



# Ask the Broker

Recent articles have indicated that the graduating dentists will be looking for group practices since they have a large debt load, more female graduates, and a decreasing annual production in our offices. How are we solo practitioners going to sell our solo practices? Should we try to form group practices by linking up with other solo practices in an attempt to make ourselves look more desirable in their eyes or should we just stay the same and try our best to sell a solo practice?

The short answer is to “leave your practice the way it is”. The only additional advice here is that smaller practices doing less than \$400K might need to consider setting themselves up for a merger upon retirement. To clarify, a buyer may not be able to pay off their average \$350k in dental school debt with just the income from a smaller practice so they may decide to purchase two smaller practices and combine them in order to generate enough cash flow.

The owner of a smaller practice should then consider going to a month-to-month lease when they are getting ready to retire in order to facilitate a possible merger. The retiring dentist may be asked to work back as an Associate up to a year to help facilitate the merger. Keep in mind that the average take-home salary after the sale of your practice is approximately 1.5 to 2x your normal income, so taking costly and perhaps uncomfortable steps to try and form group practices prior to retirement may not make long-term financial sense. Group practice set-ups, contracts and exit strategies are often more complicated and will also present an entire myriad of problems since most lenders have difficulty lending on fractional sales. I believe that we will see more mergers in the future as the return on investment from a successful merger is much higher than a traditional transition.

The millennial mindset may not be geared toward being solo practitioners as much as the baby-boomer mindset was. A percentage of female dentists may prefer employment that is more conducive to raising a family. This factors into the equation since 50% of most dental school students are female, as compared with 10% during the baby boomers’ generation. While this may seem to indicate that fewer new dentists are looking for solo practice opportunities, my experience is that once the young dentists get comfortable with their skills, they realize that the best way to get out of their massive debt is to work for themselves. The good news is that California has no shortage of dental schools as several new schools have recently been established in California and adjacent states. There is no question that group practices and corporate dentistry are on the rise. However, I believe that there will always be a greater proportion of dentists who choose to own their own practices.



Timothy G. Giroux, DDS is the Owner & Broker at Western Practice Sales and member of the nationally recognized dental organization, ADS Transitions. A graduate of Creighton University School of Dentistry (1983), he and his wife, Mona Chang, DDS (LLUSD 1984) were in private practice together for 15 years in Scottsdale, AZ, before establishing their home in Northern California.

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