

The Professional Advisory

FOR DENTAL PROFESSIONALS

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*Change is
Inevitable*



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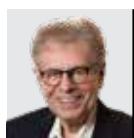
Dr. Suham Alexander obtained her dental degree from the University of Toronto and her MBA from the Telfer School of Management. She has had a successful career in dentistry as both a clinician, practice owner and part-time faculty member at Algonquin College in Ottawa, Ontario. Suham is the founder of Dream Business Consulting Group, Inc., a coaching company geared to working with entrepreneurs and small business owners to achieve their goals.



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Dr. Ron Weintraub is the founder of Innovative Practice Solutions (IPS) and former owner and founder of Bayview Village Dental Associates and Downtown Dental Associates. He practiced dentistry from 1963-2004 and has consulted on behalf of major dental suppliers, manufacturing companies, as well as individual dental offices for over 20 years. In 2004, Ron gave up clinical practice in order to focus solely on Practice Management.



David Chong Yen and his chartered accounting firm currently advise hundreds of dentists and healthcare professionals on tax, estate and financial planning, valuations and accounting. David obtained his Bachelor of Arts degree from the University of Toronto, attained his Chartered Accountant's Designation while working at an international firm and has subsequently completed the CICA In-Depth Tax Courses.



Gerry Crandles, Partner, Sales Representative, Gerry has spent 29 years in the Dental Industry focusing on Practice start-ups, relocations and high tech equipment, winning numerous sales proficiency awards across North America. Gerry holds a Bachelor of Arts (Economics) from Western University and has the proven business development skills to provide valuable advice and practical solutions for Dental Professionals. His extensive knowledge of the business aspects of Dentistry, coupled with his vast network of Dentists, accountants, lawyers, contractors and dental industry contacts will ensure he earns the trust and confidence of both Buyers and Sellers of dental practices.



David Rosenthal is a senior lawyer whose law practice is devoted to business, corporate and healthcare law for dentists. David advises dentists on a broad range of legal matters, with particular emphasis and legal advice on purchases and sales of practices, corporate reorganizations and professional corporations. David also speaks frequently about such matters, including guest lectures at the faculties of dentistry.

Change is Inevitable



Dr. Suham Alexander
B.Sc., DDS, MBA

The last few months have been nothing short of interesting as we have ridden the ebbs and flows of this pandemic and its multiple waves. As summer progressed, a quote by John Maxwell, American motivational speaker, and author, kept coming to my mind, “Change is inevitable. Growth is optional.” This really resonates with me as we resume more “normal” lives with children returning to school and more people going back to their bricks-and-mortar workplaces. Changes are going to take place, whether we want them to or not, but our preparedness and attitude will determine the trajectory of our growth, personally and professionally. This issue of The Professional Advisory is your compass to navigate the changes that have and continue to take place since COVID-19 disrupted the status quo.

The first article in this issue by Mark McNulty, “How to Sell Your Practice and Enjoy a Great Retirement” addresses two of the biggest changes that most dentists will face in their lifetime – selling their practice and retiring. Mark’s experience and expertise will lead you down the “path most traveled” to help you enjoy the well-deserved fruits of your labour.

“Tenants’ Dilemma: What’s Next?” by Ian Toms deals with the changing landscape of landlord-tenant relationships. Ian provides practical advice for current and prospective tenants as he outlines what’s changed and changing with respect to lease agreements.

The practice of dentistry has undergone some significant shifts due to the pandemic. Dr. Weintraub explains the importance of having a strategic plan in place for the

practice and how consultants can aid in its development and the growth of your practice. He shares some insights gleaned from a client’s practice analysis in “Further Sequelae of the COVID-19 Pandemic on Dental Practice”.

David Chong Yen’s article, “Successful Dentists’ Playbook”, is a great tool to keep you on track for the personal and professional growth you desire. Having worked with dentists for several decades, David has compiled a list of common traits that contribute to the mindset and actions of successful dental professionals.

Selling the practice is a huge milestone in a dentist’s professional career. At times, it may be more advantageous to sell patient charts versus the practice, in its entirety. Gerry Crandles walks you through real-life situations where owners have changed their tactics to ensure they earn the best return-on-investment in his article, “The Chart Sale”.

Finally, David Rosenthal closes out his two-part series, “Associate Agreements – The Associate’s Perspective–Part 2”. Having an associate agreement is crucial in ensuring the growth and success of a practice even when unforeseen events arise that could potentially lead to the termination of the relationship between the owner and associate dentists. It is important for both parties to understand the rationale and implication of the clauses.

Change is as inevitable as the change of seasons. However, with each change of season, we enjoy and experience each one differently. Similarly, by embracing the changes we encounter, personally and professionally, we can create better and different outcomes for ourselves. ■



How to Sell Your Practice and Enjoy a Great Retirement



Mark McNulty
BA, CIM, CFP

The following is an excerpt from the new video series of the same name. For more videos, visit www.mcultygroup.ca

Selling your practice might be the biggest decision you've ever made in your career, second only to the decision to become a dentist. You need to get it right.

The difference between being a successful dentist and selling your practice is significant. Becoming a successful dentist takes years of education, clinical training and experience. But when it comes to selling your practice, it's likely you've had little to no education.

At some point you know you'll be selling your practice. You only get one chance. Furthermore, there are many questions you need to answer before you do: How will I fund my lifestyle after the practice is sold? Should I associate after I sell? How can I minimize income tax on the practice sale and in retirement?

We have found that the best approach is to develop a "big picture" plan. There are a lot of moving parts in your practice and personal life. You need a plan that brings it all together.

What we do

We've done this a lot. At McNulty Group, we've been providing financial advice to dentists since 1982. In the late 90s, we decided to focus solely on practice and personal retirement planning for dentists. Since then, we've written hundreds of articles on the topic as well as four books, including the most recent, *The \$6 Million Dentist*.

Today, I am most proud of two things. First, we work with 114 families in Canada - 109 of these are dentists and all but six have now sold their practices; practices, whereas, in the early 2000s, almost all of our clients were active practice owners. We are well-versed in this area. Secondly, our firm's ability to maintain our clients' retirement cash flow is excellent. Our eldest client is 95 years old and still spends the same amount of money we told him he could spend before the practice was sold. So, we've been able to maintain the retirement cash flow through the tech bubble, the great financial crisis of 2008, and now, a pandemic. To me, this is success!



“ Becoming a successful dentist takes years of education, clinical training and experience. But when it comes to selling your practice, it’s likely you’ve had little to no education.

The Path Most Travelled

We believe we are a valuable resource for most dentists at this critical stage in their careers. The decisions you make over the next few years will affect you and your family for the next third of your life. You need to get it right or you risk outliving your money. A friend and client, Dr. Ian Weir, recently told me that, “When it comes to my retirement, I want to go down the path most travelled.” When it comes to selling your practice and retiring, it’s likely you have no formal education. There is also very little information about how your colleagues have done

it and more importantly, what mistakes have they made. I’ve always said it is much less expensive to learn from someone else’s financial mistakes than it is to make them yourself. That is what we’re going to talk about in this series. Our experience in working with dentists at this critical stage, what works and what doesn’t when it comes to selling your practice and retiring, or as Dr. Weir says: the path most travelled. ■

For more information on how to sell your practice and enjoy a great retirement visit www.mcnultygroup.ca.

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Mark McNulty is a Senior Wealth Manager with McNulty Group of Raymond James Ltd., a firm responsible for managing over \$400 million of retirement savings for Ontario dentists. In addition to writing two books on retirement planning for dentists, Mark is the creator of the new video series, “How smart dentists sell their practices and win in retirement”. For more information, visit www.mcnultygroup.ca

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Tenants' Dilemma: What's Next?



Ian D. Toms B.Sc. (Hons)

Where's the refuge from the storm? So much is unfamiliar about the pandemic that it is impossible to make sense of what is happening. At this point, the uncertainty has gone into overdrive. As a result, tenants are scrambling and disoriented.

Although there is no clear path forward, it's helpful to look at what occurred following global catastrophes in the past, what the current data reflect, and how to capitalize on future opportunities by taking control of one's present position.

The Past

The Economist¹ reviewed circumstances following massive disruption caused by global war and pandemics over the past 700 years and defined four helpful and consistent trends which may signal our direction moving forward:

1. **Gross domestic product does bounce back.** In fact, we are currently seeing that despite the continued disruption, many countries' economies are growing faster than they did pre-pandemic.
2. **People hoard money during the event and then spend some but not all following the event because uncertainty lingers.** We are seeing the increased spending which prompts employment to recover and inspires innovative ways of doing things.
3. **Crises encourage people to try new things, upending the traditional economic structure.** We are seeing more people willing to try new things – notice the number of people moving out of urban cores to work at home, and the surge of new business start-ups. We also see e-commerce mushroom based on available technology supercharged by circumstances that have been dictated by the pandemic.
4. **Political upheaval follows – history indicates pandemics expose and accentuate pre-existing inequalities.** We see sexually and politically “out” Olympians and once again, our disgraceful treatment of the Indigenous people is top-of-mind.

In summary, the world is significantly different than it was pre-pandemic.

The Current situation

In terms of your tenancy, you may have expected some sort of return to pre-pandemic conditions tempered with a softening of rent and lease terms along with improved tenant-negotiating power. Not so.

1. Vacancy rates are up only marginally – Market analysis data from CBRE² indicates that vacancy increased only 4.2% year over year as of April even though malls and tenancies have been operating at reduced capacity or closed for the better part of a year. This may be due to the following reasons:

- Many lease terms are still a number of years from expiry,
- Government wage and rent subsidy programs have been extended;
- There is a significant supply of new space for rent coming onto the market,
- Tenants are sub-leasing recently vacated space to take advantage of low sub-lease rent and short-term length – strategic advantages in a changing market
- There is significant demand for new locations amongst new start-ups and relocations into better space
- “Work-at-home” is waning as people gain confidence and become frustrated with videoconferencing and lack of spontaneous in-person collaboration

2. Rental rates are holding the same – We are seeing rental rates “hold” flat. They are roughly the same as they were pre-pandemic. Data shows that despite differences between asset classes, the average rental rates are within 5% of pre-pandemic rates which is not significant. Landlords now seem more inclined to commit long-term at the same or nearly the same rates and to invest in tenant leasehold improvement money.

3. Lease terms and conditions are getting tougher – The landlords don't know what's going on either. One landlord told me bluntly that the term that is on his mind is “chaos”. Landlords and their staff are experiencing burnout, fatigue and lethargy following many months of deal overload. Many

landlords are trying to re-orient properties (e.g. trying to woo customers back into enclosed malls).

And landlords are not relaxing their guard. At its Hillcrest Mall location in Richmond Hill, Hudson's Bay Co. stopped paying rent as it had only been open 40% of the time since the first lockdown. In addition, the tenant claimed that the mall was refusing to take appropriate safety measures including upgrading the HVAC system and that the mall had "changed in its character" because it deterred shoppers from lingering in stores and provided minimal food court seating. The judge ordered the tenant to repay and continue to pay rent. The tenants' circumstances had changed; the lease and the landlord did not, and the legal system provided no relief.

As the residential re-sale property market soars out of sight, the pressure on landlords to convert commercial property to residential property makes the termination for redevelopment clause, so common in leases, even more difficult to manage.

4. Spending and social movement patterns are vastly different than pre-COVID-19 – The residential housing resale market is supercharged because new homes are hard to come by (hard to find building materials and trades), interest rates are low, and there are many work-at-home opportunities. Young couples are relocating from urban centres to smaller towns and communities. Housing prices will taper off over time as demand decreases in response to supply increases and increased interest rates.

Consumer confidence has rebounded to pre-pandemic levels. You know yourself how easy it is to buy online.

Where is this going and what should tenants do?

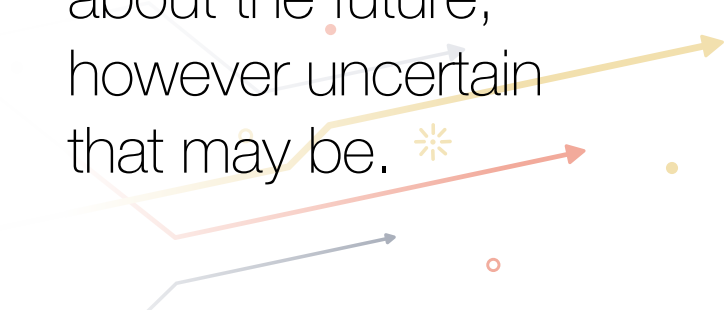
Everything changes. To see clearly and act appropriately, we must let go of the past and not worry about the future, however uncertain that may be. The sun rose this morning in the east and will set in the west this evening, as usual.

Both tenant and landlord strategies must evolve to keep pace with the new consumer dynamics and the current tenant landscape. Position yourself for success.

1. If it ain't broke, don't fix it. If your practice cruised through the depths of the pandemic just fine, then relax and rejoice.

2. If it is broke, fix it.

“ Everything changes. To see clearly and act appropriately, we must let go of the past and not worry about the future, however uncertain that may be. ✨



- Consider relocating into better space as it becomes available. Define what “better” is and hire a professional to find the space for you.
- Consider a new location to take advantage of developing markets, specifically communities developing due to work-at-home re-locations and new housing starts. Define where that market is and understand what you need to do in order to proceed.
- Consider buying your building or relocate to another property. We are finding “off-market” opportunities are a very wise investment; you need to carefully compare the difference between continuing to wave goodbye to your rent dollars or invest in your own premises, even if it costs you a small premium in the short run.
- Consider the changed e-commerce & e-marketing opportunities to invite post-COVID-19 new patients to your practice. ■

References

1. The Economist May 1, 2021. p. 59-60.
2. CBRE Research - Canada Retail Report – Spring 2021.

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Further Sequelae of the COVID-19 Pandemic on Dental Practice



Dr. Ron Weintraub

Who could have predicted that for one and a half years we would still struggle with COVID-19 and its variants? The intervening time has allowed the Canadian Dental Association, Ontario Dental Association, and local societies to intervene to adjust protocols to ensure the relative safety of patients, providers, and staff. It also guarantees a safe return of patients to the practice. One obvious fact of COVID-19 is that the dental practice will not return to the previous status quo. Despite articles on the impact of the pandemic on functioning as professional, profitable, oral health units, as dentists, we must address the reality and be proactive in adjusting to the new norm.

Choosing a Practice Management Consultant

Practice owners need to seek assistance NOW in reconfiguring the future operation. Although clinicians have been well trained in the clinical skills required to provide excellent oral care, they are under-prepared for handling strategic changes, administration, and patient-based issues to perform at a cost-effective manner to survive financially. If ever there were a time that a dental practitioner would consider calling in capable practice management consultants dedicated to dental practice, then the time is now. The right consultant will help to direct and implement change and rebrand the entity.

Choosing a consultant requires research and using the company websites of the available high-quality consultants. Reviewing and evaluating the information is the first point of contact to help practice owners make an educated and comfortable choice. It's not only about which group to choose after the research, but also to take steps to become actively involved with them.

Visualizing the issue is one of the difficulties practitioners have in identifying what needs to be addressed. A qualified practice management company raises, investigates, and solves issues of the practice in a cost-effective manner. As

outsiders, consultants are less apt to have emotional attachments to the practice and can therefore, be pragmatic. As the principal and founding owner of Innovative Practice Solutions, I share some of the following issues we have addressed thanks to a client who has agreed to disclose a portion of the Opportunities Analysis of our engagement.

Determining the Problems

The first interaction between the client and the consultant involves reporting the Opportunities Analysis which is a necessary and important starting point. It is an organized, intensive scrutiny of the office including an evaluation of the environment, administrative, and clinical operations. Staff and clinicians are interviewed in a secure environment and their responses and suggestions are kept anonymous. We usually start the interview with the proviso that if they owned the practice what changes would they make (with the stipulation that they cannot fire the dentist). We are grateful that our client offered to share the results of the IPS's Opportunities Analysis based on Adriana Diamanti's active engagement in the research.

Creating an Impression

Creating a first impression is the first element that is analyzed. The saying, "You have only one opportunity to create a first impression" is applicable when entering a dental practice. Based on the results of Adriana's site visits, her Opportunities Analysis included the following information. "I was not welcomed by the person sitting at the front desk. She did not attempt to make eye contact or smile, nor did she inquire as to whom I had come to see at the office. In fact, I had to engage in the initial communication that I was there to meet the doctor; however, the receptionist continued with her personal telephone call while ignoring other incoming calls." This poor customer service reflects nega-

tively on the office and presented IPS with the opportunity to offer training and mentoring to front office staff. A dental practice relies heavily on exceptional, appropriate customer service because stellar service often provides the practice with internal referrals, the least expensive and most reliable form of marketing.

“The office environment was quiet and would benefit from relaxing music to add to the overall patient experience” was another observation. To select appropriate music, the team must consider patient demographics rather than select music for team members. She added, “Some team members who volunteer to work on Sunday to de-clutter and organize the office would benefit from IPS’s help to set up realistic timelines to accomplish this.”

Communicating with the team

Results of the private interviews with team members were revealing. Adriana reported, “The group mostly enjoyed working with each other emerged as a common theme. They unanimously agreed that communicating with new patients and trying not to keep patients waiting were primary goals. Furthermore, they expressed that kindness has importance.” This theme could be a focus for branding or rebranding.

“However, some of the clinical team,” she added, “expressed concern that the administration occasionally did not work in unison. For instance, establishing policies for everyone to follow such as a cancellation policy is lacking.” Appointing a team member to deliver the message effectively to all patients could be implemented easily. Having a person to hold others accountable lessens the concern of losing patients because of poor policy implementation.

“Other criteria we examined,” she continued, “were that the practice did not currently offer defined job descriptions or annual performance evaluations.” Part of a consultant’s responsibility is to help implement policies and protocols to assist the team to understand the role they play in the success of office procedures. When a team expresses the desire to improve communications and the structure of daily operations, the leader must provide guidance.

“ Practice owners need to seek assistance NOW in reconfiguring the future operation.

“Finally, the team did not participate in huddles to communicate the daily schedule,” she revealed in the analysis. Connecting with the team regarding all aspects of treatment coordination is integral to relaying the findings to the patient in layman’s terms. The treatment coordinator must be confident in explaining the necessity of the treatment regardless of insurance coverage. Reviewing the importance of running effective huddles helps overcome ineffective communication among team members.

To launch a successful new era of dental practice, competent consultants facilitate the implementation of solutions to resolve issues like the above examples. A strategic plan is a necessary component to capitalize on the potential which everyone has in this unprecedented post-pandemic time. ■

Please send comments to drnonips@rogers.com

Ron Weintraub is a founding partner with the Bayview Village & Downtown Dental Associates and brings over thirty-five years of knowledge and experience in the practice of general dentistry to The Professional Advisory. Large companies such as Patterson Dental, Ash Temple Ltd, Henry Schein Arcona, & the former Canadian Dental Co. have benefited from his insight. As owner of Innovative Practice Solutions, Ron advises dentists on practice enhancement, practice purchases, sales, location evaluations, associate buy-ins, and business mergers. Dr. Weintraub can be contacted at (905) 470-6222 Ext. 221 or drnonips@rogers.com.



David Chong Yen
CPA, CA, CFP

Successful Dentists' Playbook

Having had the benefit of serving dentists for 38+ years, we have been able to identify certain traits and principles which make them happy and successful as well as other actions which lead to their demise. Let's explore the playbook of successful dentists.

1. Definition of Success

Many happy dentists define success in terms of family, friends, and experiences they have accumulated during their lifetime and place less emphasis on financial score cards or material items they have amassed.

2. Staff is an Asset, not an Expense

Staff salaries are treated as an expense on a dentist's income statement. Successful dentists focus on staff engagement and well-being and less on salaries as a percentage of billings. Covid emphasized the need for a happy team.

3. Run Your Own Race. Your toughest competitor is you.

No one else knows the hurdles you are facing, your starting position, your access to different resources or your responsibilities. Trying to "keep up with the Joneses" is a recipe for disaster.

4. Dentistry is a People Profession

People/soft/interpersonal skills separate successful individuals from the rest. It is a prerequisite when working with staff, negotiating with suppliers, or communicating with patients. Successful dentists enjoy interacting and learning from others.

5. Fishing Rod vs. Fish

Successful dentists appreciate their fishing rod and won't compromise it to gain fish. A dentist's fishing rod generates cash such as their practice, dental building, rental property investments. A dentist's fish consumes cash such as a sports car, plane, boat, etc.

6. Spend less than they make

Happy dentists spend less than they make and usually, treasure experiences versus gathering things.

7. Bet on Yourself

Successful dentists bet big on themselves. Others bet big on others. Some dentists will be attracted to investments and/or a tax shelter designed, managed, and controlled by others; while successful dentists will risk buying a dental build-

ing to accommodate their dental practice. Some dentists will spend on upgrading their clinical skills which they use to generate more billings and smiles, whereas others can't justify this expenditure.

8. Perfection vs. Improvement

Successful dentists pursue ongoing improvement while others spend decades trying to achieve perfection, waiting to gather and analyze all pertinent information. They will finally decide long after the opportunity has been seized by others.

9. Cost vs. Value

Successful individuals focus on value and place less emphasis on cost. Value is what one receives, cost is what one pays. A dentist asked me if they should agree to a \$2/hr increase for a key staff member. I responded by asking them how much in billings they would lose if this employee went to their competitor.

10. There is a Real Cost to Ignoring Opportunity Costs

Compare your present position with your alternative. If your alternative, although bad, puts you in a better position than your current position, then consider pursuing this alternative.

Alternatively, your time is valuable and worth money. Hence, if you can save \$1000 by foregoing your current activity which generates \$2,000, forego this \$1,000 savings.

“ People/soft/ interpersonal skills separate successful individuals from the rest. It is a prerequisite when working with staff, negotiating with suppliers, or communicating with patients.”



11. 80/20 Rule

20% of the things dentists do, give them 80% of their headaches. Successful dentists avoid, eliminate, or hire someone else to handle this 20%, and focus their energies on the 80%.

12. Don't Forget to Love Yourself

Successful dentists love themselves too. They set aside time in their busy schedule for, “me time”. Passionately pursuing activities outside of the profession reminds them they are not defined or constrained by their profession. It is cross-training for their mind and body. ■

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This article was prepared by David Chong Yen*, CPA, CA, CFP, Louise Wong*, CPA, CA, TEP, Basil Nicastrì*, CPA, CA and Eugene Chu, CPA, CA of DCY Professional Corporation Chartered Professional Accountants who are tax specialists* and have been advising dentists for decades. Additional information can be obtained by phone (416) 510-8888, fax (416) 510-2699, or e-mail david@dcy.ca / louise@dcy.ca / basil@dcy.ca / eugene@dcy.ca. Visit our website at www.dcy.ca. This article is intended to present tax saving and planning ideas and is not intended to replace professional advice.

The Chart Sale



Gerry Crandles

At times, dentists looking to sell their practices may opt to sell only the practice charts. The rationale for this decision may stem from the following circumstances:

- Lease is coming due and a commitment of another 5 + years is undesirable
- Premises are being demolished or repurposed without compensation from the landlord due to the demolition clause.
- Vendor wants to continue practicing after the sale, but even on reduced hours, there are not enough patients or treatment rooms to keep the vendor and the purchaser busy in the vendor's existing location
- The gross revenue or net income is insufficient to cash flow the purchase price of the practice and leave the purchaser adequate income to take on the risk of purchasing
- Health concerns

A chart sale differs from a practice sale because usually only the goodwill is being transferred to the purchaser rather than goodwill and hard assets such as equipment, supplies and leasehold improvements. In this situation, the patients are transferred to a different physical location. The equipment is then sold off, donated, or otherwise disposed of.

Sometimes, the goodwill of a particular practice is worth just as much if not more than the value of the entire practice. The incremental increase in revenues and therefore, the bottom line of combining two (or more) practices is greater than the value of the potential practice for sale due to economies of scale.

Some factors that affect the value of chart sales include, but are not limited to:

- Number of recall patients
- Number of total patients
- Gross revenue per patient
- Hygiene revenue per patient
- Hygiene revenue as a percentage of gross practice revenues
- Location - number of potential buyers
- Transition period of vendor and/or hygienist
- Labour expenses

Purchasers only want to pay for the patients that will transition to them. They do not want to buy any patient that is not seen in the purchaser's practice. All the inactive patient charts are a welcome bonus to the purchaser if they are reactivated. However, as an example, if the vendor is of a certain ethnicity and patients come from extended distances to see this dentist, specifically, the likelihood of these patients to remain with the practice is low if the vendor does not transition to the new practice or if the new office does not make any effort to accommodate the language or cultural needs of these patients.

For these reasons and Covid-related concerns, many chart sale transactions are based on a certain value per chart and the purchaser buys a set quantity in advance. The balance is paid out based on a metric, either production or patients seen at the purchaser's clinic within a defined period.

Example – 600 Active Patients

If the vendor is not coming over and is not transitioning, the purchaser may offer to buy 150 to 200 patients in advance and pay for the remaining patients as they come in for treatment. Frequently, it is one or two times for any paid procedure or sometimes it is for recall visits, monitored semi-annually or quarterly for 18-24 months. Often, the purchaser wants the transaction tied to production. There is always some slippage of patients that do not go with the practice whether they be friends and family, etc.

The longer the vendor agrees to work as an associate of the purchaser, the more upfront revenue he/she can expect. Also, there is a greater probability that patient retention will be higher leading to a higher realized "earnout".

Case Studies

1. Vendor could not secure a long-term lease and due to health concerns, the practice revenues declined for three successive years. The vendor did not wish to return after Covid. This was an extremely challenging situation that ended up on the lower end per patient basis with an earnout over 2 years.

2. Vendor did not want to return to work post-Covid reopening due to health issues. Because the practice was in an area with plenty of nearby dental offices, we found a willing buyer rather quickly at a fair price for all.

3. Vendor wanted to sell the entire practice but due to the location and a demolition clause, the practice was ultimately sold as a chart sale. Because the vendor was willing to stay on for at least one year, albeit at reduced hours, the practice was sold at a fair price with an earnout provision based on patient retention.

4. Vendor owned a building which housed a practice, but he/she wished to repurpose the building for other uses. The vendor was a high producer and was willing to stay on for at least 12 months and bring both hygienists. The practice sold for a high price per chart, based on patient retention and negotiated a better-than-market rate associate fee. This transaction occurred just post-Covid reopening and due to the concerns of Covid, the payment was back-end loaded. The vendor was confident in his/her ability to retain the patients and the arrangement has been working out well, to date.

If any of the reasons to consider a chart sale resonates with your personal situation, and you have a less than 5-year timeline before you would like to retire, the following ideas will help to maximize your investment.

- Consider computerizing. Purchasers like data and production reports, and the ability to quickly ascertain how many patients were seen in a specific time frame. It also enables the purchaser to understand the demographics of the practice, to see the types of procedures that are being referred out and to see if co-payments are being collected.
- Digital radiography is not a necessity.
- Employee contracts are a necessity. If you do not have contracts or if they have not been reviewed recently, please consult with your lawyer. It could save you thousands of dollars in the long run.

“ A dental practice is one of a dentist's greatest investments and every dentist reserves the right to transition and retire with dignity on favourable terms.

- Re-activate inactive patients if possible.
- Review your lease. Be aware of your obligations and exit opportunities.
- Consult with your accountant about tax planning strategies and purification of your corporation, if applicable
- Keep everything confidential. You do not want to cause any uncertainty among staff or patients.

A dental practice is one of a dentist's greatest investments and every dentist reserves the right to transition and retire with dignity on favourable terms. In certain circumstances, a chart sale may just be the most desirable solution, if you are prepared, plan accordingly, and have a great team of advisors. ■

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Gerry Crandles, Partner, Sales Representative, Gerry has spent 29 years in the Dental Industry focusing on Practice start-ups, re-locations and high tech equipment, winning numerous sales proficiency awards across North America. Gerry holds a Bachelor of Arts (Economics) from Western University and has the proven business development skills to provide valuable advice and practical solutions for Dental Professionals. His extensive knowledge of the business aspects of Dentistry, coupled with his vast network of Dentists, accountants, lawyers, contractors and dental industry contacts will ensure he earns the trust and confidence of both Buyers and Sellers of dental practices.

Associate Agreements - The Associate's Perspective Pt. 2



David E. Rosenthal
BA., LL.B.

In volume 93 of The Professional Advisory, I wrote about associate agreements from the associate's perspective. This article continues to explore the issues from the associate's perspective. An associate agreement (Agreement) is the legal contract that details the arrangements between the dentist who owns the practice (Principal) and the associate dentist (Associate) hired to work at the practice.

Professional Dental Goodwill

The most valuable asset a Principal owns is the professional dental goodwill of the dental practice. That goodwill includes the patient lists, custody and control of all patient records and files (including patient billing records and treatment plans), patient charts, x-rays and models, and use of any dental practice names. When a dental practice is valued, typically the goodwill is valued at approximately 75 to 80 per cent of the total practice value. Given such value of goodwill, it is no surprise that the Principal will take appropriate measures to protect that asset.

An associate can expect the following provisions to be contained in the Agreement:

Staff - The staff of the dental practice are the Principal's responsibility and the Principal makes all decisions regarding staff. Typically, the Agreement will state that the Associate has the use of a chairside assistant as reasonably required but as the Principal deems appropriate. However, if the Associate has very specific staff requirements, then such specifics should be detailed in the Agreement.

The Agreement will contain a non-solicitation covenant whereby the Associate agrees not to solicit staff of the practice, meaning the Associate will not offer employment or

entice the staff away from the Principal for a certain time period. The period is typically one or two years after the Agreement is terminated.

Non-Solicitation of Patients - It is the patient's right to choose his/her dentist or to change dentists and move his/her patient chart. The Agreement cannot restrict patients' rights to choose their dentist or limit the access of patients to their dental charts or records. However, the Agreement can provide that the Associate agrees not to solicit patients of the practice for a certain period of time which is usually one or two years after the Agreement is terminated. Solicitation means the Associate does something proactively to try to get the patients to move their business and charts somewhere else. It is not solicitation if a patient decides to choose another dentist.

Even in the case of a verbal associate agreement, the Regulations under the Ontario Dentistry Act specifically state the Associate shall not solicit or cause or permit the solicitation of the Principal's patients.

The Regulations require the Principal to provide to any patient who requests it the business address and telephone number of the Associate, provided the Principal has or could reasonably obtain such information.

Non-Competition - The Agreement will very likely include a non-competition covenant whereby the Associate agrees not to compete with the Principal within a specified geographic radius for a specific time period time after the Associate stops working at the practice. The comments below are intended only for general practitioners since there are different rules that may apply for specialists.



A non-competition covenant will only be enforced if it is reasonable both in geographic scope and time limit. That may be only a few kilometres in a densely urban practice or 10 kilometres or more in a rural setting. The amount of time the clause remains in effect is also important. A new Associate will be little or no threat to the Principal if the Associate left the practice within a trial period of three months, and generally only a minor threat if they leave within one year. From an Associate's viewpoint a "phased-in" non-competition clause is reasonable. It could provide that the non-competition restriction:

- does not apply to the Associate for the first three months of the association.
- applies for a period of one year after termination if the Associate departs within one year.
- applies for a period of two years after termination if the Associate leaves after one year.

Termination of Agreement - If the arrangement is not working for whatever reason the Associate must be able to terminate the arrangement promptly, typically upon one to three months prior written notice.

In summary, the Associate should review the Agreement carefully and consult with his or her own professional advisors to ensure the Associate understands the Agreement and all rights and obligations before signing it. ■

“ It is the patient's right to choose his/her dentist or to change dentists and move his/her patient chart. The Agreement cannot restrict patients' rights to choose their dentist or limit the access of patients to their dental charts or records.

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The Professional Advisory consists of a group of six independent professionals who provide services to the dental profession, each of whom specializes in a different field. They have gathered to keep each other informed of the latest developments relating to the profession, and to produce this publication which is designed to provide expert information and advice solely for dentists and their advisors.



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