

Quarterly Supplement To

Business, Legal, And Tax Planning for the Dental Practice

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The purpose of the Quarterly Supplement is to continually update the material contained in **Business, Legal, And Tax Planning for the Dental Practice**, Second Edition, as "free-standing" articles relative to current business, legal, tax and pending legislative matters that affect your practice. These Quarterly Supplements also reflect my ongoing experiences as an attorney representing dental and dental specialty practices. At times, articles will be written by friends who consist of tax attorneys, accountants, actuaries and dentists. The articles contained in the Quarterly Supplements are consistent with the chapters contained in my book, which you may download at www.wickenslaw.com at no charge.



William P. Prescott, M.B.A., J.D.
Practice Transition Attorney
Former Dental Equipment and Supply Salesman

SUMMER, 2007 In This Supplement

Who Are You?

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William P. Prescott, M.B.A., J.D.
Wickens, Herzer, Panza, Cook & Batista Co.
35765 Chester Road
Avon, Ohio 44011-1262
Direct: 440.930.8067
Fax: 440.930.8098
wprescott@wickenslaw.com
www.wickenslaw.com

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WHO ARE YOU?

Are you planning to leave or enter practice? If so, you need an advisory team that effectively "plays well" together. Recently I came across an interesting advertisement for a broker/consultant who purports to provide not only consulting advice, but accounting, legal and tax advice. I have also seen financial planners become practice transition experts overnight, as well as investment managers and dental dealers becoming management and transition consultants. Folks, it's the "wild west". Some advisors, fortunately not the majority of advisors, want to be all things to all dentists. My question to this broker/consultant is, "Who are you? What advice do you provide and what are your qualifications to provide it?"

Here is my advice! Select your core advisory team early in the practice exit or entry process. Allow the team leader to assist you in selecting the other core advisory team members. One member needs to be the team facilitator or leader and roles may change depending upon where you are in the process of joining or leaving practice, which is the title of my soon to be released publication, "Joining And Leaving the Dental Practice"[©] Copyright 2007, William P. Prescott, M.B.A., J.D., and Wickens, Herzer, Panza, Cook & Batista Co. As an example, assume that the broker facilitates the transition for the retiring dentist and locates a purchaser. Thereafter, the broker asks the respective accountants for both dentists to confirm that the economic terms of the appraisal are acceptable. After this, the seller's lawyer prepares the purchase and sale agreements and the purchaser's lawyer does a review.

Assuming that the agreements are properly drafted and are "fair" to both parties, the review process in my experience should be roughly one-half the cost of document preparation. This process is clearly more complex in partnerships and solo group or office sharing relationships, but it is essentially the same. In this case, the broker initially was the facilitator and leader. Later, the accountants took charge of the economics and then the lawyers prepared and revised the agreements. Finally, the broker/facilitator took over for closing with the lawyers, but always maintained control of the transaction from its assumption to its conclusion. Clearly, each transition is different as is the design of any treatment room in your practice. As such, the leader/facilitator may be the lawyer, accountant, management consultant, financial planner or broker/consultant. The point is that there are least five advisors and no one advisor, at least in my view, is capable of responsibly acting in all capacities.

Second, always, always, always understand how each advisor will be paid and how you will be charged. I believe that each advisor should budget each project in writing. This budget should include not only the cost of the services or commissions, but a description of the service(s) that will be provided.

Ask advisors for biographical information packages of their credentials. For partnerships or solo group arrangements, there are only a handful of advisors who have substantial expertise in handling these transactions. You do not want to be the first or second transaction handled by the advisor. Ask the lead advisor who he or she recommends and interview the recommended advisors.

Your advisory team members must have the ability to educate your local advisors. If your accountant and lawyer do not have the experience in handling practice exit or entry transactions, the lead advisor needs to not only facilitate the transition, but educate the advisors.

The lead advisor needs to assemble an advisory team that works well together and effectively communicates in a timely manner. You would think none of this needs to be said, but it does. But you would also think that no one individual or organization would not attempt to provide brokerage, consulting, investment, management, accounting, legal or taxation advice?

Finally, partnerships are complex due to their three stages: the buy-in, operations and the buy-out. Yet, the incoming dentist often does not have the ability to pay advisory fees. As such, I recommend as a "signing bonus" that the practice owner provide the incoming doctor with \$6,000 to \$8,000 to pay for the incoming doctor's attorney and accountant in order to enter into this complex transaction.