

□ DON'T USE THIS 4-LETTER WORD: CASH



Reader Caution: Please do not consider this practice management advice.

I am in Barbados. The crown on the 16 popped off. Almonds! Fortunately, it can be easily re-cemented.

I know many dentists in Barbados, including some Canadians, but I decided to perform some market research and called around to a dozen offices. The “mystery” patient shopping experience, if you will.

Wow! What a cross-section of responses!

I told each receptionist (one doctor answered the phone!) that I was on vacation from Canada and had no insurance coverage. I also said I could pay in cash.

All practices said they would accept cash. US dollars are preferred, but BDS currency is fine.

Then came the real question: “Do you offer a discount to tourists who prefer to pay in cash - in US dollars?”

Guess what? CASH is cool and accepted without hesitation. The discounts varied – and most said “It depends on what we have to do to get that crown back in place. Would you like to make an appointment?”

Back to Great White North.

A few decades back, I was selling a practice for a mid-career Canadian dentist who had grown tired of the long commute from his home.

Over time, the necessity to open evenings due to increased competition had taken its toll.

The drive-time homebound grew longer each year as the city expanded and traffic patterns slowed.

Then, one dark and wintry evening, he fell asleep at the wheel. Luckily, he veered into the snow-filled median, and no one was harmed.



It shook him up, and he called me the very next day. No plan, no hesitation:
“Just sell it, Tim.”

He had no time to prepare the office, data-wise, for the appraisal.

I went straight to the office that night and started the appraisal.

During my analysis, I was having trouble reconciling the expenses when compared to the gross income.

The wages seemed oddly high for the reported gross income, and so did the dental supplies and the dental laboratory costs.

And the appointment book was filled with months of active patients. It just did not add up.

When I inquired with the owner, he simply said: **“I’m not good at managing the business.”**

I accepted that to be truth, although not satisfactory. Many dentists readily admit they didn’t receive business training during their early education. The same holds true today, as far as I know.

So, I proceeded with the appraisal and assigned a fair value to the practice, considering its unusually high overhead. Then we went to market.

There was a strong interest. The practice was in a busy plaza, located in a good neighborhood with ground-floor access, a long-term, unimpaired premise lease, and ample free parking.

16 prospective buyers attended the Open, which was hosted on a Sunday afternoon.

Sure enough, one of the young buyers was quite enamored with the location because he lived nearby and had family in the area. He proceeded to make a full-price offer, which the owner readily accepted.

Then came the critical due diligence phase.

This is when the buyer and their accountant take a deep dive into all the supporting documents that are not contained in the appraisal, such as day sheets, daily and weekly deposit slips (all paper back then), monthly credit and debit card clearing statements, bank statements, invoices, and payroll records.

Essentially, all the detailed records that are not required for the appraisal itself since qualified appraisers can confidently rely on the chartered professional accountant’s statements at the time of valuation.

And that’s when the alarm bell started ringing!

We uncovered a second, hidden set of deposit slips, this time for a mystery account at an entirely different bank. When confronted, the owner pointed fingers at the bookkeeper.

The total deposits turned out to be substantially higher than the income reported on the financial statements.

You can probably guess what that means.

Just one four-letter word.

CASH.

Lots of it.

I made a gentle inquiry with the owner, who looked at me sheepishly and said, “Why don’t you let the buyer and I have a private meeting? I’ll explain my practice philosophy and how we go about our day-to-day routine.”

I got the hint.



roicorp.com

When the buyer and the vendor finally met in person, I was asked to excuse myself to get some coffee.

So, I dutifully left the office.

I meandered a bit, taking my time, fully aware they were having a private conversation I wasn't meant to hear.

About 30 minutes later, I returned, coffee in hand. The buyer looked at me with a big smile and said, **"How do we speed things up to get this thing closed?"**

I was a little flabbergasted, expecting the opposite to happen, but I didn't ask any questions, and neither of the dentists offered an explanation.

The transaction closed quickly.

A couple of months later, I bumped into the buyer at a dental trade show. He was proudly parading his large staff, announcing that they were all staying at the Ritz for the night and heading to a fancy dinner afterward.

I marveled at how quickly he seemed to be thriving and inquired if the practice was doing as well as it had when he bought it.

He pulled me aside and whispered in my ear: **"Tim, the practice does a \$1,000 a day - in cash!"**

I was stunned.

Then he pointed to the bulge in his pocket, a thick wad of bills.

I had no idea.

The owner never disclosed it, even though I had my suspicions and made inquiries during the appraisal.

The buyer told me his accountant had advised him not to proceed with the deal because of the risk associated with the undisclosed cash. But he had grown up dirt-poor, working restaurant kitchens to pay his way through dental school. He accepted the risk anyway.

The practice was open 225 days each year.

At \$1,000 per day in unreported cash, you can do the math. And then think 10+ years!

While strongly discouraged by professional advisors, cash still happens.

In certain communities and cultures, this practice is rampant.

The Canada Revenue Agency is always on the lookout.

PRO TIP: Stop accepting "off-book" cash.

If you accept cash, it cannot be included in your appraisal.

Subscribe to my newsletter: [Timothy's Newsletter](#)

TEXT me @ (416) 520-7420 for a FREE estimate of the fair market value of your practice.

Refer a friend and you will BOTH receive a **REVERSE Tariff** professional courtesy of up to \$1,500 each toward your ROI Appraisals. A total savings of \$3,000.

Thinking of making your exit plan? Sign up for the November 16th (today) Master Class.

Working with i-Dentists™ since 1984 (*actually, a little bit longer than that!*)

Written by:



Timothy A. Brown,
FRI, CEO & Broker of
Record



roicorp.com