Cashing in your assets

Andy Acton aims to take the anxiety out of practice sales with some sound advice

Soon or later, most of us will enjoy the privilege of retirement. Whether you cannot wait to put your drill down for the last time, or you feel slightly anxious thought of having nothing to do once you have – all of us hope that when the time to retire finally does come, the process will go as smoothly as possible.

Retirement is one of the many reasons dentists put their practice up for sale, and it's only natural to hope to maximise its value with the minimum of stress. The practice will, in all probability, represent a lifetime of hard work and dedication. However, its sale encompasses much more than simply finding a willing purchaser with access to sufficient financial backing.

The list of parties involved in the sale of a practice is extensive and includes business partners, landlords, the local PCT, potential lenders to the purchaser, solicitors and accountants on both sides. The local authorities and the GDC will also have an interest. Even the Inland Revenue will need to be informed should they require cessation accounts. It is the agent's role to act as a mediator and to liaise with all of the concerned parties in order to resolve any conflicts of interest that may arise.

Finding an agent

At the start of the process, the agent should supply the vendor with a comprehensive information pack detailing the agent's procedures, fee structure and terms of business. In order to effectively promote the practice to the correct buyers, it will be necessary to collate as much data as possible about the practice. A reputable agent will already have a list of buyers, suggesting those that merit serious consideration.

And the winner is...

At this highly uncertain stage, it is vital to foster clear communication between vendor and agent. Regular discussions need to be held in order to inform the vendor of the levels of interest prospective buyers have shown, and what they should expect if the sale moves forward. Now is the time when the accuracy of the practice's original valuation will be revealed, as preliminary offers will start to be made.

This is when the agent's experience of the prevailing market and previous practice sales really comes into play. They should be able to identify which offers are the most promising and from this present the vendor with a list of buyers, suggesting those that merit serious consideration. If after a number of viewings the interest demonstrated has been disappointing, the practice's valuation will need to be reconsidered.

Maximising offers

It's the agent's responsibility to maximise each offer placed before presenting them to the vendor. Right now, the popularity of purchasing a practice is still high given the opportunities the profession currently offers, and with this in mind it is likely that you'll receive more than one offer. In this situation, the vendor will have to make an informed decision, taking into consideration not only the price offered, but also the time scale the buyers are working to. Vendors should keep in mind that the agent is acting on their behalf, but will also be privy to certain information regarding the purchaser's circumstances that is unavailable to the vendor, and should therefore proceed with caution.

Once the best bid is accepted, a Heads of Agreement is compiled to satisfy both parties. A reliable agent will be able to facilitate negotiations for a smooth transaction and a straightforward handover. Underbidders' details should be kept on file as a backup in the event of an unforeseen complication during the sale.

The best valuers and sales agents will have good relationships with other specialist providers to dentists, including financial advisors and solicitors. This will enable both vendor and purchaser to have access to a range of experts who understand the specific difficulties associated with dental practice sales.

Discretion is a critical factor at this stage. Good agents should engage the interest of potential buyers without compromising the vendor's trading position pending a sale.

Filter out the timewasters

If the premises to be sold are not freehold, then all new draft business details will have to be agreed with the site owner as well as the practice tenant. It is only now, once everyone is in agreement, that viewings may start taking place. This stage no doubt takes a great deal of time and effort on the part of the vendor, and they may find it useful to pencil in a specific 'open day' into their diary so that they can deduce themselves fully to meeting potential buyers in person. After all, who better to sell the practice than the person who works there themselves? Unfortunately the practitioner may well find that they come across a timewaster, and it is down to the agent to restrict any viewings to applicants with genuine interest and sufficient funds.

About the author

Andy Acton is director of Frank Taylor & Associates, independent valuers and consultants to the dental profession. Andy has helped a number of dental specialist banks develop their services to the dental profession, including NatWest and Bank of Ireland. For more information, call 08456 125454, email team@ft-associates.com or visit www.ft-associates.com.