



# Ask the Broker

## How do you determine the listing price of my practice?

The single-most important factor in determining the practice sales price is the collection total of the previous calendar year. Lenders and Buyers like to see stability without large variances from year to year. It should be obvious that steady, slight increases in revenues are always better than even the slightest of decreases. Poor performance of one of three years *should not* affect pricing, unless it is the last calendar year that shows a significant drop. Therefore, try to maintain a stable practice, make sure you finish strong and make all your December deposits for that last year you will be filing!

**Practices are priced based heavily on gross receipts.** Let's work through some scenarios and options. If you plan to practice 2-3 more years, it is not worth investing extra money in the practice. In this case, I would just advise finishing strong, especially to reflect your last tax return which will be filed. If you plan to practice approximately 5 years, spending large amounts of money for new technology may not necessarily return the investment unless it helps to increase your production. However, this being said, purchasing new equipment may increase your enjoyment of practicing dentistry and therefore be a worthwhile investment.

With 8–10 years remaining to practice, modernizing the practice with the latest and greatest is generally a great idea. Leasehold improvements typically last 5-8 years, so making the investment at this time to spruce up the office will enhance the desirability of the sale. It may also give you greater satisfaction of working in a first-rate environment for the entire duration of the leasehold improvements. **Most importantly, since practice values are based on gross receipts, keep up the good work!**

With factors affecting the current practice market such as a large number of “Baby Boomers” choosing to retire coupled with a lower percentages of Millennials wanting to own dental practices, it is important to make decisions now that will help your practice stand out from the rest when you decide to sell! Call or email us today for a free copy of Dr Giroux's book *“Top Ten Issues for Dentists Contemplating Retirement in Ten Years or Less”*.

Questions? E-mail [wps@succeed.net](mailto:wps@succeed.net)



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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