

# Path to Practice Ownership

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**BANK OF AMERICA**



**Better When We're Connected**



# Agenda

Benefits of Ownership

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First Time Owner Profile

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Starting A Practice

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Credit

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What Should a Loan Look Like?

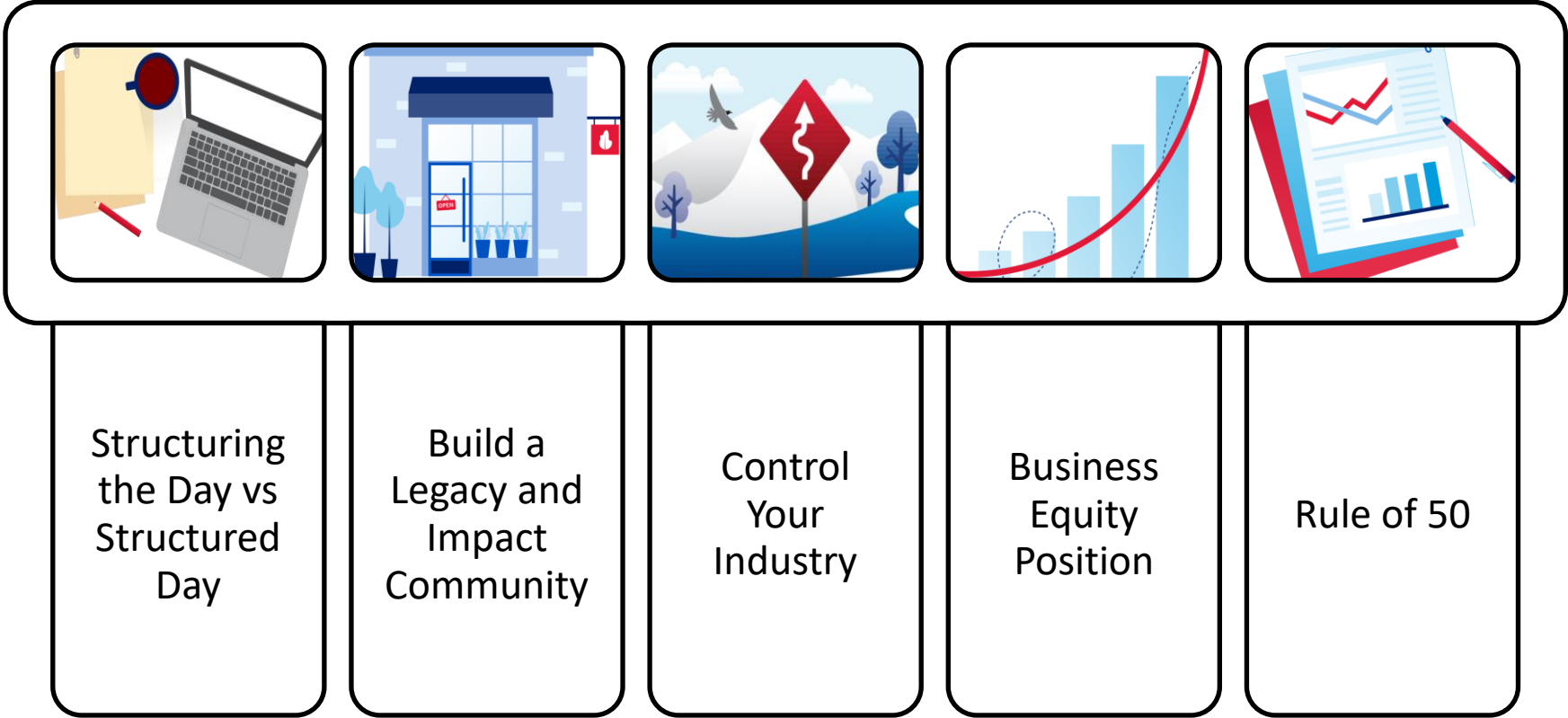
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A Growing Partnership

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# Benefits of Practice Ownership



# Rule of 50: Income Breakdown



## Associate

Producing \$50,000 a month  
\$600,000 annually  
Paid 30% of collections  
\$180,000 income  
Taxed at 30%  
Net \$126,000

VS



## Owner

Producing \$50,000 a month  
\$600,000 annually  
Total revenue of \$900,000 (33% hygiene)  
\$360,000 income (40% margin)  
\$272,520 after loan payment is made  
Taxed at 30% leaves net \$190,764

For illustrative purposes only. Your actual results may vary depending on your production and practice profile.



# Rule of 50: The 10 Year Difference



**Associate**

\$126,000 annual income

\$1,260,000 of earnings over 10 years

No equity position in a business

$\$1,260,000 + \$0 = \$1,260,000$



**Owner**

\$190,764 annual income

\$1,907,640 of earnings over 10 years

\$720,000 business with no debt

$\$1,907,640 + \$720,000 = \$2,627,640$

VS

$\$2,627,640 - \$1,260,000 = \$1,367,640$

For illustrative purposes only. Your actual results may vary depending on your production and practice profile.



# First Time Practice Owner Profile

## Typical Client



Associate Work History



Income Earnings



Student Loans



Personal Debt



Cash Savings



# Purchasing A Practice





# Purchasing a Practice: Positives and Negatives



- Established patient base
- Immediate income stream
- Trained staff
- Insurance providers in place
- Potential to grow



- Staff resistant to change
- New owner patient attrition
- Office old and dated
- Possible equipment upgrades
- Buying a philosophy



# Purchasing a Practice: Build Buying Power



Debt

Will the amount of debt that I carry impact me?



Liquidity

Is the amount that I have in savings relevant?



Production

How does my production affect buying power?



## Purchasing a Practice: Production Lesson

**\$400,000 or \$700,000**

**What's the difference?**



# Purchasing a Practice: Debt Service Coverage Ratio

A measure of the available cash to pay debt obligations.



# Purchasing a Practice: Build Your Team



Banker



Practice Broker



Attorney



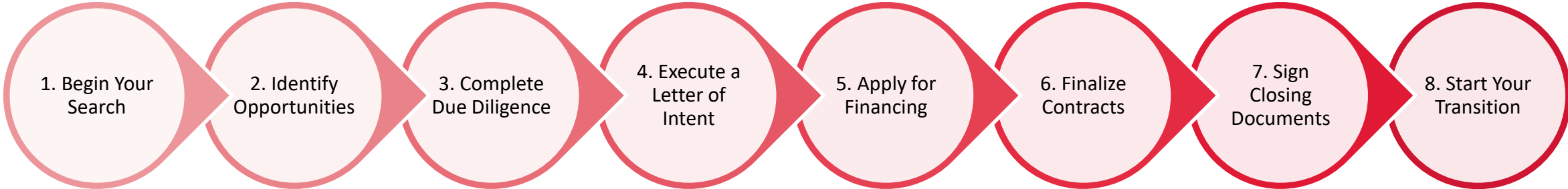
Accountant



Insurance Agent



# Purchasing a Practice: The Process



# Starting A Practice



# Starting a Practice: Positives and Negatives



- Choose your location
- Customize your layout
- New equipment and technology
- Hire and train the way you'd like
- Build a culture that you desire

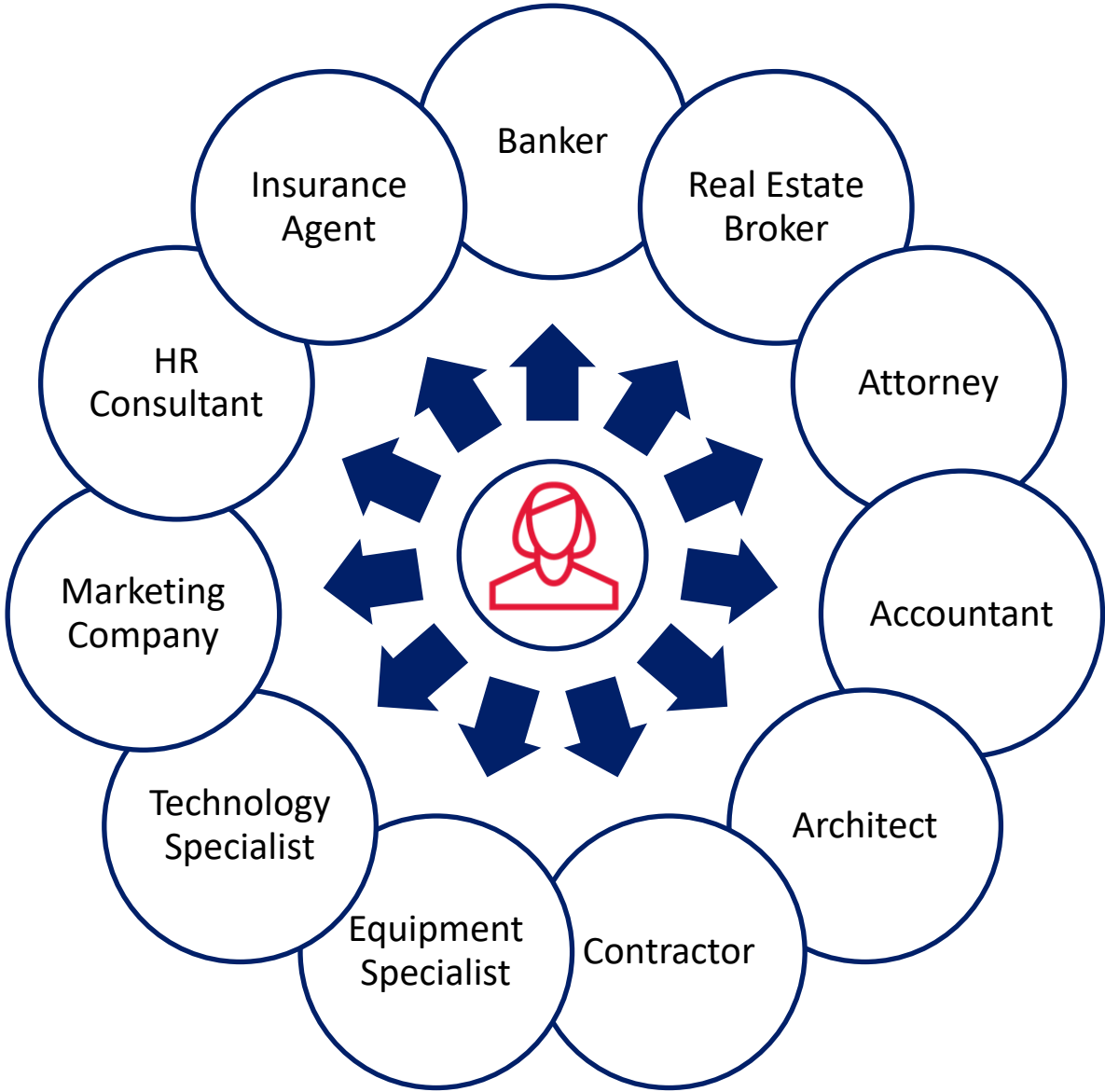


- Finding your space can take time
- Stress of construction
- Beginning without a patient base
- Will have to continue to associate
- Growing pains with staff

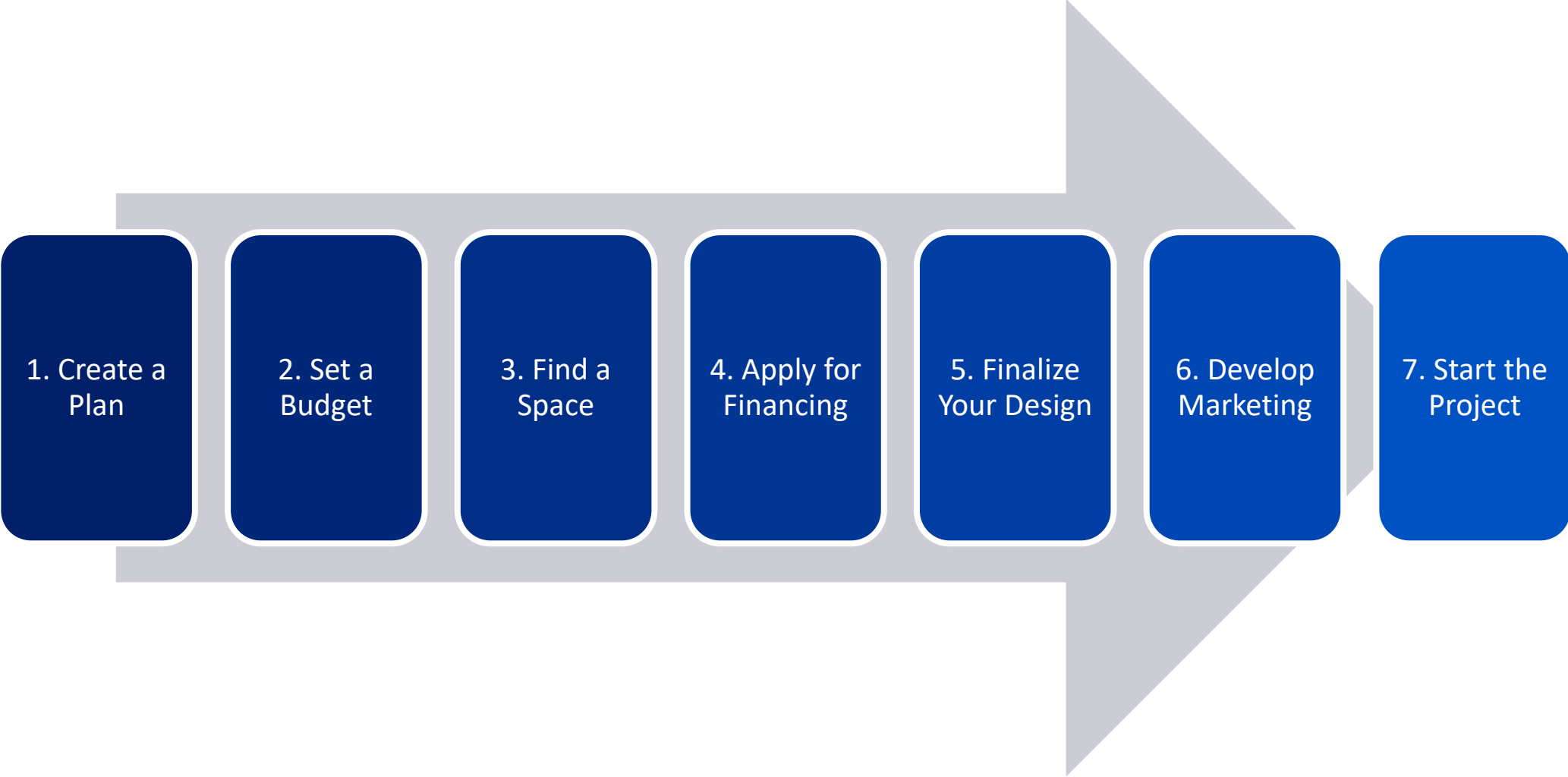




# Starting a Practice: Build Your Team

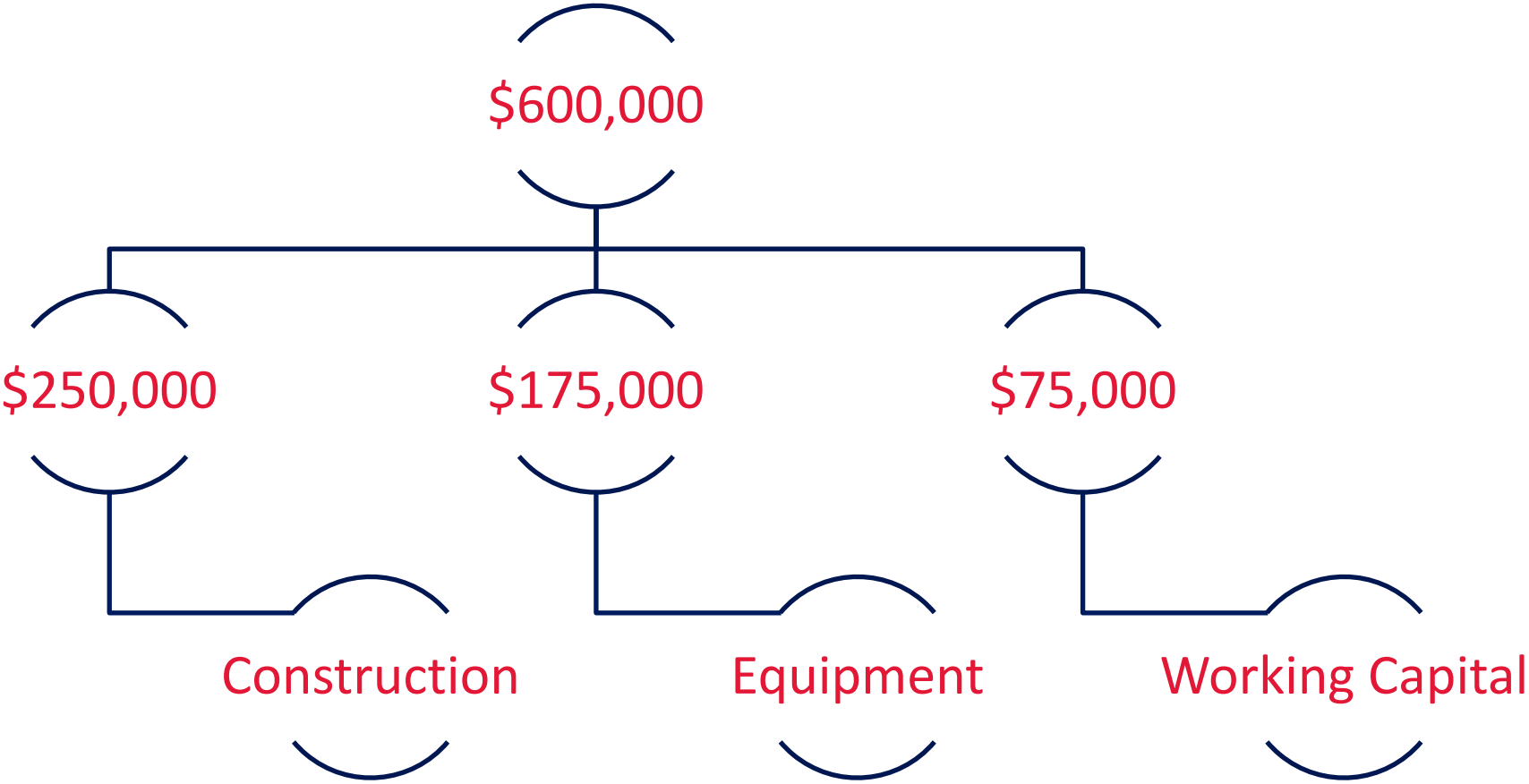


# Starting a Practice: The Process

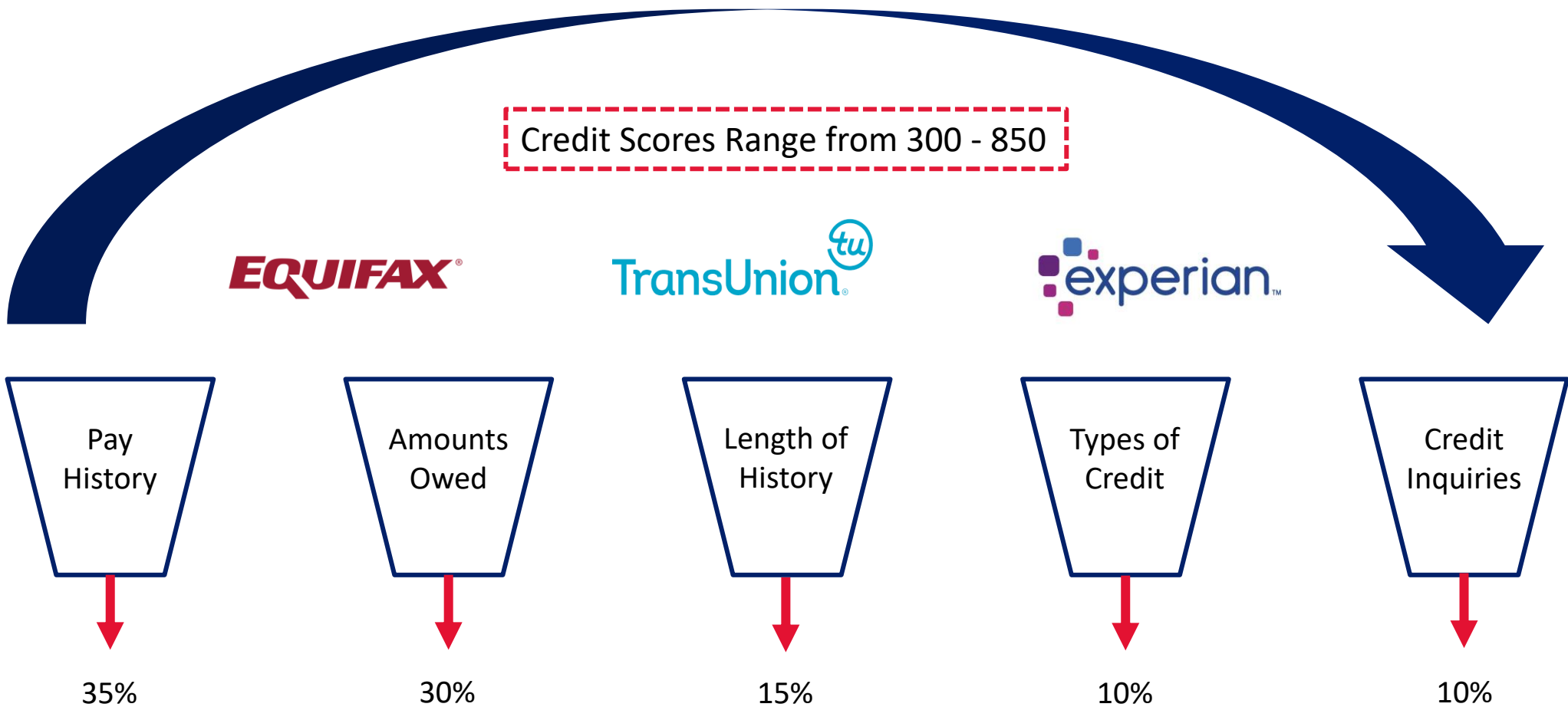


# Starting a Practice: Budget Breakdown

Tenant Improvement Allowance – A negotiated sum a landlord is willing to spend to customize space for a tenant.



# Credit: Understand Your Score



# What Should A Loan Look Like?



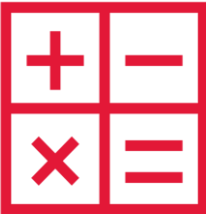
**Face to Face Contact**



**Industry Experts**



**Fixed Rates**



**100% Financing**



**Flexible Terms**



**Low Fees**



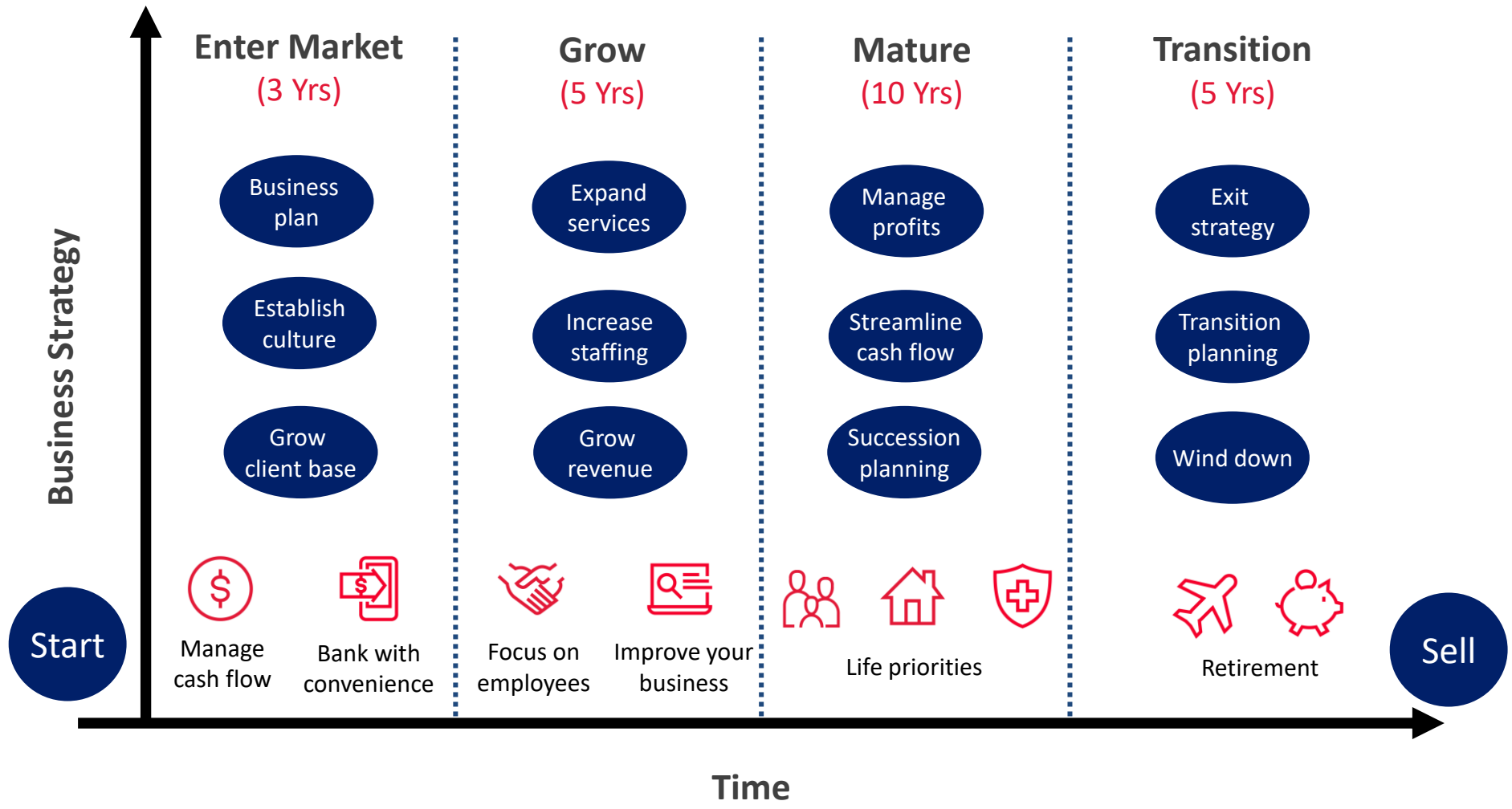
**No Personal Collateral**



**Future Growth**



# Life Cycle of Business Ownership



# The Decision

“If you don’t build your own practice, someone will hire you to build theirs.”

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Unable to practice dentistry your way

No ownership responsibilities

Steady income

Earning potential is likely capped

No equity position in a business

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R**

Create your own culture

Protect your profession

Control your destiny

No income ceiling

Affect community



# Questions?

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