

Will My Practice Be Saleable in The Future?



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As the Baby Boomers wish to sell their practices, some say that there will be only a limited demand and as such your practice will lose a lot of its value. I do not believe this is true. By taking certain precautions, you can ensure that your practice will sell for what it is currently worth or more.

Let's start at the beginning. Each dentist should try to run their practice as efficiently as possible in order to make a reasonable Net Income. Remember that Profit and Patients make value (See Volume 2 & 3 of The Professional Advisory). To maximize the return from your practice you would never sell it. The greatest reward is in the efficient running of your practice year after year, not its sale value.

Remember practices become more valuable when there are too many dentists in an area, i.e. Toronto. That is to say, a shortage of patients makes each patient more valuable. If you are in an under serviced area, anyone can set up without purchasing a practice and be successful from day one. This easy entrance into the community certainly keeps the value of existing practices low. If it is low now it will probably remain low in the future.

In Boom Bust & Echo, David K. Foot defines a Baby Boomer as born between 1947 and 1966. Some of the vendors today are Baby Boomers. For example, a dentist who was born 1950, graduating 1975 would be 52 today. He may well be ready to retire or at least ready to sell his practice and semi retire. Yet there are far more purchasers than there are good practices for sale. Many practices are merging into larger practices to get the efficiencies of scale, space and staff. This trend should continue.

Vendors come to the marketplace to sell their practices at different ages. This year I have sold a practice for a dentist who graduated in 1983 and another dentist who graduated 1947. That's a huge range. The impact of Baby Boomers will not be material.

If you have a good patient base and have controlled your overhead, the practice will have a reasonably stable value regardless of Baby Boomers now or in the

future. As I see the future there are greater risks to the value of your practice such as changes in the economy, taxes and dental insurance coverage. Take care of your patients and your overheads and the value of your practice will take care of itself.

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