

How to Select an Appraiser for Your Practice



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There are several reasons to have your practice valued:

- 1) For sale purposes
- 2) For matrimonial purposes
- 3) For estate and or retirement planning
- 4) To value the practice when an associate starts
- 5) To secure a loan from the bank
- 6) Insurance purposes

Most practice sales are based upon a valuation which may be a quality valuation or not. How do you know if a practice valuator does quality work? There are several steps a practitioner should undertake to ensure the professional valuator does quality work. My suggestion would be to ask several different sources for their recommendation, do not rely on only one or two.

Sources for recommendations:

- a. Your accountant, if he has several dentists in his portfolio, can give you their experience of different appraisers. Your accountant is not an independent appraiser and would not be recognized as such to purchasers or banks.
- b. Other dentists who have gone through valuations for the same reason. This is an ideal source because there is more than the value of the practice to be considered. Such other attributes as: was the value accurate; did they do the job they were hired to do; did you feel the appraiser/ agent represented them well?
- c. Your lawyer, if he has several dentists in his portfolio, can give you their experience with different appraisers.
- d. Your investment / retirement planner, if he has several dentists in his portfolio, can bring you up to a better awareness of the difference in appraisers.

- e. Your bank manager. This is an important contact. If the banks do not accept the valuers report because they are not on an approved list of valuers then another costly valuation must be completed to get the financing for the purchaser to purchase your practice. Some banks have only two or three approved dental appraisers. Ask your banker who is on the approved list for their bank.
- f. Interview the potential appraisers to ensure that you feel comfortable with their experience, professionalism, and ability to set a value that will be accepted by purchasers, accountants and bankers. A high cost for the valuation does not necessarily insure a quality report.
- g. Ask to review a generic valuation to see if you understand the value and how that value is derived.

In the end you should feel comfortable with your appraiser and the job he is engaged to do, be it a matrimonial valuation or a valuation for sale purposes. In the end, you should expect the appraiser to be able to set a value which is achieved in the case of a sale.

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