

The original and authentic practice value index

Where there's a will...

Frank Taylor & Associates offers practical advice to safeguard your family, should the worst happen

When we are involved in selling a dental practice we get to know our clients and the reasons behind why a practice is being sold. Sadly, we are often involved in a practice sale due to ill health of the principal or a family member, and on a few occasions we have dealt with practice sales where the principal has died during the transaction period.

We recently completed on such a sale and in this case the principal, knowing he was terminally ill, had done everything he could to make the future less stressful for his wife and family. Unfortunately, his illness quickly developed and he passed away before completion could take place. It was at this point things became really difficult.

On being diagnosed with a terminal illness the husband and wife were in the process of arranging a will and whilst they had agreed the content, they had one clause they wanted to check with their solicitor before they signed the will and had it witnessed. However, his sudden decline meant this did not happen and he died intestate.

Selling under difficult circumstances

The sale progressed very slowly, and fortunately it was a private practice so there was not an issue with the NHS contract; did you know if the NHS-GDS contract is in the sole name of the principal and the principal dies there is no guarantee that NHS England will allow the contract

to remain at that practice? (We have seen first-hand the devastation this has caused in the past.) We advise all principals who hold an NHS-GDS contract in their own name to arrange a nominal partnership – we can give you information about this if you would like to know more.

Nobody wakes up wanting to spend the time or the expense on these things, but without them in place financial havoc could happen

The practice continued to trade, which protected the goodwill as fortunately the associate who worked at the practice was the actual purchaser. As you can imagine the principal's wife was coming to terms with the bereavement, so dealing with the bank who had frozen the bank accounts, as well as her credit cards, was tough, and on top of that she had to apply for a bank loan as the overdraft facility was closed by the bank to cover the costs of running the practice.

In addition, she had to also apply for another loan to cover her personal



expenditure. Dealing with these things during such a difficult time took its toll and she was not helped by Care Quality Commission software, which appeared unable to accept the change in registration as the principal had died! It took many months to get to a point where the sale could continue and finally complete and she genuinely felt she could not start to grieve properly until this time.

Have a will in place

As an organisation we have paid for all of our staff to make a will. This way we know if the worst happens then their families will not have to go through the added burden that dying intestate can bring.

Our advice to everyone is to make sure there is a will in place, and if there is an existing will it should be reviewed on a

regular basis.

If you have a NHS-GDS contract, then you must enter into a nominal partnership to safeguard the contract and everyone should have a LPA (lasting power of attorney). Nobody wakes up wanting to spend the time or the expense on these things, but without them in place financial havoc could happen and loved ones will be left with the burden.

If you would like advice on any of the above, please let us know. **D**

IF YOU'RE THINKING of selling your practice, contact Frank Taylor & Associates on **0330 088 1156** or team@ft-associates.com. Alternatively, visit www.ft-associates.com.

Practice one – Cumbria

Practice type – this is a three-surgery fully private practice being sold to facilitate the retirement of the principal. It is a limited company but is being sold as an asset sale, which means the purchaser is only buying the goodwill and the equipment, fixtures and fittings. The current principal owns the freehold and is going to create a 15-year lease within the Landlords & Tenants Act 1954.

Practice financials – the gross fee income is shown to be in the region of £400,000 and comprises 75% of Denplan income and 25% of fee per item. The principal works four days a week and is complemented by two hygienists working a combined five-day week, three nurses – one four days a week and two part-time, each working three days a week. In addition, there is a full-time practice manager.

Price achieved – a price of £281,250 was achieved, which was in excess of the asking price and the funding was secured by FTA Finance.

Agent's comments – with 343 dentists registered looking to buy a practice in this area, it is not one of the most popular areas. However, five offers were placed as this practice generated substantial interest. The practice shows excellent reconstituted profits of 42.6% and the incoming principal could see an opportunity to develop the practice, as there is little competition in the region and the practice has a great reputation locally.

Practice two – southern England

Practice location – this practice is situated in the centre of a business market town with great road and rail links. The practice is situated within a grade II listed building and situated very close to the town centre with excellent footfall.

Practice type – this is a predominantly private practice, with three surgeries established for over 50 years and is being sold to facilitate the retirement of the principal. This is leasehold with 13 years remaining on a 15-year lease.

Practice financials – the gross fee income is in the region of £450,000 and comprises of 87% private income and 13% from a NHS-GDS contract. This is an associate run practice with three associates working a combined 13 days per week, with a hygienist working 2.5 days a week. The team are complemented by two full-time and two part-time nurses, a full-time practice manager/nurse and three part-time receptionists. The principal works one day a week undertaking domiciliary visits.

Price achieved – a price of £524,544 was achieved, which was the asking price.

Agent's comments – we had 1,542 dentists registered in this region, which provides an indication of how much of a seller's market it currently is. As an associate run practice the incoming principal can immediately see a way of making the practice more profitable by undertaking a full-time role, thus reducing the need for as many associates. The building is a grade II listed property and in this case the lease was an internal repairing lease only, which means the purchaser has no responsibility for the upkeep of the exterior or the roof.

Practice three – Home Counties

Practice location – this practice is located in the ground floor of a substantial property. The practice is being sold as freehold and there is a self-contained two-bedroom flat on the first floor, which produces a healthy rental income. The practice is based in an attractive and prosperous market town, located within a mix of commercial and residential properties.

Practice type – this is a predominantly private practice with a small element of NHS. There are four surgeries and it has been established for over 30 years.

Practice financials – the gross fee income is in the region of £600,000 and comprises 90% of private income and 10% of NHS-GDS contract. The income was generated by one principal working four days a week, two associates working a combined eight days a week and a hygienist working three days a week. The team is complemented by three nurses working a combined 10 days per week and a part-time receptionist.

Price achieved – a price of £1,200,000 was achieved, which was in excess of the asking price and funding for this purchase was sourced by FTA Finance.

Agent's comments – buying a practice as freehold can cause an additional worry for some; however, this property has a self-contained flat that produces a healthy rental income, which eases the financial burden. The practice is being purchased by two dentists who have formed a partnership. In cases where a partnership is formed it is vital for them to enter into a legal partnership to cover all situations, just in case there is a relationship breakdown in the future.

Practice four – south east England

Practice location – this practice occupies a substantial terrace property, which has car parking for three cars and free on-street parking.

Practice type – this is mixed practice with a NHS-FD contract as well as a NHS-GDS contract. There are four surgeries and the practice has been established for over 70 years. The principal wants to stay on, which ensures the existing contract for foundation dentistry will remain safely in place.

Practice financials – the gross fee income is in the region of £850,000 and comprises of 19% NHS-GDS contract, 13% NHS-FD contract, 59% fee per item and 9% Denplan. The income was generated by the principal working four and a half days a week, three associates working a combined nine days a week and two hygienist working three days each a week. The team is complemented by six full-time nurses, a practice manager working four days a week, a deputy working full time and two part-time receptionists.

Price achieved – a price of £1,315,000 was achieved, which was in excess of the asking price.

Agent's comments – the principal of the practice is not unusual in wanting to sell the practice and remain to enjoy the clinical work – on average the age of principals considering their future options has dropped from 58 to 52, with the majority wanting to be released from the management burden of running a business. It is not unusual for a principal to take two to three years before being ready to enter the sale process, and we recognise it is not a decision to be rushed or taken lightly.