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CHECKLIST TO PREPARE YOUR PRACTICE TO SELL

The best time to start preparing for your practice transition is three to five years from the date you plan on selling your practice. Since you may not really know that date, the best time to prepare is NOW! Here is a checklist of things you should do as you prepare your practice to sell:

* **1. Meet with your Financial Advisor –** Discuss with your financial advisor that you are thinking about selling your practice. If the intention is to retire, let your advisor know that is your plan. Ask them how much you may need to retire at the income level you desire.
* **2. Discuss Taxes with your Accountant –** Current Federal Capital Gains Tax as of December 2024 ranges between 0% and 20% depending on your household income. Your state may also have a Capital Gains Tax at the state level. The majority of the proceeds from a practice sale are taxed at the capital gains rate. This is versus the ordinary income rate taxed on equipment, inventory and non-compete. Another factor may be carry forward capital losses to offset your capital gains and whether you will continue to work or not. Your accountant will help put a clear plan in place as to timing and structuring the sale to maximize your tax benefit.
* **3. Obtain a Practice Valuation –** It’s best to have a full valuation completed on your practice. You can then provide the valuation to your financial planner which will help determine when you will be able to retire, if you get the desired amount from the sale of your practice. If you cannot yet retire, most practice valuation companies or brokers will update the valuation for a nominal charge or free when you are ready to sell.
* **4. Keep your foot on the gas –** Don’t slowdown in your production. In fact, if possible, ramp up production to get the maximum value from your practice sale. Banks and buyers like practices that are trending up in production instead of going down. While at the same time, keep your expenses, especially salaries, in check.
* **5. Assess the condition of your practice –** Do you have 20-year-old flooring that is faded, stained or torn? Replace it. Do you have mustard- colored countertops from 1970? Update the countertops. Paint will do wonders as well. Don’t spend a mint, but spend a reasonable amount -

$10,000 to $20,000, to make the practice look and feel fresh and updated.

**6. Clean up your Accounts Receivable –** If you have credit balances on patient accounts, you are required to send those back to the patient after a certain number of years. Each state has their own Unclaimed Property, or Escheatment law. You can find the information regarding Unclaimed Property on your state’s website. If you cannot find the patient, you are required to submit the balance to the state.

* **7. Self-assess your practice numbers –** Is your staff payroll and benefits expense above 25% of your total collections? Is your production down, but you have the same staffing level? Is your dental supply fee over 7% of collections? Know what your ratios should be and manage to your numbers. Contact a consultant if you are not sure what to do.
* **8. Know the market –** Are practices in your area selling quickly? Are interest rates super high? If it takes two or three years to sell a practice in your area, then you may want to list it sooner rather than later.
* **9. Do a self-assessment –** Think you are five years away, but your back, neck or hands are telling you – SELL NOW? Burned out on managing staff and insurance companies? Just tired of living where you live and are ready for a change? All this may lead to selling sooner than your anticipated retirement date. Just because you sell your practice does not mean you have to retire. You can still practice either in yours or someone else’s practice. Or maybe you have always wanted to do something different. Maybe it’s time to test the waters. You can always go back to being a dentist. I know several dentists who semi-retired and work as a dentist two days per week and drive Uber or LYFT two days per week for fun.
* **10. Contact a broker –** Some of the best transitions we have made began several years before the sale occurred. We built relationships with the seller. In several cases, we found a buyer asking for a specific area. We made the call to one of the dentists we had a relationship with, and they said, “It’s time”. Brokers can also be advisors over the final two, three or five years of your practice ownership. Should you buy the new CBCT? Should you hire an associate? We can help answer those questions.

Selling your practice is a major life event, right up there with buying your first practice. Be sure to prepare, have a plan and get the right advisors. We’re always here for you and phone calls are always free. Give us a call.