note is that between 50 and 55 percent of graduates from Canadian dental schools are now women. Female dentists of childbearing ages may wish to own a practice, but they’re also realistic about the demands placed upon them when raising a family.

If you project this predominance over the next 10 years, it’s likely that the most desirable practices will be those that purposely build or design their schedules to accommodate the next generation of mostly female buyers.

Often when circumstances change within an existing practice, questions are raised about hours of operation: “Should you strive to maintain longer hours and work evenings and weekends and keep your gross up? Should you extend yourself to make the practice value higher? Should you allow a decline in hours of operation, resulting in lower gross and net income and thus a lower appraised value?”

A dental practice can be altered, in terms of hours, days, policies and services over a period of time, but a sudden change to any of the key operational features is not recommended in any business. If you choose to reduce or modify your office hours, your loyal patients will adjust to the hours set by the practice. But if, on the other hand, you choose to increase your office hours, you must consider the costs of the extra time spent working those hours as the practice matures. This decision may have an impact upon both a buyer’s perception of the practice and, to some extent, the sale price.

Lifestyle is important to the new generation of dentists. You may want to review your working hours and adjust to make your practice more attractive to the buyers of the future.

Lifestyle is important to the new generation of dentists

The province with the greatest density of dentists is British Columbia – 1,509 persons per dentist.

(statistic from July 2009, from the Canadian Dental Association)
go remote

What are the options for owners of remote practices?

One sunny day, while I was sitting on the shore of a beautiful lake in a northern city several years back, I contemplated why don’t more dentists want to live and work in the northern environments?

In the regular course of appraising practices, brokers meet with some of the happiest dentists in Canada, who emote about their love and appreciation for the northern sensibilities. They talk about how their families love the outdoors and how they’ve prospered from their community-oriented practices.

While meeting with one such practitioner on this particular sunny day we discussed his future plans and what plan of action he would take to sell his practice. The appraisal of his practice was much lower compared to a similar practice in a major suburb or city—simply due to lack of demand from today’s buyers. So, he wondered why he should even consider selling his practice, and what were his alternatives?

I’ve studied the situation relating to medical doctors over the past decade and, as we all know, there’s a very serious shortage of MDs in most rural and remote regions of Canada—especially in the far north. The same trend is now developing in the dental market and brokers are finding that a shortage of dentists, primarily in the north. The same trend is now developing in places where these dentists are choosing to settle.

The options are not that attractive, and the ultimate decision is a difficult one to make.

My suggestion for those who own and operate such practices is to think many years ahead and plan accordingly. It can take up to 5 years for the transition of this type of practice to a new practitioner. This is due to a lack of understanding of the many benefits offered by a career in remote towns. I’m amazed that more young dentists don’t see this as an option, with lower-than-average overheads, high regard or standing in the community, busyness beyond their dreams, and time for family and hobbies in an unmatched environment. And building a financial base is much faster than is possible in areas with higher densities of dentists (competition!).

Anyone discouraged by life in the big city should seriously consider the opportunities of a remote practice. And owners practising today should begin their exit-strategy planning years ahead. Between the two, there’s a mutually beneficial resolution here for both new and retiring dentists.
the art of scarcity
How to work less and make more WRITTEN WITH SARAH K. LYNCH

We have just returned from the 2011 Yankee Dental Congress in Boston Massachusetts. All the various practice management experts were talking about this one very important statistic: Over 50% of North America’s dentists are now over 50 years of age. This equates to over 125,000 dentists that can now be classified as middle-aged and they have reached a very distinct precipice in their career—namely that they all wish to increase their earnings—while reducing their working hours.

This phenomenon is a direct result of the ageing “baby boomer” population and our mentality to live a more active life outside of our career. The need to work fewer hours as we age is a natural process that most self-employed professionals experience. We believe that more professional advisors should be encouraging a reduced workweek if only to prolong both our life and career span.

Evidence of this trend among dentists is found in the discussions we have with hundreds of clients each year. In fact, the first quarter of 2011 is revealing the largest increase in retirement planning clients that our firms have ever served.

Many report that they have too many stressors (staff, patients, landlords, suppliers, labs, etc.) and that their practice is ‘taxing’ them on an ever-increasing basis. Most openly admit they love the work (most of the time), and the financial rewards, but that the bad days are occurring more often while the good days are fewer. They also say that they lack the abundance of energy they once enjoyed and, given that their patients are also ageing, the need to address the increasing demands of those patients is causing a backlog of work and a feeling of inadequacy.

Effectively, they have too many patient demands yet they want to reduce their hours. So what do they do?

What should you do when this happens to you?
Relax. This is a very common symptom of the maturation of your practice. Having too many patients is a luxury and an opportunity to modify both your dental practice and your practice philosophy.

Let’s consider the basic economic principle of supply and demand for a moment. It states that supply has an impact upon demand and vice-versa. It also proves that price changes with a rise or fall in either variable.

Now, let’s consider the dental practice that has too many patients. This suggests a greater demand than supply. The result should be a higher price. Another result could be a limiting of the supply, which would support the increased price while allowing for less work without affecting the bottom line.

Essentially, this is the work less/make more objective that most professionals strive towards as they age and perfect their skill set.

This is the work less/make more objective that most professionals strive towards as they age and perfect their skill set. The limiting of the supply of your dental service can also be related to the principle of scarcity. Scarcity suggests that when the service is in very short supply, it may demand a very high price. Specialists are a good example.

Can general dentists implement scarcity in practice?

Yes. We believe that general dentists, at various stages of their careers, can test this theory. Test it for yourself. Schedule a month or two of limited hours within your practice. You must plan it purposely and resist the temptation to open up more than 20 chair-side hours each week in your schedule. After the test period is over, return to your regular schedule for a few months then repeat the process again. Then judge the results for yourself, both personally and financially.

You should discover that your scarcity (limited supply) immediately supports the increase in demand for your service. At first this appears to be an obvious effect due to your reduced hours. However, the unique side effect, which is often overlooked, is that you will be able to increase your fees. Some patients will have difficulty adapting to the new fees and your limited hours, and others will seek out a new dentist, thus creating a net patient loss for your practice.

This may seem bizarre to some of you, but we know of dentists who are planning for a monthly net patient loss, and not for the more typical net patient increase figure. The result they are seeking is that they will be able to increase their fees and decrease their hours.

Most professionals can take advantage of this phenomenon, assuming they are fully booked. This test is not advisable to those who are servicing large debts or family obligations. And furthermore, there are individual circumstances to consider.

The principle of supply and demand is at the core of most every capitalistic venture. If, after trying this experiment you have not found relief, you may want to consider your other options, such as contracting a permanent, part-time Locum dentist to assist with your patient load.

Whatever your patient load is today, it can be modified to suit your personal needs. If you have too many patients and desire to work less and make more, this test may prove to be one of the greatest you have undertaken. ☀

STAYING SOLO Trying to achieve the art of scarcity is a dilemma for solo dentists. About 75% of dentists are in solo practice. It’s an unfortunate side effect of being successful and choosing to operate as a sole proprietor. Every solo dentist will face trying to work less/make more at one stage of his or her career.

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Take charge of your practice and personal health

Each week, I receive many inquiries from dentists who ask, “What is the ideal time to sell my dental practice?” My answer is simple. I believe that a dentist should sell a practice only if one or a combination of these three reasons exists:

• You’re sick, (as in long-term disability)
• You’re sick and tired, (burned-out) or
• You’re financially secure enough to sell your practice.

This column is for those dentists who feel sick and tired.

Dentists are compassionate people. Most of my clients say they entered dental school specifically to care for other people and help them with a very important aspect of their health care. Unfortunately, this compassion often conflicts with the dentist’s other obligations, namely, the health of their business, their personal health and their time with family and friends.

Let’s consider medical doctors for a moment. It’s common knowledge that most doctors work above and beyond normal hours and limits for their patients.

Are dentists also guilty of doing this?

My answer: Yes, many dentists go beyond reasonable limits and accidentally over-commit themselves to their patients.

The life-chart of the dentist reveals the following:

1. As a healthcare provider you are a dentist, first and foremost.
2. As a business owner, you are responsible for the ongoing health of the practice and to ensure it can meet its financial obligations.
3. In life, you could be a husband, a wife, a parent, a sibling, a child and a friend. In short, there are many others who rely upon you to be healthy.

You are charged daily with the task of balancing all the above.

Some of my clients report that they feel too busy, or that they have too many patients who demand too much clinical time. Some feel stressed and worry that they are suffering from a mild form of “burn-out.”

When a client called me this week, he stated that he might be suffering from “Compassion Fatigue.” I first heard this expression several years ago and thanked him for reminding me of it. The expression succinctly identifies a common dentist ailment; namely, dentists putting their patients before and at the expense of all else.

How can you reduce Compassion Fatigue?

Some suggestions are to schedule fewer patients each day and/or to extend your individual appointment times by one or two units of time, thus slowing down your pace. Others may need to resist the temptation to accept every single new patient that calls or to resist the choice to “rescue” every emergency that calls the office (when ethical). Some raise their fees to make a statement about their experience and skill set, thus freeing up clinical time, as some patients will seek a lower-cost provider.

As a broker, I advise dentists to put their practice up for sale only when one or a combination of these reasons exists. If, at this time, the practice is in a state of growth and it is thriving, the practice will sell for its highest and best price. If the practice is in a state of decline, perhaps due to Compassion Fatigue, it will invariably sell for less.

Sadly, many dentists choose to sell in the later condition when the practice is performing much like the owner’s mind set—I call it “Practice Fatigue.”

All dentists have to remember to be good to themselves, make time for reflection and seek a balance with all their other obligations. Stated another way, they must find their compassionate self, at which point, they will still be left with the question… Is it time to sell the practice?
lucky 13
Thirteen tips for the new practice owner

After years of observing dentists and analysing dental practice marketing strategies, a number of things are clear. In the ever increasing competitive environment in which they work, dentists would be wise to market their services locally. This is especially true if their practice is in a major urban centre. The most successful dentists have learned that marketing need not be expensive or unique. Dentists can easily find their own niche at a reasonable cost once they find their place in the community.

1 Shop where you work. Visit the local retail stores and get to know the other business owners in the area. They are a great source of referral and can be an asset to your practice. There is no need to overspend or be obvious. Simply, on a regular basis, buy items in the community that you need and want.

2 Introduce yourself as a new business owner, not the new dentist. When you meet people in the neighbourhood, let them ask what you do first, and then by all means, say that you are a dentist. It’s less obvious when done this way.

3 Look people in the eyes at a first meeting, not in the mouth. This is difficult for some dentists. Be aware that people with aesthetic and cosmetic issues don’t appreciate anyone staring at the obvious during an initial, casual meeting. They are usually conscious of their small deficiencies and it’s only appropriate you allow them to bring the topic up, if they wish to do so.

4 Contrived advertising and gimmicks do not produce the best long-term results. In my experience, direct marketing via flyers, newspapers, inexpensive give-aways, the yellow pages and other low budget efforts only produce limited results in the early stages of practice. Ads work for some locations and some styles of dental practice, but most good practices are built on word-of-mouth referrals from existing patients, not walk-in patients responding to self promotional ads. Save your hard-earned money for staff training, continuing education and practice improvements.

5 Join local interest groups. Business associations, charities, clubs, religious centres, sports teams, museums, social clubs, etc. are always a good source for networking and meeting new people. The people you meet at these events are usually the more outgoing and social type with excellent contacts within the community. Again, don’t be obvious, but politely let them know who you are and where your practice is located, a recommendation from a prominent member of the community can go a long way.

6 Meet the neighbouring professionals. These include pharmacists, doctors, school nurses, etc. They know many people who may need your services. Why not introduce yourself to your neighbouring dentists as well? Rapport is important, and they may appreciate your interest in working together versus the more traditional view that you ‘compete’ with each other.

7 Join in community events. Street fairs, sidewalk sales, craft shows and other such events should be attended. While it’s not always practical, try to have a table out front (if storefront) and give away toothbrushes or floss or other items that have your name and phone number. On Halloween, a dentist in my neighbourhood gives out sugarless gum and a toothbrush.

8 Live where you practice if possible. The smaller the community, the more important this is. Many dentists commute to their practice for family reasons. While family should always come first, it will be beneficial to you and ultimately your family, if you live where you work. You will meet more people, gain more respect and therefore build your practice faster.

9 Sponsor local sports teams. There are many sports to choose from. The only pitfall is that once you have sponsored a team, parents may expect you to sponsor all the teams in the area. Choose one sport and rotate your sponsorship over the years to be fair to all the kids and parents who need your support for uniforms, equipment, etc.

10 Put a number where you can be reached after hours on the answering service. While many of us don’t want to be bothered after hours, this shows you care. Most dentists who leave a pager or cell number on the office answering machine admit that most patients can be comforted and perhaps issued a prescription over the phone and then come in the following day. In the rare instance when you do have to come to the office on the weekend, patients will rave about your service to others.

11 Ask your patients for referrals. As mentioned earlier, word-of-mouth referrals are the best method for practice growth. Consult with patients as to their satisfaction of the work done, resolve any problems and ask them to refer friends and family to your practice.

12 It is wise to have a professional website of your office surroundings and staff. It should simply provide contact methods, travel directions and with a short paragraph that states what your practice does best. Testimonials are also a great way for a potential new patient to get a feel for your practice. Keep the website current, and if possible, upload recent photos of the office and the staff, including yourself! Finally it should clearly outline your mission statement and commitment to your patients, staff and your community.

13 Promote your community and its members. Do not hesitate to recommend and speak proudly of the work and endeavours of the members of your community.

Whether you buy or set up a new practice these 13 tips will help you to grow your practice at little cost.
my crystal ball—again!

Five predictions to help you stay ahead of the curve

In the late spring of 2005, I made five predictions based on observations of the market conditions for dental practice sales at that time. Looking back, now six years later, I will revisit those predictions with a critical eye based on what is obvious about market conditions for the sale of dental practices today.

prediction 1 My first prediction was that the number of baby-boomer dentists wanting to sell their practices, between the 2005 and 2010 years, would grow rapidly over that time period. I referred to them as the “Freedom 55” dentists, who had carefully planned for their early exit (by previous generations’ retirement standards) from the workplace. For the most part my prediction did not materialize as many boomer dentists are still practicing (albeit some on a reduced hour basis). My revised position: The original prediction was correct but missed the mark by five to seven years.

prediction 2 The number of willing, ready and bank-approved buyers is likely to grow in the major urban centres. For the most part this prediction has materialized as many major western cities, like Vancouver and Calgary, have experienced substantial growth in dental practices. In 2005, I also stated that...unfortunately, the number of buyers would continue to decline for practices in the outlying, rural and more remote regions. Regrettably, if anything, migration to these areas is worse than first predicted and many people in these areas of Canada lack even moderately easy access to dental services.

prediction 3 My third prediction was that prices for dental practices would peak in one or two years. I had stated that with the continuing demand in the major urban centres, prices would increase another 5 to 10 percent and then peak. I argued that there is a point when the sale price does not justify the risks, and dentists would revert to setting up a new practice or continuing to associate while waiting for the market to decline. Today, the purchase of an established practice continues to remain the No.1 choice for most young dentists, even though the peak values of practices have yet to be reached. I suggest that in 2013 and 2014, dental practice market valuations will reach their summit.

prediction 4 Six years ago, I maintained that financial institutions would begin to tighten their credit systems, rates would climb and dentists, among other professionals, would feel the pinch. Wrong. Financial institutions have continued to amaze me and many other advisors serving the dental profession. Despite the “recession” of 2008 – 2010, these monetary giants have steadfastly continued to lend to dentists 100% of the purchase price without any or little reservation. To me, this speaks volumes to the credit-ability of lending to dental practitioners and/or the profit-motive focus of these institutions.

prediction 5 My fifth prediction was that when dentists did decide to sell their practice, they would want to exit ownership immediately, avoiding the many costly and unknown factors of the long-term transition. This development, I predicted then, as now, will free up more practices for today’s long list of buyers-in-waiting. The associate buy-in models of the past are not as viable due to the dramatic variances in philosophy of the two generations of dentists who contemplate such plans. Most of the baby boomers I speak with are seeking freedom from ownership, without the burden of working with or training their replacements.

As in any predictions, there are unknowns. For example, recently, there have been suggestions of another (short term) economic down turn. While not all my predictions materialized, many did, and now with the updated and corrected results and the benefit of hindsight, I will ask the same questions as before. What is your timeline? And will you be ready when these predictions materialize?

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Is bigger better?
When selling a “million-dollar” dental practice…

The North American dental industry continues to expand, due in large part to the increase in the average consumer’s dental IQ. Various sources have stated that total dental fees in Canada for the year 2010 exceeded $13 billion.

With this trend towards ever-increasing billings, many solo dental practices are now grossing in excess of $1 million per year.

What does this mean for the appraisal and the sale of such a practice?

A profile of the typical dentist, who is interested in buying a practice, reveals that they are:

> Thirty to 35 years of age
> Have 3 – 5 years experience in full time dental practice
> Are comfortable, at this early stage of their career, in producing 30 – 50 thousand per month in dental fees

On average, a full-time Associate works 20 days per month and…

> Generates fees of $1,500 – $2,500 per day
> Earns 40% of fees, or $600 – $1,000/day
> Earns $100,000 – $200,000 per year,
  (part-time Associates earn $50,000 – $100,000 per year)

Buyers, when defining their ideal practice, suggest that:

> They desire to buy a practice with one or two full-time hygienists.
> They want a practice with total gross income in the range of $750,000 to $1 million dollars.

> They are uncomfortable with practices that employ Associates—they ponder “Why won’t the Associate buy it, is there something wrong?”
> They do not want the previous owner to remain in most instances.
> Most do not desire to buy the real estate and the dental practice at this early stage of the financial plan.
> They do not want to be in any form of partnership or cost-sharing arrangement.

A brief analysis of the past 100 appraisals I have prepared reveals that over 20% were of dental practices with gross incomes of $1 million or more. Most of these practices employ Associates, part-time Specialists or have partners.

Given the buyer’s preferences, as set out above, who will buy these dental practices if they are put up for sale? What price will these large, sophisticated practices sell for?

Unfortunately, I predict a continuing trend toward buyers offering lower and lower prices for these larger practices, when compared to the smaller, more manageable solo practice. In addition, I predict that the emerging trend for Investor Dentists™ (also known as “hands-off” or “absentee owners”) who are buying some of the larger practices, and then staffing them with past owners or new Associates, will grow.

Today’s young buyers are very ambitious and confident. Financial institutions are more than willing to lend them 100% of the purchase price. While this bolsters buyer confidence, it does so only to a point. When the practice is too large, in terms of total income and the resulting investment required, the practice may become less saleable and the debt less manageable in the minds of today’s buyers.

The practice that has gross billings exceeding $1 million is a status symbol for some, yet it may be difficult to sell in the current market. Much like the most expensive and grandiose home in your neighbourhood—it’s admired by many, desired by few!
Why do patients return to a practice after the owner retires?

Dentists often say this to me when they are thinking of selling their practice: “When I leave this practice, many of my patients will not stay with the new dentist.”

And dentists who are thinking of buying a practice say this: “When I purchase this practice I will lose a large percentage of the patients.”

Both of these statements have been proven to be totally incorrect.

Each time we arrange for the sale of a dental practice we patiently listen to dentists trying to convince us that these statements will come true. Patient retention, and how it will impact a dental practice after the closing date, is a legitimate concern. But I’ll attempt to explain why it’s not a meaningful issue in the sale of a practice.

Dentists who are selling believe that many of their patients will seek treatment elsewhere and they do not want to see a buyer fail due to substantial patient loss.

Dentists who are buying believe that patients will leave as a result of the change and that they’ll encounter financial difficulties. This is an issue upon which a great deal of emotion can be spent for little reason.

To understand the issue better it’s wise to consider why a patient visits a particular dental practice. Why do they return for treatment time and time again? What are they most likely to decide if their dentist retires? Why do so many patients choose to stay with a practice after “their” dentist has departed?

I believe there are 5 main reasons.

1. The first is the dentist. Patients form a bond with their dentists and they trust them. It is precisely this trust that causes them to return to the practice when you leave. Simply put, your patients follow your advice. Provided you send out a letter of introduction that encourages them to see the new dentist, their trust in you probably means they’ll follow your advice.

2. Another reason that patients go to a particular practice is the staff. They have formed a relationship with the receptionists, assistants and hygienists at the practice. With all due respect to patients’ original dentist, if he/she were to sell the practice, patients would go back to that practice in part for the friendship they’ve developed with the staff. Patients recognize a staff member’s name when someone calls to remind them of an appointment, the staff knows where and when to call them and they look forward to seeing staff members each visit.

3. Patients also go to the practice because of its location. Patients shop in the area. Their homes and offices are nearby. If the owner were to sell they would stay with the office because of the convenient location. As well, patients are already familiar with parking, décor and even the equipment, and it’s been proven that patients do not like a foreign environment when it comes to dental offices.

4. Another reason patients go to the same practice is the policies. They know exactly what to expect in terms of the fees, how they can pay and what their obligations are if they must cancel or change an appointment. Patients like knowing the policies before attending the dental office.

5. The final reason patients go back, even if their dentist has sold her practice, is that they’re creatures of habit (like we all are) and do not like change. Most people will have to change dentists once or twice in their life whether they want to or not, but don’t want to unless it’s absolutely necessary. Changing dentists is a totally new experience and it involves filling out new medical forms, meeting new faces, finding an office where one feels comfortable and generally accepting a lot of new information.

If these are the five main reasons that keep all patients coming back to a dental office, and only one of them changes—the dentist, for example—four out of the five reasons to attend will still exist. Hence, the majority of patients return when the previous dentist is gone. Even in the event of sudden death or disability, patient retention is very high.

We have documented patient retention in hundreds of transactions. It’s been proven in surveys completed by purchasers that 85 – 95% of the patients stay after a sale.

There have been exceptions. Patient loss is experienced when the new owner makes too many changes too quickly and accidentally frightens patients away. While studying these cases, I found a common denominator. The primary reason patients left was that drastic alterations were made to the practice policies and staff. Patients do not always appreciate the modernization of “their” dental office. They’ve been part of the practice longer than the “new” dentist has and have set expectations.

Buyers often neglect the human element and forget that people resist change. And my surveys reveal another surprising truth: namely, the previous dentist does not need to stay for a “transition” period to ensure patient retention. Buyers suggest this is a highly overrated belief and that patients will not go back to the office if the previous dentist is still around.

Today, in most of the transactions we arrange, the previous owner leaves immediately upon closing. The “transition” plan is a well-thought-out letter of introduction, a “retirement reception” (wine and cheese) for the previous owner and some other minor planning. It’s an easy exit strategy that allows for a clean break and no conflicting issues for staff and patients.

Because, with patient retention very high in most dental practice sales, and if one of the five reasons for patient loyalty changed (the dentist, for example), most patients would simply not abandon their comfort zone and change dental offices.
I recently wrote an article that outlined why the staff is the main reason a practitioner stays awake at night. Then, I wrote another column outlining staff emotions brought about by a departing or retiring staff member. It’s a recurring theme in my writing and thinking about practice management.

Another column I wrote was the result of a retirement party I attended. I was struck by the impact the doctor’s departure had on his staff. They were going to miss a lot of little things about him; like seeing the bike he rode daily to work leaning against the office wall. It’s just one example of the many triggers to our memory when it comes to longtime staff relationships.

The staff misses the doctor and the routines they developed and shared…and the doctor misses the staff and the every day events of running a practice. These feelings are the result of many years of shared service, experiences and compliance. Of course, this is not a new observation, simply one that is often understated and out of mind.

Listening to many practitioners’ concerns resulting in my own and others’ practice management strategies, I can only conclude that staff working relationships should be central to all decisions made in a practice.

Many successful practitioners have adopted working hours that suit their staff’s needs. This may include working on weekends or late on certain days of the week. Flexible work hours are used to accommodate some staff with special family needs. Again these are not new ideas but just ones that require rethinking from time to time as workplace hours and conditions need to better reflect the circumstances of the staff.

Some doctors go out of their way to listen to and accommodate their staff members’ needs so that they remain loyal and motivated. These professionals believe it is important to be staff inclusive in their thinking. In the end they know when staff are cared for, happy and are part of the decision making process, the result is a profitable practice for both staff and practitioner.

Along this same line of thinking are the profit sharing models some practices use. These can involve complicated formulae that measure revenue generators or the simple use of a percentage of profit shared by all employed in the practice.

Other dentists use a bonus system to reward staff members, sometimes on a regular basis, but in many practices these bonuses are given randomly as profit revenues warrant.

The goal is to have profit shared by all the principals involved.

While money is a strong motivator, developing a superior staff working relationship requires a number of things to go right. A practice management strategy that develops a cohesive and caring camaraderie is the objective. Many advisors recommend periodic staff pub-outings, pot-luck lunches, supporting a local charity, costume days and the like.

The key is to have fun and purpose but not overdo it. It’s important to be inclusive, flexible and tolerant of everyone’s needs and wishes. There is no set formula to do this…a process of trial and error is involved to see what works.

No doubt, professional development for staff, where needed, is an important component in developing a qualified and confident staff.

The management of patients is crucial. Dealing with their special needs, appointments, follow-ups and all treatments must be a collective effort by a staff that has a single purpose: excellent and caring service.

This staff single-mindedness of purpose often comes under the title of “team building.” Practitioners should recognize that there are many different kinds of “teams.” All of them do not look or operate the same. Recognize and build on the strengths of your individual staff members.

If things go right, the end result is worth the effort expended; a staff involved in some of the decision making and profit taking that is committed to the practice can remain together and function efficiently for a long time.

This type of staff working relationship triggers positive memories by the staff for a practitioner that has left them behind for retirement. And these same fond feelings and memories by staff and practitioner alike will result for any staff member who departs.
An associate dentist recently asked me if it was prudent to invest in the purchase of a practice versus remaining an associate. So we performed an analysis of traditional investments (stocks and bonds) versus that of an income-producing dental practice (goodwill and equipment), and here’s what we found:

1. We assumed that he could purchase an established dental practice grossing $800,000 per year and that the practice was paid in full (for ease of comparison). The "true" operating expenses would be 60% of gross income and the dentist would draw an income of 40% of his monthly gross billings (dentist billings only) as the owner/manager, leaving an annual "profit" of about 10% of the total practice gross or $80,000 per year after all other expenses (wages, rent, supplies, lab, etc.) were paid in full.

2. We looked at other investment options and calculated that it would take approximately $2 million to generate $80,000 per year in pre-tax income—assuming an average R.O.I. (return on investment) of 4% on the traditional investments.

There are risks associated with all investments. Yet when you consider that dental practices have consistently delivered a highly predictable return that risk is significantly mitigated. Also consider that the income of the dental practice is even more secure because the dentist would be in sole control of the business with no immediate, external threats.

Investing outside of dental practice such as the stock markets may promise higher yields (Facebook or Google, for example) but the risk is typically much greater.

Dental practices have consistently delivered a highly predictable return

While a healthy return on investment (R.O.I.) is something we all expect from any financial decision, the dentist who is purchasing or setting up a new office today should be prepared to experience reducing rates of return on their capital given today’s very high sale prices—5% to 10% is the expected norm for the foreseeable future.

The greatest benefits of ownership of a dental practice are intangible and different for everyone. You may want to consider ownership as job security if nothing more.

As a commissioned broker, I would be thrilled if practices continued to go up in value. However, it’s my duty to observe the market, past, present and future and to understand the investment decisions that dentists are making.

With this in mind, I believe it’s prudent to be aware that selling prices are likely at an all-time high and will stay that way for another one to two years. After that, the value of practices may decline and the return on investment will follow.

Timothy A. Brown specializes in dental practice appraisals, brokerage, consulting, locum placements, associateships and practice financing across Canada. You can reach him at timothy@roicorp.com.
T here are so many issues to consider in today’s business climate that some new graduates are puzzled as to what direction to take. Most students admit they don’t receive adequate business training during dental school. Our own informal surveys indicate that students want more career advice at this early stage, yet the curriculum is typically focused almost exclusively upon clinical skills—as it should be. Yet, to ignore the fact that dentistry is very much a business is an oversight on the part of the system.

The aging population will have a considerable effect on the dental economy. It’s one of several factors contributing to emerging trends in dental manpower ratios that will significantly affect the set-up versus purchase decision for new dentists.

And it’s easy to predict trends when you have the benefit of the past with which to compare. Markets are typically cyclical in nature and the supply and demand of dentists and the need for dental treatments is not unique. The future needs of patients as they age and the pending retirement of baby boomer dentists have a substantial effect upon the supply and demand of dental services.

What’s harder is taking advantage of this information. New dentists must know these factors in order to succeed. You should understand these trends prior to making any decision about setting up a new practice, purchasing an established office or entering into associateship and/or post-graduate/academic studies.

Setting up a new practice

There are many advantages to setting up a practice of your own after graduation or when leaving an associateship. Not only do you have the opportunity to buy the latest equipment but you can also design and decorate your practice how you like, in a location of your choice. As your practice grows, integration of business systems can be handled with relative ease.

Given that the baby boomer dentists are predicted to retire at an increasing rate, the result is a decrease in the number of equivalent, full-time dentists serving the population. Coupled with an aging population that will demand more dental treatment, this will lead to increased new patient flow and favourable, long-term revenue growth for new practices.

Of course, despite the numerous advantages, setting up a new practice has its downside. Unless you have developed a strong patient base prior to setting out on your own, you will see very few patients in the initial stages of practice. In order to attract new patients, you will likely need to work hours that established dentists often don’t—that is, evenings and weekends. And patient retention may be a problem if you find the need to work elsewhere to subsidize your overhead, making yourself unavailable to your own patients at those times.

There is also a good chance that you will need to rely on a line of credit for the first one or two years to afford living expenses. You may have little or no cash flow, as overhead will exceed revenue. This can be complicated by the fact that bank financing is more difficult to obtain for start-up practices.

You will likely be required to invest 250 to 500 hours of unpaid time to investigate locations and demographics, negotiate a premise lease with the landlord, consult with a lawyer, interview, select and supervise contractors, advertise and interview candidates for staff positions and create marketing material such as a logo, letterhead, signage, etc.

These tasks are called the organizational components of goodwill. The time invested, also known as “sweat equity,” may be in excess of $50,000 ($500 hours at $100 per hour). You will not receive any payment in return for it until the practice is sold many years into the future.

Part 2 of “Now what?” will appear in the next issue of Just for Canadian Dentists. This column of Practice Management is co-written by Robert T. MacDonald, an Associate of ROI Corporation. He can be reached at robert@roicorp.com.
Career options for today's dental graduates, Part 2

In the last issue, we covered how new graduates puzzle through today's business climate. Here, we continue from setting up a new practice (in the July/August issue of Just for Canadian Dentists) to purchasing an established office or entering into associateship, and post-graduate/academic studies.

Buying a practice

Unlike starting up a new practice from scratch, buying a practice that has already been established has some definite benefits. For example, a patient base will already exist, allowing you to not only keep busy but also maintain cash flow. Because of the collateral, you will have easier access to financing should you need to renovate, upgrade, etc. You will also have an experienced staff that is not only familiar with the patients, but can help you integrate into the practice and assist in the transition. This is especially helpful if the previous owner has not remained for a time to assist with these matters.

What you may run into, however, is that an established practice often has older equipment—both clinical and business-oriented—that may need to be replaced or upgraded. Compared to the benefits of immediate cash flow, this is a minor problem.

As well, most new dentists wish to be in the major city centres (Toronto, Vancouver, and so on) where there’s a limited supply of practices for sale. This could result in looking to buy a practice in a location that may not be desirable to you or your lifestyle choices.

Sometimes your clinical philosophies and personality may differ significantly from your predecessor. This alone is a key reason why purchasers must consider far more than just the economics of a practice purchase.

Entering an associateship

There are three main advantages to associating with another (established) dentist. At the top of that list is the fact that there is no financial commitment required. After years of student loans, the last thing some new dentists want to do is go into more debt just as they are launching their career. An associateship also offers an excellent learning opportunity with an established dentist who may develop into a cherished mentor. And thirdly, if that does not turn out to be the case, and you want to move on to new scenery, you have the freedom to relocate.

The downside is that as the “new kid on the block,” you’ll likely be required to work hours the owner won’t—often evening and weekends. You may see the “simple” cases, as the owner may reserve more complex treatments for himself or herself at first.

Remember that the owner has control over patient flow and income, while you have limited job security. When/if you decide to move on, you may have restrictive covenants limiting the area you may practise in. If you’ve left the practice to enter into ownership of your own, you may discover that you’ve become comfortable with little or no investment/financial responsibility in associateship. Your income may be lower at first, making it difficult if you’re accustomed to a certain lifestyle around your associate income.

Post-graduate/academics

Many new graduates in dentistry decide not to step out into the working world at all, opting to remain in school on a path to research or to earn a specialty certificate or degree.

If you choose a route towards a specialty, be sure to consider the economics. While the cost of post-graduate training is extensive, you put off investment in equipment and leaseholds (typically $175,000+), and a long-term premise lease committing you to substantial rents. Then, when entering into a private practice as a specialist in another one to four years, you will usually have a higher earning potential. As well, by 2012, there will be more private practices available for purchase from the baby boomer generation of dentists retiring.

Of course, staying in school also means extra tuition and more hours of study and research, but these are often in the newest techniques and products. An important factor to be aware of is that, if you choose to remain in academics and eventually teach, there are limited positions at most universities, a trend that’s unchanging.

Whatever you decide to do with the next phase of your dental career, you need to understand that the economy of dentistry is changing and the market is forever evolving. You’ll need to look ahead and try to maintain a global “dental economics” perspective.
Let's be honest, most of us know it's a sellers' market for big city dental practices—right across Canada. There are more buyers than sellers for most general practices and that means:

1. Very high sale prices. Great news for sellers (and also for commissioned based brokers like my firm) yet not so great for the buyers, although most banks continue to offer 100% financing.
2. Competition amongst multiple buyers is increasing sale prices beyond asking price in some instances—just like the over-heated real estate market of the past years—and it just keeps going up in some areas.
3. Lawyers, bankers, accountants, dental dealers, practice management consultants and most lab people—all know someone who wants to buy a practice, are connected in many ways and know many dentists looking to invest in practice ownership. Some are qualified, while others are not.
4. Anyone can place an ad on a website or in a traditional print dental journal, for upwards of about $150, and wait for the calls to come in. It really is that easy.
5. You can use an anonymous email address like practiceforsale@yahoo.ca to keep your identity secret until such time as you want to reveal yourself to the buyers.
6. You can contract for an appraisal from several reputable companies once a buyer has been found. The buyer will need it for bank financing.
7. You can try to sell your own dental practice.

There, I said it! People always ask me, "What do you do for your commission? Ten percent is a lot of money given today's selling prices of over a million dollars in some instances." Yes, it is a lot of money…

So, what do we do to earn our fees? It's a simple answer: we manage expectations. It's a challenge to manage the expectations of two sides (buyer and seller): the two dentists, two lawyers, two accountants and two bankers; the landlord (yes, they can be nasty!); the insurance companies; the seller's staff; the buyer's spouse and/or parents, classmates, professors, dental dealers and laboratory friends; the rest of the advisors who often surround young and impressionable dentists (and there are many!); and then, finally, to do all this while keeping matters confidential from competitors, staff and patients so as not to harm any goodwill during this critical process.

The FSBO, For Sale by Owner, market exists because of:

1. Inadequate service from brokers;
2. The cost of the commission—up to 10%;
3. Dentists by trade are very "hands-on" people and believe that they can master many things due to their high IQ and skill set;
4. Some advisors encourages dentists to save the commission.

Those who do not have experience in the sale of a professional practice, be careful. It's a new marketplace and today's savvy buyers and their advisors are after the best deal possible (and may test the limits of tolerance!). A private seller might become associated with certain perceptions:

- rookie and vulnerable
- cost-cautious and wants to avoid a commission
- cost-cautiousness reflects on the rest of the practice
- employs other low-cost services, materials and equipment

For those of you with great patience, organizational skills and sharp business acumen, you may be able to do it yourself. But be prepared. Selling your own practice means navigating a mountain of expectations.
Running a rural practice can yield some unusual experiences...as with this story about a client. He's a dentist who owns a practice in rural Canada, and he called me this past October, very upset and frustrated.

A recent graduate joined his practice in June of 2012. Due to a number of mitigating factors, there was a substantial backlog of dentistry to be done, and this recent graduate, who was very young, ambitious and capable, stepped in and produced extremely high production figures in a short period of time.

Essentially, this dentist, in a four-month period from June through September, produced $600,000 in gross income. This did not include the income generated by the hygienist. If we do the math, it's simple. Based on $600,000 in fees with a commission rate of 50%, this new graduate earned approximately $300,000 in a four-month period.

Now, the story gets really interesting. In October, in more remote, rural Canadian settings, winter is fast approaching. The first snowfall is imminent. The nights are longer and days shorter. Sometimes a dark foreboding of what is to come sets into the minds of those not accustomed to northern climes.

At this time, this recent graduate approached the dentist owner and asked for a raise, from 50% to 60% commission. The owner refused to do so on the basis that they had only been working together for four months. As a result, the associate tendered his/her resignation.

This type of resignation is an extremely rare occurrence. I don't know of any new graduates in the last three to five years who have generated $600,000 in four months of work because of a backlog of patients needing care—and then resigned.

There was no mistreatment here, no over-treatment—just much work to be done because of the remote location of the practice. The circumstances are clear: good insurance, good people, good industry, no other dentist there for some time, and my client who could not fully attend to the practice.

The result? An associate who basically stepped into a very lucrative work situation. Then, after tapping out four months of work, the associate wanted a raise. When the owner denied it, the associate tendered his/her resignation. Their agreement called for 60-days’ notice; instead, he/she gave two weeks’ notice and left.

My questions are:

• What does this tell us about today's generation and today's dental graduates?
• What does this tell us about their ability to enjoy the rural and remote sensibilities of Canada?
• How do we recruit these people?
• How do we retain these people?

Clearly, there was enough financial reward for the associate. There was enough work and the book is still full of many more months of procedures. My client is in a desperate situation; he needs to suddenly recruit again and he’s asked our firm to assist. We anticipate weeks or months where there is no dentist in the office. We’re looking for locum dentists to cover in the interim, but patients will once again go unserved. Staff will go unpaid as no procedures will be performed. Staff will be sent home and the cycle will repeat itself.

To sum up, a new graduate makes $300,000 in 120 days and quits. Given that, how are we going to serve the future needs of the Canadian population if money is not enough of an incentive? I have concerns about the dental profession’s ability to manage the needs of rural and remote Canadians when money is clearly not enough. It’s a serious quandary and yet I seem to have no viable solutions. Do you?
practice preservation

A 10-point primer on dealing with a dental office emergency

Death and disability can strike without warning. Even when aware of a developing disability, many dentists have yet to make adequate preparations for such a situation. And most are even less prepared when it comes to their own mortality.

Our research indicates that dentists rarely leave written instructions for the benefit of family, advisors or staff. An emergency plan is essential and clear procedures should be in place. If implemented quickly, these procedures can preserve the ongoing viability, salability and staff of a dental practice. Better safe than sorry. Keep this info with your office manual and your will. In fact, such “practice preservation” is essentially a “will” for your dental practice.

The Dental Office Emergency Plan

1. The first priority is to secure the practice and maintain the appointment schedule. This means an immediate search for a locum dentist to keep the practice running.

   This ensures that income is generated to pay for overhead and the temporary dentist. Finding a locum is much easier now than in the past through resources like the classified section of dental magazines and dental association websites. Most brokers know dentists who have sold their practices specifically to work as a locum.

2. Go with an experienced professional locum who can successfully manage any transition. While help offered by neighbouring dentists may be sincere, patients could end up transferring permanently, resulting in a potential reduction in hours may cause valuable staff to seek other opportunities. Retain a sense of normality and viability of the practice.

3. Patients scheduled for appointments should be notified of the situation as soon as possible by phone.

   A sample script: “I’m calling to inform you that Dr. ______ has had an accident (or other) and he/she will be away from the office for a period of time (time of recovery, if known).”

   Or, if the owner has died: “We are very sad to inform you that Dr. ______ has passed away.”

   Follow either one of these opening statements with: “We assure you that the office will remain open and your appointment(s) will be honoured. We have made arrangements for a qualified dentist (mention locum name and years of experience), to attend to your ongoing dental care. As always, our regular staff (mention names) will continue to be here to assist Dr. ______ (locum name) with your dental care.”

   Make phone calls only after the locum is secured, as vague information may only unnerve the patient.

4. It is not necessary to place a notice in the paper or send letters to patients. The new owner (if applicable) should do this only when he/she takes over. A phone call to scheduled patients (one week at a time) is enough in the short term.

5. The outgoing message on the office answering machine should not be changed until facts and arrangements are settled. In the case of a sudden death, update the message only when the locum dentist’s name is known. This demonstrates an organized practice.

6. If the practice must be sold, the sales process should commence at the same time as the locum search. In today’s market, a buyer can be identified within weeks and the crisis resolved quickly.

7. If there are standing orders with hygiene appointments, these can carry on as scheduled while the locum dentist is being identified. Notify patients in advance that their regular dentist will not be there for the recall/recare examination.

8. Maintain regular office hours as much as possible. A reduction in hours may cause valuable staff to seek other opportunities. Retain a sense of normality and viability of the practice.

9. A positive attitude when speaking with patients is essential. Assure them that the practice will continue as per usual. Avoid negative terminology such as “the doctor is no longer here” or “the doctor is very sick.” This implies a loss that patients may focus on. Instead, say “Dr. ______ will return soon and Dr. ______ (locum name) is a wonderful person.” Show confidence in the temporary dentist’s ability. Long, rambling explanations confuse patients and reveal a lack of organization.

10. In the event of death, the spouse, lawyer or accountant is typically called upon to manage the financial affairs. Whoever’s in charge should arrange for an appraisal so the practice can be immediately put up for sale.

   If a dentist suffers a tragedy, this 10-point emergency plan will help to keep the practice viable by preserving the employment of staff, the patients’ ongoing care and the all-important goodwill value of the business.
the “active” patient

Active patients + practice evaluation affect due diligence

The issue of determining active patient charts remains a contentious one in the dental industry. Even with the aid of the various experts and industry advisors, it remains a nuisance to the sale and conveyance of professional practices—and often muddies sales’ waters.

The experts need to debate, discuss and collaborate on this issue—one that has great impact on the due diligence process. Even with all the dental publications and social media outlets that now reach dentists, it doesn’t hurt to restate the message.

So, as one such expert, I weigh in here:

Chart count does not equate to goodwill value—it only points to the busyness of the present owner and to his/her chosen style of patient management.

For example, a patient who appoints once a year for a regular cleaning may not be considered active if a buyer only uses the last 12 months as the definition of an active patient.

Should a conservative vendor’s practice be downgraded for using a 12-month standard?

Just this one factor alone shows how some buyers are using a misleading methodology to examine charts. And it doesn’t even matter how this measurement originated because it’s patently flawed.

In addition, standard deviations—the weighting of types of patients as insured versus un-insured or by ethnicity and age profile—are not being reliably analyzed to determine chart count. Cultural differences are often bantered about like it’s common acceptance to classify certain patients as frugal or cost-conscious. This is an insult to both clients and their patients.

When my firm surveys buyers to examine post-purchase results (one-year later), most buyers report a higher gross income in their first year than in the last year of the previous owner. Almost 40 years of surveys prove that an increase of 5–15% is common.

Why is this?

Buyers report the discovery of ample untreated, elective cases that the previous owner chose not to treat or refer out to specialists. This may be due to the previous owner’s age, his/her late-career motivation or general fatigue leading to a simple lack of desire for busy day-sheets.

Others may simply lack the skill or technology to perform the treatments. Knowing this, why are buyers fixated on the chart count and not the 10-year vision that most owners use to succeed?

Every owner-dentist relates that he/she retrieves what are considered in-active patient files with regularity as people move back into old neighbourhoods, regain employment and insurance coverage or simply realize that they need to see their dentist/hygienist again after an absence of mind or resources.

Some industry advisors resist the above points. I advise clients to accept offers from mature, well-informed and ambitious buyers. I have even considered asking some buyers to do their own due diligence (with the incurred time and money cost) before an offer, to compare with my separate findings—even if this means another offer is accepted and the potential purchase is lost.

I know that both buyers and sellers get frustrated and complain about costs (legal etc.) when a transaction does not come to speedy fruition. To avoid this, the answer is simple: a reliable industry standard of dental practice valuation.

Empirical appraisal (my firm’s methodology stems from over 7,500 practices appraised since 1974) places little, if any value on chart count. Far more important is a practice’s historical, arm’s-length, open-market sales data—supported by the income approach (cash flow)—to determine fair market value.

Based on all this, the tactic of negotiating sale price after an accepted offer—by using a buyer’s chart count methodology—is found wanting.

Despite having written extensively on this topic before, I’m always open to input. The dental practice is an ever-changing business model. Practices and methods must adapt.

Let the debate begin! If it leads to an industry-wide and recognized valuation standard, we’ll all benefit.

Timothy A. Brown specializes in dental practice appraisals, brokerage, consulting, locum placements, associateships and practice financing across Canada. You can reach Timothy at timothy@roicorp.com.
accidental intimacy

How and why those who work in very, very close proximity form a bond

It's no secret that people who work daily in close proximity can and sometimes do become accidentally compatible—even intimate. Many professionals hear of or have been involved in office relationships. Outsiders may wonder why this happens and what cause and effect these relationships have on the office staff and, of greater concern, the marital impact for those married who engage in such romances.

When delivering practice management seminars, I invariably offer this mantra: Live modestly and stay married.

Why? Because it works! The live modestly part is easy for most to understand and most do try to follow it. The second half of the mantra—NOT SO EASY!

I have sold countless practices (often at a rushed pace and an undervalued price) as a result of marital breakdown because of an office affair. It can be ruinous to a practice’s business value and the involved professionals’ reputation.

To be fair, sometimes these office romances end up as a happily ever after union and partnership, but sadly, this is not the case for most I have witnessed or heard of.

I’ve watched the dental office environment featured in the 1950s and ’60s Time in Motion films used by my father to design dental equipment delivery systems and cabinetry. A photo (right), from a legitimate and reputable Instructions Manual, illustrates suggested body positions for better delivery to the patient in a four-handed operatory set-up. Imagine if this photo were used in today’s dental schools!

Using today’s ergonomics the dentist and assistant are not much further apart; they’re still put into close physical proximity while working. Intimacy is often a result of such proximity, and a dental professional and assistant working in close quarters for hours on a daily basis may form a bond. That bond may simply be professional competency leading to a successful patient treatment delivery system. The nature and substance of the bonding varies greatly.

It is easy to understand how people who work together have knowledge of each other’s personal lives. Additionally, many dentists and assistants in a two-handed operatory chitchat about life’s daily events (movies, restaurants, the kids, etc.) as a form of bonding and even as a way to keep the patient pre-occupied while dental treatment is performed. This banter becomes part of the treatment process to alleviate patients’ fears. In a four-handed operatory, a partnership evolves using similar stories and strategies that have worked effectively in the past to ensure too simplistic explanation of a very complex issue.

Here’s one relationship that typifies some of the stories I hear: Two professionals working together for over 20 years develop a very co-ordinated professional approach to deliver quality dental care. A professional, not personal, bond has been created. For unrelated reasons both become divorced from their respective spouses. The end result is a happy, compatible union of two dental professionals based on their long-standing friendship, familiarity and respect for one another. A happy ending.

The preceding article is a very informal, undocumented account of the realities of the dental office environment based on numerous private conversations and cases over my 35 years as a broker.
become a bestseller

Who are today’s bestselling buyers and what do they want?

The large majority of today’s buyers are not i-Dentists™. Rather than being in dentistry solely for investment purposes, owning and managing multiple practices, they are hands-on, full-time practitioners who are motivated by most of the same things that existed when my father Roy Brown started a dental consulting business almost 40 years ago.

Today’s buyers want these basics:
- To “be their own boss.”
- Have control over their income.
- Maintain complete authority over business and treatment decisions.

They are hands-on, full-time practitioners who are motivated by most of the same things that existed when my father started a dental consulting business almost 40 years ago.

I’ve been accumulating data from buyers since 1974 and the “bestselling” dental practices all have certain characteristics in common:
- Owned by a solo practitioner.
- Gross billings in the range of $750,000 to $1,250,000.
- Normalized (purified) operating cash flow* equals 40% or more of gross.
- Sixty or more hours per week of preventive scheduling booked three to six weeks in advance.
- Not located in the highest rent districts, such as a major mall or retail/storefront (although exposure always helps).
- Do not employ long-term associates who are not on a contract.
- Not involved in complicated partnerships, such as when a partner wishes to sell and another does not (selling a share of a practice is a very difficult task for any broker!).

Conceptually i-Dentist™ is a great business plan if owning and managing multiple practices is the goal. However, for any individual-minded dentist (assuming he or she desires control over the style of practice, as an estimated 75% or more of Canadian dentists do), this style of dental chain will inevitably include a long-term power challenge.

The practices that are more difficult to sell usually display the following characteristics:
- Employ associates that have long tenure and may negatively influence patients and/or staff after sale.
- Associate(s) is not on a proper, written agreement.
- Associates threaten the new practice owner and the open market dictates that the practice will be more difficult to sell, period!
- Any type of arrangement whereby space or overhead costs are shared with another professional complicate the transaction. Basically, human nature equals potential for future conflict.
- Long-term staff that’s highly paid and not on a proper, written employment agreement.
- Purchasers realize that existing staff is valuable, it’s retained in most of the practices sold. However, highly paid or long-term staff can intimidate young purchasers. An established staff is very important for patient retention, but buyers with big loans, household mortgages and/or dependants are going to try to reduce expenditures to maintain profitability. The fear is that reducing wages and/or increasing hours may result in losing important members of the team.
- Over-sized offices or high-rent locations. During slow times high rents remain the same. Rent should be typically 3 – 7% of gross; if it’s higher, a buyer will be wary of that long-term risk.
- Practices that are over-capitalized (extravagant leaseholds and equipment) are difficult to sell because the facility is designed to accommodate more than one dentist or suit personal tastes. Yes, purchasers appreciate large, ultra-modern offices with high-tech equipment, but they also don’t necessarily want to start off with the accompanying debt.

These issues have surfaced many times in the course of my business. I’ve performed calculations to support the theory that “bestselling” practices sell for the highest amount when considering alternative practices. The owners of these practices are the happiest, most stress-free individuals. They take more holidays, enjoy the lowest-operating overhead and generally work longer in dentistry because of the rewarding work environment.

The choice is yours. Everyone has different philosophies, but any dentist can practice like a “bestseller.”

*Normalized cash flow does not include “discretionary” expenses, spousal or family wages, or debts. Debt is not part of operating overhead, it is a capital cost of acquisition and generally will be eliminated over time.
Looking to the past to bolster the future of your practice

O thers have told me that understanding their practice better is a benefit in itself.

I just finished re-reading a book entitled Profitable Practice that was written by Dr. George Wood Clapp, DDS. It was published in 1916.

I collect old texts on dental practice management. This is by far the most interesting vintage text that I have found. It was taboo to use the term “profit” and dentistry in the same sentence back then, yet Dr. Clapp went against the grain and spoke his mind.

Here are some of the most interesting quotes in the book:

“If senior dental students were given a practical course in the economics of dental practice, they would be much better prepared to meet the problems of selecting a location, the equipment of an office, the development of clientele, the selling of service, the establishment of fees fair to the patients and themselves, etc.”

Does this not continue to hold true almost 100 years later? After delivering lectures to the fourth-year students at Western University and the University of Toronto, I asked some of the pre-grads what they thought of my lecture materials. In most instances, the reply was that they should be taught this exact kind of information in dental school. They also mentioned that they don’t get to hear this type of advice while in school.

Bad news about the profession seems to flow downward to the pre-grads. Why don’t they hear all the good news about the wonderful profession that they are entering? As an appraiser of many practices across Canada I witness very successful practices everyday.

This is not a criticism of curriculum, however, is it not time for the profession to respond to suggestions that dental school include more fundamental business training?

Here’s another quote from Dr. Clapp:

“The false glamour (we see today) of many advertising practices would be torn away.”

By stating this, Dr. Clapp was suggesting that business training might reduce the need for advertising. Remember that this was 1916! He also says that if business practices were taught along with clinical training that:

“It is probable that the average quality of dental service would doubtless be materially elevated.”

The common denominators of dental practice management that were professed many years ago still hold true today. While there are many new materials, techniques and technological changes, the business of running a dental practice is fundamentally the same. Yet it’s common to find a new spin on an old system almost everywhere you look—reiteration and embellishment of the same century-old proven principles.

I’m always amazed at how a basic daily task such as tracking hours worked or how many patients cancelled is twisted into a hi-tech practice-management issue.

Dr. Clapp wrote this in 1916:

“‘Dentists who have not kept record of their own income hours often form greatly exaggerated estimates of the amount of time they employ profitably, and consequently mistaken ideas as to what fees are profitable.”

He also stated that:

“Every dentist should carefully record the number of his (her) income hours for at least a year and preferably every year, in order that he (she) may know how many hours actually produce income.”

I believe Dr. Clapp meant chair-time or chair-side hours when he used the term income hours. This is opposed to office hours spent not producing income.

Keeping track of available data in your practice does not require the time or expense many believe it does. Most of the successful practices I visit use the appointment book or day sheets, along with basic monitoring forms to extract useful analysis of their performance. These forms and systems are readily available from several reputable practice appraisers, brokers or practice management consultants.

Ask a professional practice appraiser, broker or consultant what it is that purchasers look for when they consider buying a practice. Then obtain or design a form to track this information. You’ll then possess meaningful information that will answer questions about your profitability and also point out any areas of inefficiency.

Such records increase the value of your practice and help you run a more profitable operation in the future. And understanding your practice better is a benefit in itself.

The bottom line: it’s common sense that makes sense.
manage suppliers

The three highest expenses in any dental practice are staff wages, laboratory fees and dental supplies. Do you have a thorough understanding of your dental suppliers’ services and skills? Do you know what they are most suited to help you with? And what areas of your practice are they not fully trained to advise upon? In other words, know your specialization and don’t attempt to be a master of all trades.

In the 1960s, my father, Roy Brown, was the president of a dental supply company at a time when companies were fighting a fierce price war and developing new services. My father’s directive was to capture a greater market share of the dental market and to preserve company profit margins. It became necessary for the owners and managers of dental supply companies to supervise the sales people and direct them to focus on their strengths related to their core business, namely supplies and equipment.

In an effort to discourage his sales people from providing advice to dentists in areas they knew little about, a list of “what we do and don’t do” was prepared and circulated at the Associated Dentists Cooperative (the ADC). This trend continues today. Like most other dealers at the time, Roy discovered that the sales people where extending themselves into areas of the dental practice in which they had limited experience. Commissions on dental equipment and supplies were dwindling due to the extensive competition of the day and sales forces were extending into areas of the dental practice that the sales people where extending themselves into areas of the dental practice in which they had limited experience. Commissions on dental equipment and supplies were dwindling due to the extensive competition of the day and sales forces were extending themselves into areas of the dental practice in which they had limited experience. Commissions on dental equipment and supplies were dwindling due to the extensive competition of the day and sales forces were extending themselves into areas of the dental practice in which they had limited experience. Commissions on dental equipment and supplies were dwindling due to the extensive competition of the day and sales forces were extending themselves into areas of the dental practice in which they had limited experience.

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In an effort to discourage his sales people from providing advice to dentists in areas they knew little about, a list of “what we do and don’t do” was prepared and circulated at the Associated Dentists Cooperative (the ADC). This trend continues today. Like most other dealers at the time, Roy discovered that the sales people where extending themselves into areas of the dental practice in which they had limited experience. Commissions on dental equipment and supplies were dwindling due to the extensive competition of the day and sales forces were extending themselves into areas of the dental practice in which they had limited experience. Commissions on dental equipment and supplies were dwindling due to the extensive competition of the day and sales forces were extending themselves into areas of the dental practice in which they had limited experience. Commissions on dental equipment and supplies were dwindling due to the extensive competition of the day and sales forces were extending themselves into areas of the dental practice in which they had limited experience. Commissions on dental equipment and supplies were dwindling due to the extensive competition of the day and sales forces were extending themselves into areas of the dental practice in which they had limited experience. Commissions on dental equipment and supplies were dwindling due to the extensive competition of the day and sales forces were extending themselves into areas of the dental practice in which they had limited experience. Commissions on dental equipment and supplies were dwindling due to the extensive competition of the day and sales forces were extending themselves into areas of the dental practice in which they had limited experience. Commissions on dental equipment and supplies were dwindling due to the extensive competition of the day and sales forces were extending themselves into areas of the dental practice in which they had limited experience. Commissions on dental equipment and supplies were dwindling due to the extensive competition of the day and sales forces were extending themselves into areas of the dental practice in which they had limited experience. Commissions on dental equipment and supplies were dwindling due to the extensive competition of the day and sales forces were extending themselves into areas of the dental practice in which they had limited experience. Commissions on dental equipment and supplies were dwindling due to the extensive competition of the day and sales forces were extending themselves into areas of the dental practice in which they had limited experience. Commissions on dental equipment and supplies were dwindling due to the extensive competition of the day and sales forces were extending themselves into areas of the dental practice in which they had limited experience. Commissions on dental equipment and supplies were dwindling due to the extensive competition of the day and sales forces were extending themselves into areas of the dental practice in which they had limited experience.
I own a rental property that’s adjacent to my office and the two spaces merged on title when I bought them a few years ago. When I then wanted to sell the rental I hired a local Real Estate Professional with whom I’d worked in the past.

Now, as I write this, I’m gazing out the window of the second story of my office, watching the agents and buyers as they are walking around the property. I’m so curious; I want to be there and know what’s going on. I’m feeling frustration because, as a broker who sells for a living, I have no control over the situation. I want to help the agent to sell the property, but it’s not my job. I have to stand down, stay away. And this is very difficult for me…

It’s also painful for me to watch her talking and gesturing, pointing out features of the lot—it’s a fabulous property! I’m sure she’s addressing its possibilities for raising a future family to this young couple. The house is in a highly desirable location and has considerable potential…but I can’t hear what anyone is saying. I speculate that the potential buyers are complaining about this feature or that feature or some perceived deficiency. I know there are issues and things to be done. The house is a little bit older. It needs some repairs and renovations. It occurs to me that I’m a vendor who has hired a broker and that I’m spying on her, desperately trying not to interfere. Again, it’s very difficult for me…

I can only imagine what my clients go through when they hire me to sell their practice. I know that some of my clients have spied on me when I’ve brought buyers into their practice. It’s a very challenging moment for a proud owner or emotional seller—anybody who has time and money invested.

I completed a course in Consumer Behaviour this week. Part of a designation I’m seeking, the Fellowship in the Real Estate Institute of Canada (FRI) is a course that covers personality types, behavioural issues and how to deal with people in certain business situations. The course was designed to show business brokers and real estate agents how to deal with people when they’re buying or selling their homes.

The course also reveals real estate agents and brokers’ own particular behaviour patterns. I’ve taken similar courses on numerous occasions in the past but it’s always good to be reminded of how we, as agents and brokers, behave, how others perceive us and how we, in turn, perceive them.

I think about that house next to my office that I owned for six years (and rented to numerous family members) and how difficult it was for me to stand back and allow a professional real estate agent to do her job. I now recognize that my desire to express my emotional interest in that property had to be suppressed to facilitate the work of a professional.

The lesson is that while I’m an accomplished individual in the real estate and business brokerage marketplace, I still have to know when to let go. Allowing a professional to complete her assigned task without any attachments, emotional or otherwise, may be difficult but it’s well worth the results. Sometimes it’s better to leave things to the pros.

As I look down on the now-sold house outside my office, many fond family-related memories return and will continue to do so as time passes. But, happily, another family is now making new memories within those walls as well. ☺
A good sale is three-fold

How Disney, princesses + business sales converge into a business epiphany

This past March my nephew David Rourke and his five-year-old daughter had the opportunity to join a group of dentists on a Disney Cruise organized by the University of Toronto Faculty of Dentistry. While the week was filled with non-stop swimming, ice cream and princesses—lots of princesses—David was also able to present information to the dental group about the constantly evolving topic of appraising and selling dental practices.

Leading up to his presentation David had a good idea of what he wanted to convey but he had difficulty deciding how he should open the discussion to get everyone’s attention.

It was on the way back to his cabin on the first night that David had an epiphany. It was already past his daughter’s bedtime when they passed through the main atrium, but there was little he could do to stop her from joining the other little princesses dancing whimsically to the live music.

She quickly made a new friend, which meant that David and her parents, or grandparents as they turned out to be, were now obligatory friends. It didn’t take long for the grandfather to ask David about his career and upon learning that he was a professional practice business broker, he proudly announced that his business of more than 30 years would be sold in the fall. What amazed my nephew was that despite knowing that David was a broker, the grandfather didn’t have a single question. Instead, after a long conversation it was clear that he had already done three crucial things that every person selling his/her business should do.

FIRST, he had surrounded himself with a trusted team of professionals to handle the sale and guide him through the process. He clearly had confidence in his team (a lawyer, a banker, an accountant and a broker) and had empowered them to deliver the best result. While selling a business can be a bit complicated and often stressful, here he was on a cruise with his grandkids.

SECOND, he had fully detached himself from the business that he had started 30 years ago and dedicated most of his life to. He maintained that the sale process wasn’t going to be personal for him. Of course, when he talked about the more-than-100-hour work-weeks in his early years and the struggle to pay rent, it was abundantly clear he had invested much of himself in the business. However, to get the best result in a sale, he understood that this was strictly a business deal—and that keeping the personal side out of the entire sale process would yield the best result.

THIRD, he sold when the time was right for him. He’d been approached in the past by interested parties with very good offers, but it hadn’t been the right time…then. He wasn’t trying to cash out at a market peak, nor had he held on too long to a business that wasn’t trying to cash out at a market peak, nor had he held on too long to a business that was starting to decline. His business was healthy and robust, and now he was simply ready for the next chapter in his life.

At the end of the night, when it was time to take the little princesses back to their castles, David was thoroughly impressed with how the grandfather was handling himself at such a critical time in ownership. His epiphany: those three elements—delegation, detachment and timing—were instrumental in his success.

I am told that the gentleman in question did have a few margaritas during this conversation and towards the end of the evening he finally let David know what he was selling his business for…$95,000,000. Little wonder he was in such good spirits—he even bought David a beer!

Note to the reader: The business mentioned above turned out to be a major generic pharmaceutical company.
freedom 55?

Who are we kidding?

The term, Freedom 55™, was introduced by the London Life Insurance Company in the 1980s. It more or less suggests that we will exit our full-time careers at the age of 55 and enjoy an exotic lifestyle or maybe a second, part-time career and, either way, live happily ever after.

A client recently joked that "Freedom 55" was the age of his last-born child—when he finally moved out of the house!

While there are many opposing views about what early retirement really means and when it should occur, I predict that the concept of retirement will become a defunct lifestyle option for the baby-boomer generation. I have consulted with hundreds of dentists over the past 30 years about what they plan to do with their lives. The most interesting and emerging trend is that retirement is not relevant to many baby-boomer dentists. And I believe there are a number of reasons for this.

Firstly, and most importantly, baby boomers are a generation of lifestyle-driven people with some rather expensive lifestyle habits. Retirement is a word that is usually equated with the immediate cessation of paid work. No longer. It’s an obsolete concept, and today most professionals recognize that they’ll continue to work long after the age of 55—willingly.

Witness the emerging trend towards part-time dentistry for life, which I have observed now for several years. More and more dentists think that complete and full retirement is a thing of the past. And, on the flipside, full-time work is also a fading concept, as more and more dentists seek a part-time career.

Over the next 10 years I predict an increase in the number of dentists working part-time, with fewer dedicating a full-time effort to a dental practice. That may have been the norm in the past. But who wants to work long hours and endless days when a better work/life balance is possible?

The term retirement will fade away and baby boomers, as a generation, will simply continue working—just less. Let’s reconsider Freedom 55™ for a moment. What would you do if you actually quit dentistry, immediately, and let your dental licence lapse? Do you have a plan? What hobbies will you indulge in from the age of 55 for the rest of your life? Most dentists can’t answer these questions, and so they return to work for lack of anything else to motivate them.

I propose a shift in thinking to part-time-for-life and freedom-from-ownership. Enjoy both a modified lifestyle and income, and work as long as you can! After all, you love what you do, right?

I believe that I’ll live to 100—thanks to the advances of medicine—and that my career has another 60 years to go. I turned 50 in 2013.

I will never retire. What an absurd and out-dated concept that is!
rush to the exit gates

How does the current market impact sellers and buyers?

What are the key factors that influence the future of dental practice values in Canada? While discussing this matter with numerous industry leaders and experts, I was cautioned about writing about it. Ordinarily, somebody in my position—in practice management—wouldn’t document such predictions and opinions, but here’s my take: the current dental practice market is in a bubble, a market peak of valuations and resultant sale prices is imminent and a decline in practice values is inevitable.

The 2013 Ontario Dental Association Economic Report to the Profession, authored by the highly regarded firm of R.K. House & Associates Ltd. says, “After years of prosperity, it [the dental profession] now stands on the threshold of a very uncertain future.”

There are numerous factors that could lead to these predictions coming to fruition:

1. Interest rates have been at all-time lows for one of the longest periods in recent history and they will increase—perhaps not drastically, but certainly they can’t go any lower. Many of today’s younger-generation dentists are deeply in debt and, as borrowers, are concerned. I’ve been asked about hedging this debt position by shifting to fixed interest rates to avoid variable-rate increases and, yes, now may be the time. The good news: the savers (those with investments) will be pleased when rates finally go up.

2. Global economic conditions can and have changed rapidly in past years. The US meltdown in mortgages caused global economic shock and six years later it’s still resonating in a multitude of ways. A recent column in The Globe and Mail stated: “The global economy is now projected to expand by 3.4 per cent, down from an earlier 3.6 per cent, which, the IMF said, reflects both the legacy of the weak first quarter (of 2014), particularly in the United States, and a less optimistic outlook for several emerging markets.” This could just be the beginning of a cascade of other economic factors. Even a single-operator dentist is affected by the global economy.

3. There’s serious and heightened competition amongst dentists and we certainly have an over-concentration of dental offices, particularly in the urban and suburban markets. Competition for new patient flow is fierce and I’ve encountered a few instances in which I believe the dentist is behaving unprofessionally to meet their overhead. R.K. House comments that recent graduates eschewing rural areas and over-concentrating in urban centres only adds to heightened competition for patients for all dental offices in those areas.

4. The insurance industry is monitoring costs. The dental segment of group insurance coverage remains one of the largest expenditures to employers. The dental profession is under constant scrutiny. It’s highly probable that employers and insurers will continue to trim dental benefits, as they’ve been doing for the past few years. R.K. House also notes that insurance coverage is in decline.

5. There are thousands of dentists in Canada with substantial debt to equity ratios who are highly leveraged. This causes concern for bankers, appraisers, accountants and, most importantly, the dentists themselves who have the personal burden of carrying a substantial debt load. I witness this as I appraise dental offices and examine the balance sheets.

6. When analyzing financial statements, I perform a “stress test” of income, overhead and resultant cash flow. In some instances, dentists would not be able to meet their financial obligations if affected by three or four of the above conditions.

This is not intended to be a doomsday prediction but I’m concerned for the industry at large and feel a duty to report these findings to the dentists of Canada. I’ve surveyed the opinions of many clients, industry leaders and team members who are active in the field, as well as respected members of the dental profession.

I predict that the market is at its peak and that the roughly 10,000 Canadian dentists over 50 years of age should seriously examine their retirement plan and finances and budget for 10 to 30% less than the recent record sale prices. Speak to your advisors and listen to experts on the topic, including appraisers and brokers. One source of advice will be available at the upcoming Business of Dentistry seminars, sponsored by the Bank of Montreal, Patterson Dental of Canada and Myer Norris Penny (my firm is also a co-sponsor).

Brokers like myself will be affected too, facing reduced commissions if an all-out rush to the exit gates takes place or if a disproportionate number of baby-boomer dentists place their practices on the market at once. Then again, buyers will be thrilled as prices will finally relax…
practice rules

Why patient retention is better than expected

When thinking of selling their practice, dentists often believe that their patients won’t stay with the new dentist. The buyer also thinks that he or she’ll lose a large percentage of the existing patients. Neither is right.

My work as a broker for dental practice sales across Canada and has given me insight on this—as well as more than 40 years of data on file. Working with both sellers and buyers, my firm listens when dentists voice these predictions. Of course, patient retention and how it impacts a dental practice after the closing date is a legitimate concern—for both selling dentists who don’t want the practice to fail and buying dentists who don’t want any financial loss. But this anxiety is misspent. And I have five good reasons why.

1. The first and most powerful is the dentist. Patients form a bond with their dentist and trust him or her. It’s this trust that makes patients loyal to the practice even if a dentist leaves. Simply put, patients follow their dentist’s advice. If that dentist sends out a letter of introduction that encourages patients to see the new dentist, they’re likely to trust that recommendation.

2. Another reason that patients go to a particular practice is the staff. Relationships are formed with the receptionists, assistants and hygienists. With all due respect to my own dentist, if she were to sell her practice, I would continue to go there in part for the friendships I’ve made with the staff. I know people’s names when they call to remind me of my appointment and they know where and when to reach me for appointment reminders—and I enjoy catching up with them each time I visit.

3. I also go to the practice for its location. My home and office are nearby, so I’d stay with the practice for its convenient location alone. I’m also familiar with the parking, décor and equipment. And I’m not alone—it’s well documented that patients do not like a foreign environment when it comes to dental offices.

4. Another reason I continue to go to the same practice is its policies. I know exactly what to expect in terms of fees, payment formats and what my obligations are if I must cancel or change an appointment. Like me, most patients like the comfort of knowing such policies before attending to a dental office.

5. Maybe the least compelling but undeniable reason for sticking with the same practice is that I’m a creature of habit and don’t like change. People may change dentists once or twice in their lifetime—but they won’t make that switch unless it’s absolutely necessary. Changing dentists is an unwelcome experience that involves filling out medical forms, dealing with new faces and trying to find a convenient office.

If these five reasons keep patients coming back to a dental office and only one of them changes—the dentist, for example—then four out of the five main reasons remain. And that’s why the majority of patients return when the previous dentist retires. Even in the event of sudden death or disability, patient retention is very high. In fact, a sudden tragedy causes many patients to remain even more loyal as they empathize with the staff and dentist’s family.

If a patient returns again and again for treatment to a particular dental practice, why wouldn’t they continue to do so if “their” dentist is no longer there? We’ve documented patient retention in hundreds of transactions, and in surveys completed by purchasers 85% – 95% of patients stay post-sale. Some buyers even report 100% patient retention.

Of course, there are exceptions. Patient loss occurs when the new owner makes too many changes too quickly, inadvertently frightening patients away. Patients don’t appreciate drastic alterations of “their” dental office—after all, they’ve been at this practice much sooner than they expected.

Another somewhat surprising survey finding: the previous owner does not even need to overlap with the new one. Buyers who asked the former owner to stay on to ensure patient retention say afterwards that this transition period is highly overrated. Rather, the new owners were ready, willing and able to handle the practice on their own much sooner than they expected.

So, in the large majority of transactions we broker, the original owner now leaves immediately upon closing. There are no conflicting issues for staff and patients. The only transition necessary is a thoughtful letter of introduction and retirement party or farewell reception along with some other minor planning. Seems sometimes a clean break is the best exit strategy.
Icelandic inspiration
Why attending a dental conference in Reykjavik is a must

It’s not everyday you get to go to Iceland on business. Flattered to be invited to speak at an annual dental conference in Reykjavik in January, I’m still feeling inspired by the experience. Iceland is incredible. But it was also incredible to meet Icelandic dentists and discover that they consistently ponder the same practice management challenges as all the other dentists I’ve met in my many travels. It’s a small dental world.

I was invited specifically to address the topic of selling practices, a growing issue in Iceland because with only about seven graduates yet eight to 10 retirees every year, there’s an imbalance—and fewer than 300 practising dentists in Iceland. Needless to say, there is not much of a market there for the appraisal and sale of a dental practice.

And yet the dentists in Iceland have an overwhelmingly positive and refreshing attitude and love of their profession.

Conference organizer, Dr. Gunnar Leifsson and two of his committee members, husband-and-wife team, Dr. Hallur Halldorsson and Dr. Petra Sigurdardottir, are three of the most progressive dentists on the island. Fascinating people, they impressed upon me that the practise of dentistry in Iceland is as advanced as in Canada—if not more so.

Gunnar, Hallur and Petra actually enjoy working with their patients and exude a genuine energy for the dentistry they perform daily. Unfortunately, I don’t always witness that same passion when meeting with some Canadian dentists.

In talking to these Icelandic dentists about their practices, I discovered that they share a very relaxed, casual attitude. Their fees are very similar to those that are charged in Canada per unit of time or by procedure. They’re generally not in it for the money (at least as much as members of the profession I’ve met in other nations). And they have a refreshing concept of helping all Icelanders achieve a high quality of care while enjoying the freedom to treatment plan those who have a higher dental IQ.

The average Icelander has a lower dental IQ than Canadians, as evidenced by the frequency of recall visits that is, on average, only about once per year per patient. Yet Icelandic dentists do not seem to leave any patient untreated, and since there is no dental insurance for adults from 18 to 65 years of age, the dentists genuinely try to assist regardless of the financial means of their patients. I wouldn’t call it charitable dentistry, but the dentists are certainly charitable in their attitudes and actions.

I delivered my presentation in the Harpa (harpa.is), a fabulous, modern convention facility. Unfinished and abandoned after Iceland’s financial crash about eight years ago, the government decided to complete construction of the building, which now serves both as a concert hall and conference centre. It is one of the most remarkable facilities I’ve ever visited and presented in. The Harpa is inherently high-tech in terms of its spatial characteristics and acoustics that will inspire anybody who visits the facility.

If you have an opportunity to attend a dental convention in Iceland, go! Simultaneously modern and quaintly rural, it’s a uniquely placed nation of the northern hemisphere. You’ll experience culture, camaraderie and friendship. And Brennivin. The local schnapps-like liquor is a must-try, along with fermented shark, smoked puffin, minke whale tataki, wind-dried fish and seaweed. I sampled it all—what a culinary journey!

But my most memorable takeaway of this country and its people is the incredible enthusiasm and energy of the dentists who practise at such a high standard to help people of all ages and means achieve superb dental care. Takkk (thank you)! ☺️
Transition Checklist

Basic Transition Items

- Associate(s) Contracts
- Employee Contracts
- Premise Lease and Renewal Options
- Bank Approved Professional Appraisal
- Professional Incorporation
- Scheduler
- Assignment Clause in Lease
- Renegotiation of Lease to Extend Term
- Active Client/Patient Count
- Performance Data

HOW DO I GET STARTED

- Build a team of professionals who have dealt with dental practice transitions.
- Your broker will be able to recommend many options to help ensure you have a smooth transition.
- Understand when each transition item should be introduced during the selling process. There is a strategic path to follow to ensure the integrity of your goodwill is maintained at all times.
- Every transition is unique, your broker will help you to understand the additional transition items you will need to add to your list.
- Your Broker will provide a transition manual explaining the general business items that will need to be transferred, as well as guidance through the sensitive parts of the process, such as how, what and when to tell the staff and long term clients.

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Timothy A. Brown is the owner and founder of Profitable Practice. His insights, research and experience in the dental field have made him a highly sought after professional speaker and a respected author.

**Timothy is available for private consultations, study clubs, conventions and as a key-note speaker.**

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