

Ask the Broker

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Is now a good time to associate, or is it better to buy a practice?

If you are an associate, of course

I think it is always a good time to buy a practice!!

If you review your W-2 or 1099 you just received and realize that Uncle Sam is going to take a bigger portion of that check than **if** you owned your own business, you should arrive at the same conclusion. Of course, the caveat is to buy the right type of practice that will fulfill your needs, and a practice that hopefully leaves more money in your pocket after debt service and taxes. This is not as difficult as one would imagine. Most of us went to dental school to control our own destinies. Some of us enjoy collecting a paycheck, and there is nothing wrong with that. But most of us that have had the experience of both associating and then eventually owning our practices agree that we were more successful and enjoyed our profession more as an owner.

Many of the young graduates are in debt for more than \$300,000, which is an insanely outrageous large sum of money! In this negative economic environment, they are afraid to take on an even bigger debt load to purchase their own practice. While that certainly seems to make sense, the reality is that once they have approximately 2 years of experience under their belts, they can make a lot more money after debt service if they owned their own practice. Believe it or not, there is still 100% financing available to purchase a practice, and the interest rates are at historic lows. The banks have also produced more options on their loan products to ease the financial burdens of the younger graduates. Depending on the loan, the interest rates can be fixed in the range of 5 to 6%, which are incredibly low interest rates and make owning a practice that much more affordable.

The other problem in a soft economy is that the associate positions are not as readily available. Some of the larger practices that perhaps needed a full-time associate no longer have the amount of work to keep an associate busy. The senior doctors are also more likely to keep the ideal and productive treatment plans to themselves.

My advice is to plot your best course of action, sit down with your accountant and map out a financial plan based on the financing available in the marketplace. **Make your debt work for you in a practice that you can be productive and profitable. Debt that produces income is not necessarily bad debt.** It is all about "return on investment" and what you have left over to pay your bills and feed your family. Even highly paid associates would have more money in their pockets after taxes and debt service **if** they had purchased a comparable practice to their own production capabilities.

Questions? E-mail wps@succeed.net

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