

When should I buy a practice?

YESTERDAY!

by Richard V. Lyschik, DDS, FAGD

4 WAYS TO MAKE MONEY

There is an old axiom, “There are two ways to get rich in this world; either be born rich or marry rich.” If you are rich, you don’t need to read this article, but if you count yourself among the less-fortunate millions (not dollars but people), then this information may be for you. There’s another axiom, “It takes money to make money.” If you were not born rich nor married rich, then there are only two remaining ways for you to get money: Earn it or borrow it. If you graduate from high school and go out and get a job instead of seeking higher education, you can earn money, but in most cases, you will not earn a lot of money over your lifetime. Borrowing money is the last way to get more money!

DEBT IS AN INVESTMENT

In order to earn more money over your lifetime, you have to invest in yourself by getting an education. Yes, there are distinct parallels between the amount of education you receive and the amount of money you can make over your earning lifetime. However, education costs money and you don’t have money, so what do you do? You know Mom and Dad can’t pay for it all, so it looks like your only option is to borrow money. You borrow money to invest in yourself through education, gambling that your future earnings will be enhanced enough to pay off this debt and allow you to live a better lifestyle. If you choose to avoid the debt, your future earnings will suffer. So you choose debt in exchange for knowledge and future earning power. Debt is an investment.

ASSOCIATE NEEDED. NO EXPERIENCE NECESSARY!

Recent graduates will scratch around looking for that dream job, thinking it will pay them enough money to live on and retire

that student debt. That job does not exist. They will get all kinds of promises from dentists who are willing to allow them to hang around their offices during off hours (evenings and Saturdays), hoping to snare some emergency patients or perhaps do some grunt work the current practice owner does not want to do, but such an associateship will never generate enough income to live on and pay off any of the school debt. It is always a commissioned job, so it does not cost the practice owner any money to have you in his/her office. Many associates spend two to three years going from place to place looking for that nonexistent perfect job, and then find themselves deeper in debt (the interest has compounded on that education debt) and no prospect for making a decent living.

EDUCATION COSTS ARE NOT HIGH!

You may think education costs are high, but they are not at all out of line with any other investment that can pay a high rate of return. The American Dental Association published an article that said it took \$250,000 to educate one dentist. Well, if that dentist chooses not to waste a lot of time and invests in a practice immediately, then that dentist’s gross income should exceed \$25 million over his /her practice lifetime (35 years of practice, \$715,000 gross per year, not adjusted for inflation). That makes the cost of the education only 1% of total future revenues, which is just slightly less than the telephone expense for that practice over that same time period!

Students are not being told the importance of time and income, of starting out their career as a practice owner, not as an employee. Our first year practice purchasers have an average pre-tax income of \$265,000, after all expenses and practice-related debt service. Compare that to any job offer. If you are a recent graduate or associate in debt, then you need

a steady source of income that provides you with more money than any job will ever pay. You need to own a practice with a large enough patient base to generate an income sufficient to provide you with a reasonable income and the money needed to retire that debt (for the education loan and the loan for buying a practice). The irony is that being in debt requires you to go further in debt to invest in the one thing that will provide you with the income to ultimately get out of debt, and that is you need to invest in buying a practice. All of our recent graduate clients have educational debt. Once they understand that they cannot afford not to buy a practice, they are able to borrow the money needed for a practice acquisition. Some of them are smart enough to realize there are no dental jobs that are going to pay them enough money to live on and pay off the debt. These up and coming professionals are smart enough to invest in themselves once again, by purchasing a practice that will provide them with the income needed to get out of debt. They are not afraid of investing in themselves. They know they can do the work, they just need the patient base to work on, and the income will follow.

The problem with the education is not the cost, but the misinformation provided to students relating to the business of dentistry. It goes without saying that recent graduates cannot afford not to buy a practice!

TO THE SELLER

Doctor, if you are getting close to considering adding a dentist to your practice or outright selling, why not pass this article on to a young dentist struggling as an associate? You may motivate him or her to buy your practice!



Dr. Richard V. Lyschik's transition, management and coaching experiences go beyond the traditional single general dental practice sale. His Dental Office Network Team has helped thousands of dentists acquire, expand, merge multiple practices, build from the ground up, as well as guided older, disabled and "burned out" dentists sell with dignity. The Practice Rescue Department

has resurrected practices in demise, saving them from imminent disaster. Over 40% of dentists return 2-3 years later to invest in another dental practice! Dr. Lyschik has broken numerous industry records as the highest producer in the country! Just ask any major lender – they all know him! Discuss your transition plans with a seasoned fellow dentist, and a recognized Premier Transition Specialist: info@officenetworkusa.com.



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