

Sale of the century

Selling your practice doesn't have to be stressful. By following some important rules, you'll improve your chances of a quick and hassle-free deal. Andy Acton explains



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Mark Santa-Olalla who heads up the legal team has been on the BDA list of recommended solicitors for over 15 years.

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Winter Hill House, Marlow Reach, Station Approach
Marlow, Bucks SL7 1NT
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Selling your practice involves many difficult decisions and is much more than just a financial transaction. Quite often there is an emotional element to selling a practice, as it can represent a lifetime of achievement in dentistry, or a decent portion of it.

Understanding for yourself why you want to sell your practice is critical. With an exit looming on the horizon you need to be clear what life will hold for you post-practice ownership. This may be full-time retirement, continuing in dentistry on terms that suit your situation or another life change, but be clear in your own mind before you start looking for a buyer.

Plan your time

For those of you who have ever placed an advert in a publication or dealt with a printer, you may have come across the term 'lead times'. This is the time taken from the start of the process to the big event—for example, the advert being published or brochure being printed. In the context of selling your practice, the lead-time, from thinking about selling to completion, can vary enormously.

Some practices have an asking price offer accepted within a week of coming to the market, while others can take several months. After an offer has been accepted, the process would routinely take two to four months to complete, depending on the complexity of the deal and the parties involved.

However, we are jumping ahead of ourselves, as there is a lot to do even before you get an offer, let alone complete the transaction.

Where to start

Before you can find a buyer, you need to know exactly what it is you are selling. You are strongly advised to get an independent valuation of your practice from a well-established firm that specialises in dental practices. This is your starting point and will give you a figure that you can hope to realise from your practice.

Now that you have agreed a price, you can market your practice, but insist it is done in a confidential manner. Selling a practice can take time and you may not want to cause any unrest at the practice (among both staff and patients) while you find the right buyer. A specialist agent

will fully appreciate the sensitivity of this point.

Also, let your accountant know about your plans as soon as you can, and find out about your tax implications.

Gathering information

Selling also requires you assemble an information pack that will enable potential purchasers to assess the attractiveness of your practice—this includes practice accounts and schedules, for example. This is a role that your selling agent will fulfil, and make sure they won't share your private information with anyone who asks for it.

Give some thought to when you are available to show interested parties around your practice—are you around at the weekend? Be aware that you need to make yourself available outside of normal practice hours.

If you are going to manage the sale yourself, brace yourself for the DIY sale. Assuming your practice has a value of £220,000, you would pay a commission of about £4,400. If you work on an hourly rate of £200, this would allow you less than three days to find a buyer, negotiate a deal, liaise with solicitors and manage the process through to completion and not be out-of-pocket. You will also be responsible for providing sales particulars and an information pack. Most importantly, beware the 'serial viewer'. Without careful filtering, you could end up showing around endless time-wasters.

Find a solicitor

Even after you accept an offer there is still some work to be done. You will need a good solicitor with experience acting for dentists. You may pay a little more for the specialism, but it is worth it. Many a practice sale has been de-railed due to the lack of understanding from generalist solicitors or unnecessary delays.

If you are also selling the freehold of your practice you will need to accommodate a freehold valuer for the bank who is lending the money to your purchaser—there are very few cash buyers out there. Commercial valuers may not be sensitive to the discrete nature of the transaction so be careful which telephone number they call you on.

Your buyer will be paying you money for the goodwill you have built up in your practice, but there is another type of good-



Chancellor's announcements on CGT

A response from NASDA, the National Association of Specialist Dental Accountants

will that is worth preserving—that of your purchaser. During the journey to completion, you could encounter some stressful moments and if you have a com-

schedules will make this difficult to assess.

– **Get an independent valuation**—those looking for a practice will want reassurance that



Improve your chances of a quick and hassle-free sale.

mon understanding of what you are looking to achieve with the other party, this can help. It doesn't mean you have to be best friends, but you need to work together to smooth the transaction. Ignore this and the process could be long and drawn out.

Depending on your personal circumstances you may or may not have told your staff about the impending sale. If your staff knows, there is no issue. If not, consider when you will tell them. To maintain stability, you may want to break the news only when contracts have been exchanged at which time you could introduce the new principal. If you have a long-standing relationship with your team and your impending retirement is common knowledge then pick an opportune moment that suits you.

Attracting a buyer

Whichever route you take to sell your practice, be it through an agent or managed yourself, there are some things you can do to improve the saleability of your practice. Here are five points to start with:

- **Make your practice look presentable**—would some fresh paint on the walls improve the overall appearance? Are your magazines up to date or old and well thumbed? Tidy the garden/approach to the practice—first impressions really do count.
- **Get your financial information up to date**—any potential purchaser will want to know what they are buying. Out-of-date accounts and a lack of

a valuer specialising in dentistry has independently assessed your practice.

– **Be available**—selling your practice requires a time commitment on your part. You will need to give the guided tour to interested parties on evenings and maybe weekends.

– **Make use of specialist advice**—the support available from agents, solicitors and accountants dedicated to dentistry, is money well spent. Use their experience to avoid the pitfalls.

Selling your practice has the potential to be highly stressful, although time consuming, but you can take steps to improve your chances of a quick and hassle-free sale by learning from those who have gone before you. □

About the author



Andy Acton

is director of Frank Taylor & Associates, leading independent valuers and consultants to the dental profession. To contact him, call 08456 125434 or email andy.acton@ft-associates.com

The new 'entrepreneurs' relief' announced by the Chancellor last month (January 24) brings good news to those dentists intending to sell their practices but who are unable or unwilling to finalise deals before April 5. Alistair Darling has back-tracked on his announcement in October last year when he said he would introduce a flat 18 per cent Capital Gains Tax (CGT) rate.

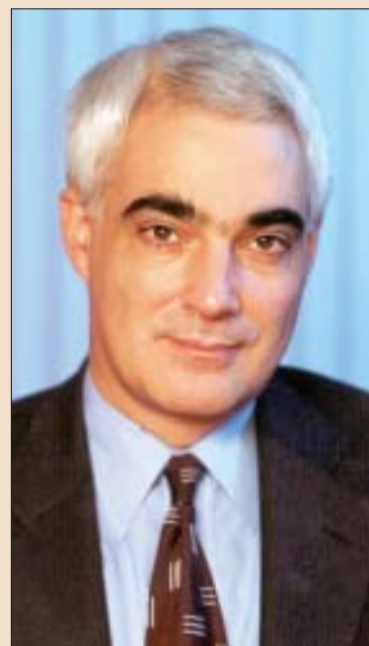
The Chancellor faced such a furore from the business community that before Christmas he said he would re-think the situation. The result was that last month he introduced a concession for entrepreneurs—the option to claim for relief for the first £1m made from a capital gain.

The first £1 million of gains that qualify for relief will be charged to CGT at an effective rate of 10 per cent. Gains in excess of £1 million will be charged at the normal 18 per cent rate.

This is certainly an improvement on the flat capital gains tax rate of 18 per cent announced in the pre-budget report on October 9, 2007. In the current climate, gains of more than £1m are unlikely to arise on a typical practice sale so it could be said that

the new relief is perfect for dentists.

The relief will also apply to dental limited company shares (subject to certain conditions) which is good news for those



Alistair Darling introduces 'entrepreneurs' relief'.

who have already followed the dental limited company route. Similarly, those dentists who are considering incorporation will no longer have the threat of increased capital gains tax bills to contend with.

All in all there is much to applaud although it is a pity that the changes were only brought about as a result of pressure applied by groups such as NASDA.

Although the measure deserves praise there are two potential criticisms:

- Many will lose sight of the fact that tax bills will still rise by just over £2,000 in most dental practice sales. This is because tax relief on the annual exempt amount is effectively reduced to 18 per cent. Under the business taper relief rules tax relief was at 40 per cent.
- Tax bills for dentists selling practices established before April 1998 will lose indexation relief which was intended to take inflationary gains out of tax. This could still substantially increase tax bills in the most extreme cases. □

NASDA members are specialists in dental accounting and between them represent one fifth of dentists working in practice. The comments above were made by Bob Cummings, a member of the NASDA technical committee and a partner at Humphrey and Co.

GOODMANS