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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 get closer to deciding to sell your practice:

- 1. Meet with your Financial Advisor** – Discuss with your financial advisor that you are thinking of selling your practice. If the intention is to retire, let them 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** – This is especially important in the current environment. There have been discussions at the government level to increase both capital gains and income tax rates significantly. Both affect the proceeds you will receive from the sale of your practice.
- 3. Obtain a Practice Valuation** – It's best to get a full valuation. You can provide this 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 can't yet retire now, most practice valuation companies or brokers will update the valuation for a minimal charge.
- 4. Keep your foot on the gas** – Don't slow down 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.
- 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're 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 it on the internet. If you cannot find the patient, you are required to submit the balance to the state. Note that you

can charge a nominal processing fee to the patient.

- 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're not sure what to do.
- 8. Know the market** – Are practices in your area selling quick? 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 soon rather than later.
- 9. Do a self-assessment** – Think you're 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 these may lead to selling sooner than your 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've 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 done 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 and 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.