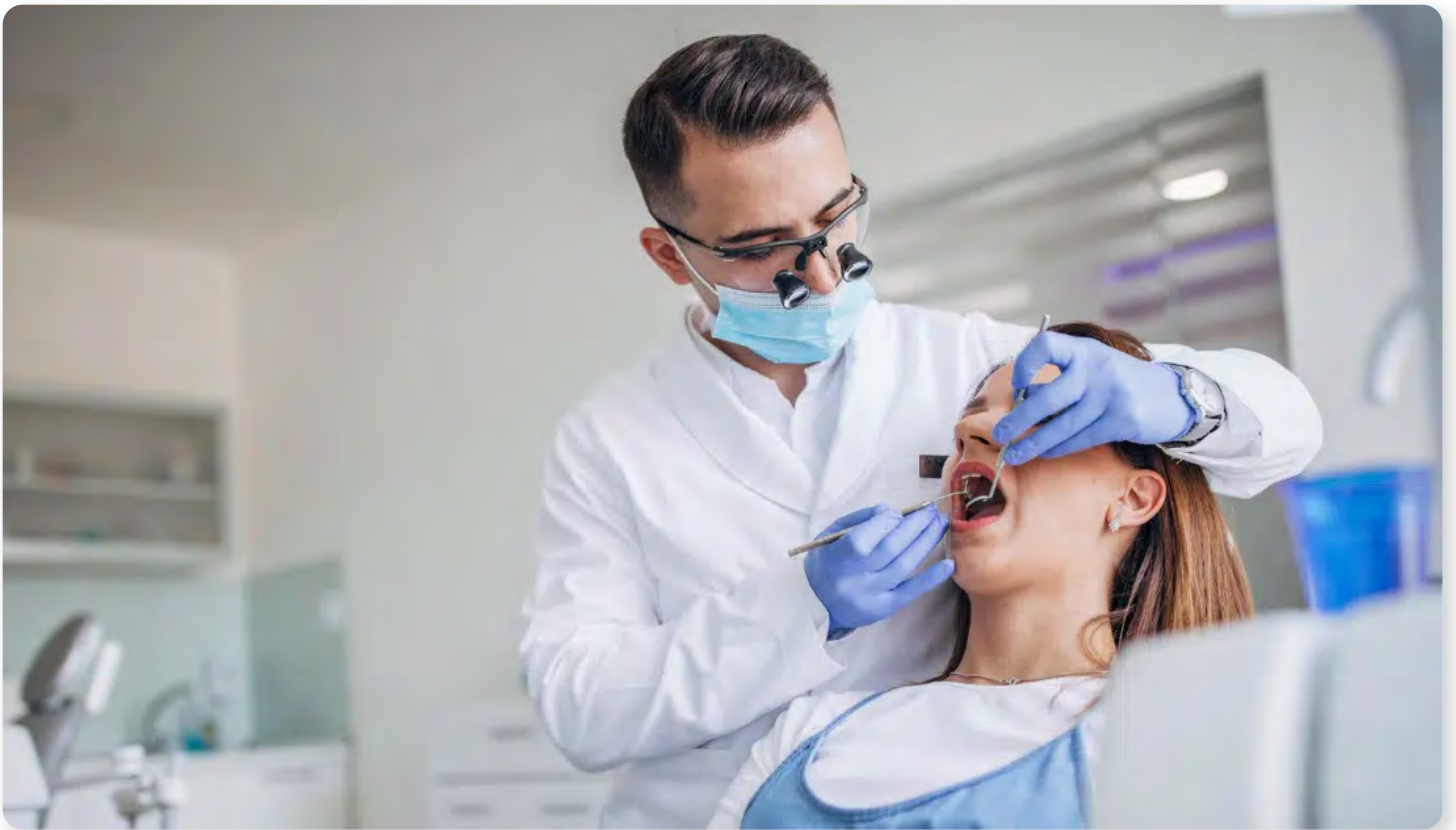


# Benefits, Pitfalls & Trends In Dental Practice Buy-Ins

Michael Jerkins, MD MEd

November 2023



Investing in a dental practice can be a significant decision for dental professionals looking to take their careers to the next level. If solo ownership doesn't feel like the right choice for you, partnership in a practice can provide many of the same benefits.



Read what **Bradley R. Gilmore, CPA**, partner at **Marcum, LLP**, **Ryan Brengman, J.D.**, president of **Shea Practice Transitions, P.A.**, and **Calvin Sitto, CPA, MBA**, partner at **Dental ROI Associates**, had to say.

## What are the benefits of buying into a dental practice?

**Bradley R. Gilmore** – Buying into a practice has more advantages than disadvantages. During your time as an associate, you can be mentored by the owner. You can learn how to run a practice, oversee a team, and interact with patients.

Own a practice 100% when you are ready. Buying into a practice and being an associate first sets the foreground to being a practice owner, an entrepreneur.



As an owner, you can build the practice you desire both culturally and financially. You will be able to set your own schedule and financial goals by leveraging the other partners and team members.

One major financial benefit of practice ownership is retirement planning. As a practice owner, you can save significantly more for your retirement than you can as an associate depending on the retirement plan chosen.

**Calvin Sitto** – There are several benefits of buying into a dental practice:



gaining access to an already established patient base. Buying into an existing practice means there is a loyal patient roster, which saves you time and effort required to build up clientele from scratch. This allows you to focus on providing quality patient care and building relationships with patients.



- **Immediate Revenue Generation:** Unlike starting a new practice, buying into an existing dental practice provides immediate revenue generation. This financial stability allows you to focus on enhancing the practice, investing in advanced equipment, and expanding services to attract more patients.
- **Reduced Marketing Efforts:** Marketing plays a crucial role in attracting new patients to a dental practice. When buying into an established practice, you benefit from the existing brand reputation and word-of-mouth referrals. This reduces the need for extensive marketing efforts and allows you to focus on providing exceptional patient care. However, it is still critical to maintain a strong online presence and engage in targeted marketing strategies to attract new patients.
- **Financial Stability & ROI:** Investing in a dental practice can provide long-term financial stability and a solid return on investment. By buying into an existing practice, you can leverage its established revenue stream and profitability. With proper management, and strategic planning, you can increase practice value over time leading to potential financial gains down the road.
- **Flexibility:** Being a partner in a dental practice offers flexibility and autonomy in decision-making. As one of the practice owners, you have the



- **Tax Benefits:** Buying into a dental practice can also offer some advantageous tax strategies and tax savings options. These options include, but are not limited to, depreciation and amortization deduction, retirement contributions, deductible business expenses, and much more.

**Ryan Brengman** – Many! Certainly there should be a nice increase to the new partner's compensation as an owner. Having a partner allows you to reap the benefits of being an owner but also the flexibility to take personal time away and know that the practice will remain open and operational while you take time off. Many doctors also appreciate the camaraderie of working alongside a peer.

## What are the common pitfalls in analyzing if a dental practice is worth buying into?

**CS** – Common pitfalls I see when buying into a practice are:

- **Financial Due Diligence:** It is essential to thoroughly analyze the financial records of the practice, including revenue, expenses, profitability, and production, to ensure it is financial viable and sustainable
- **Patient Retention:** Assessing the patient retention rate and understanding the reasons behind patient turnover is crucial to evaluate the long-term potential of the practice.
- **Practice Reputation:** Investigating the practice's reputation within the community.



**BG** – One major pitfall is not performing the due diligence to analyze the practice. It is pertinent that you analyze the financials, practice data, patient data and several key factors within the practice.

Many buyers want to save money and not obtain advice when deciding whether to buy into a practice. Due diligence is designed to provide you an opportunity to make an educated decision by validating and verifying the accuracy of the practice information received.

If you do not have time to perform the due diligence, please invest in a team to assist you. This is one of the most important decisions you will make in your lifetime! Be prepared to make the right decision.

**RB** – Is it big enough to support two (or more) dentists? How will income and expenses be split...will it be financially viable for me to buy-in to the practice?

## **What are current trends seen in buying into dental practices?**

**BG** – We have noticed two major trends for practice buy-ins:

First, in our experience speaking with potential buyers, they are not seeking a partnership opportunity. They are looking at individual ownership.

Second, buyers have refrained from practice acquisitions due to the recent increases in interest rates, although interest rates are still at historically low levels.



**RB** – Since the amount paid down at closing is typically only 20-25% of the total buy-in amount, it is something that the junior doctor can very often obtain a loan from a lender using personal assets.

**CS** – Trends when pursuing practice buy-in include:

- **Know Your Value:** Do not pay for the value that you are bringing into the practice. This is a common mistake many associate doctors make when buying into a practice.
- **Shift Towards Group Practice:** The past few years, the industry has seen a noticeable shift towards group practice and dental service organizations (DSOs). This trend is driven by factors such as economies of scale, shared resources, and the ability to provide comprehensive care. However, as interest rates continue to increase, single-site practice remains the backbone and future of the dental industry.
- **Reimbursements:** Stay informed about regulatory changes, insurance reimbursement policies, and shifts in the healthcare landscape. Changes in regulations and reimbursement rates can impact the financial viability.

## More from our experts

We asked Bradley, Ryan and Calvin more practice partnership-related questions. Learn what they recommend for preparing and paying for a dental practice buy-in [here](#).

## Considering practice buy-in?





say in the practice they are employed at. With these tips, we hope you can pursue your goals with confidence.

As you prepare to transition into practice ownership, we encourage you to consult professionals who have an understanding of the process and can advise you on the unique circumstances of your deal. If you need help building your team to pursue buy-in, visit our [Build Your Team](#) page to get connected with experts.

If finances are a roadblock on the way to your partnership, we at [Panacea Financial](#) are here to help. Our [partner buy-in loan](#) can provide up to \$400,000. And if you need more than that, [we can help there too!](#) [Chat](#), [email](#), or [submit your info](#) to start the process.

*Panacea Financial, a division of Primis. Member FDIC.*



**Start, build or grow your practice.**

Loans for acquisition, startup, partner buy-in, expansion, equipment and more.

**START YOUR JOURNEY TOWARDS PRACTICE OWNERSHIP**

Panacea Financial is a division of Primis, Member FDIC.