Do’s and Don’ts

David Brewer discusses raising finance for practice purchase

It is a tough time at present for many associate dentists with a double whammy of the poor economic climate and increased practice costs putting the practice profits under increased pressure – and one area the practice owner can make savings is on the percentage share paid to associates. The days of standard 50 per cent paid to associates are no more with 40 per cent and lower becoming increasingly common place.

However...the days of obtaining easy money from the banks simply because you are a dentist are long gone.

The banks are taking a much more critical approach to any funding requests and it is therefore essential that when approaching them for funding that you get it right first time – if you are ill prepared and the bank initially declines your proposal it is then very difficult to overcome that initial decision - all the more important therefore to engage the services of an expert BEFORE you speak with your bank.

Here are a few do’s and don’ts to ensure your proposal has maximum chance of a positive outcome:

DO

Ensure you approach your bank well in advance of any proposed purchase.

DO NOT

Leave it to the last moment. It can take up to three weeks just for a basic lending decision due to the banks ever more in depth assessment process. If a property valuation is needed you could potentially double this time.

DO

Ensure you have up to date financial information to present to the bank.
accounts, bank statements etc).

**DO NOT** present your bank with accounts which are two years old and a big pile of monthly schedules and expect them to add them up (that is one guaranteed way to annoy them).

**DO** have an up to date CV detailing all relevant professional and clinical experience (the banks will be looking for a good spread of experience ideally covering a number of practices).

**DO NOT** forget to include details of managerial experience on your CV (the banks will be looking critically at your CV to provide them with confidence that you can both manage the practice/ staff).

**DO** ensure you detail all relevant information on the application forms – especially if you have savings (it does not mean you need to put all available savings towards the purchase; however banks are more inclined to lend to people who already have savings and have demonstrated ability to save)

**DO NOT** try to hide any existing borrowing you have. Ensure everything is detailed as the bank will only find out later when it undertakes its in-depth credit searches

**DO** undertake your research of the local area and find out why current owner is selling

**DO NOT** go to the trouble and cost of preparing a detailed 50-page business plan. Most banks will simply not read it and most of the time it is not needed. A brief summary of your purchase proposals and proposed working arrangements post purchase should suffice – together with an online profit/loss forecasts which you your advisor can normally prepare by undertaking your own research of the local area and find out why current owner is selling

**DO** decide as early as possible in the process if you are to purchase in your sole name or as limited company. If freehold property involved again advise ASAP if this is to be owned in own two names, joint with spouse or as limited company. Another sure fire way to annoy the banks is to make a change re ownership structure at last minute. Your accountant will be best placed to provide advice.

**DO NOT** leave the legal process to chance. Especially if there is an NHS contract involved ensure you use a solicitor who fully understands the process.

**DO** expect the bank to want you to put down a contribution towards the purchase. Obtaining 100 per cent funding is rare nowadays so expect to put down between 10 to 20 per cent of the purchase price.

**DO NOT** accept the first offer from your bank - make sure you shop around to obtain comparisons (If your bank knows you have only approached them they WILL offer less attractive rates/fees)

**DO** engage the services of an independent firm to liaise with the banks on your behalf – both to package your proposal to maximise chance of a positive result but also to negotiate terms.

**REMEMBER** the bank staff are tasked to maximise income for the bank – most dentists are very good at their day job but not when it comes to negotiating. Let the experts negotiate with the banks on your behalf – ultimately you will be the beneficiary securing more attractive terms which may not have been available if you approached the bank direct.

Finally... **DO** remember to take a short holiday before you purchase (you will need it...) and **DO** enjoy becoming a practice owner - it is certainly not an easy ride however ultimately much more rewarding and you are in control of your future

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**Raising Finance?**

**DO** engage the services of an independent firm to liaise with the Banks on your behalf – will ensure proposal is packaged for best chance of a positive response and also to negotiate best terms.

**DO** ensure you provide an accurate summary of your current position including all savings and existing borrowing.

**DO** ensure your CV is up to date with particular focus on any past Managerial experience.

**DO** expect the Bank to want you to put down a contribution towards the purchase.

**DO** undertake your own research of the local area and find out why the current owner is selling.

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**About the author**

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