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V4790

Preparing for an Easy Practice Transition

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Materials Included

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Sources of Products Discussed in

V4790 Preparing for an Easy Practice Transition

Presented by: Thomas M. Cooper, JD, CLU, ChFC & Gordon J. Christensen, DDS, MSD, PhD

1. **Transition Articles**

Thomas M. Cooper & Associates

26433 N. 115th Street

Scottsdale, AZ 85255

(480)247-3090

www.thomasmcooperandassociates.com

Product names, the products themselves, and company names change rapidly. Please contact the companies shown to confirm current information.

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PROGRAM

V4790 Preparing for an Easy Practice Transition

CLINICIANS RESPONSIBLE:

Thomas M. Cooper, JD, CLU, ChFC

Specialist in Dental Transitions Planning
BA, University of Southern California (Phi Beta Kappa)
JD, Loyola Law School
Chartered Life Underwriter, American College
Chartered Financial Consultant, American College

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CEO, Practical Clinical Courses
CEO, CR Foundation
Practicing Prosthodontist, Provo, Utah

GOALS & OBJECTIVES

At the completion of this video presentation, viewers should be able to:

1. Define optimum transition planning.
2. Define the normal type of transition planning.
3. List transition pitfalls.
4. Discuss some techniques to increase productivity of hygienists.
5. Describe some techniques to increase practice productivity with an associate.
6. Describe valuation methods to determine the value of a practice.
7. Describe the "myth of 60%".
8. Describe the asset approach to practice valuation.
9. Describe the income approach to practice valuation.
10. Describe discount rate.
11. Discuss a "letter of intent."
12. Describe the pre-partnership phase of practice transition.
13. Discuss allocation of profit methods for partners.
14. Discuss entity planning.
15. Discuss and compare asset purchase or stock purchase.
16. Compare employee status with independent contractor.
17. Discuss management fees.
18. Discuss tax effects of the various types of partnerships.
19. Discuss how the transition can be a win-win relationship.
20. Discuss some creative tax planning ideas.

OVERVIEW

V4790 Preparing for an Easy Practice Transition

Transitioning from one practice owner to another can be a daunting challenge. However, it should not be so. The following topics included in this presentation will make an easy transition:

- What transitions planning is NOT
- What transitions planning IS
- Rationale for a transition
- The business marriage
- Transition pitfalls
- The proper way
- How are we different
- Practice values
- Case study setting
- Case study assumptions
- Operational value: dental hygiene
- Operational value: clinical
- Transition value
- Emeritus partner
- What is practice value
- Valuation methodology
- The myth of 60%
- Valuation standards
- Asset approach
- Income approach
- Discount rate
- DCF calculation example
- Bulletproofing your transition
- PFA presentation
- Letter of intent
- Closing documents
- Transition path
- Pre-partnership phase
- Allocation of profits between partners
- Creative tax planning ideas
- Entity planning
- Election to expense
- Stock purchase or asset purchase
- Employee vs. independent contractor
- Qualified retirement planning
- Management fees
- Tax effect
- Win-win

REFERENCES

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4. Diecidue RJ. Evaluating a dental practice for purchase or associateship. *Dent Clin North Am*. 2008 Jul;52(3):483-93, vii. doi: 10.1016/j.cden.2008.03.001.
5. Johnson K. Keys to buying a dental practice and successful transition planning. *J Calif Dent Assoc*. 2008 Jul;36(7):501-4.
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POST-TEST

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1. Optimum transitions planning is to:
 - a. sell to the highest bidder.
 - b. look only for a mature practitioner as an associate.
 - c. sell to someone and have them take over immediately.
 - d. plan years ahead for the transition.

2. An optimum practice transition should benefit:
 - a. primarily the seller.
 - b. primarily the buyer.
 - c. whichever needs the most financial help.
 - d. both seller and buyer.

3. A major transition pitfall is:
 - a. not placing the value of your practice at the average value of equivalent local practices.
 - b. waiting too long before planning the transition.
 - c. transitioning to a young practitioner.
 - d. transitioning to a mature practitioner.

4. Practices can be valued by the following method:
 - a. Asset Approach.
 - b. Income Approach.
 - c. a percentage of gross revenue.
 - d. any of the above, but they differ in their effectiveness.

5. Practice value should include strong consideration of:
 - a. the percentage of older patients.
 - b. the ratio of males to females in the practice.
 - c. the percentage and dollar value of net revenue.
 - d. the overall gross revenue amount.

6. Planning for transitioning can increase practice value by studying and changing the following:
 - a. decreasing hygiene activity.
 - b. optimizing dentist and hygiene clinical opportunity for increase.
 - c. including more PPOs in the practice.
 - d. all of the above.

7. The value of a practice can easily be determined by calculating:
 - a. 50% of gross revenue.
 - b. 40% of gross revenue.
 - c. 75% of gross revenue.
 - d. none of the above.

POST-TEST (CONT'D)

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8. Allocation of income for the dentist and the associate should be:
- a. 50% of net revenue for each.
 - b. a percentage determined by production of total revenue produced.
 - c. 75% for dentist and 25% for associate.
 - d. none of the above.
9. Which is the most appropriate arrangement for the associate?
- a. To be an employee of the practice with an agreed upon financial arrangement.
 - b. To be an independent contractor.
 - c. To be paid an hourly salary.
 - d. To be paid 50% of his/her gross revenue.
10. Planning for an optimum practice transition should be:
- a. a win-win for dentist and associate.
 - b. started long before the actual transition.
 - c. a shared agreement satisfactory for both dentist and associate.
 - d. all of the above.

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