10 Top Tips - Financing the purchase of your first dental practice

David Brewer offers practical purchasing advice

As we settle into 2015 many associates may well be considering their future options and in particular thinking about buying their first Practice.

We hear of many associates unhappy with their 'lot' and only seeing potential tougher times ahead so it is no wonder the past 18 months have seen a sizable rise in the number of associates looking to purchase.

FT&A Finance is headed up by David Brewer who has more than 20 years’ experience in the dental market arranging funding for both first time buyers and established practitioners.

Before any associates make any decision to purchase David has outlined the following top tips that it is worth considering:-

1. It is certainly more challenging than previously to gain finance, however the banks ARE still lending but to whom they perceive are the strongest applicants – and all banks are different. Do not go direct to your High Street Bank – instead find out about working with an independent adviser who will be able to provide you with an overview of the whole market (rather than just the thoughts of one bank) and then work with you on your proposal to ensure you have the best chance of a positive response and to negotiate best terms.

2. The good news is there are currently eleven high street banks who are lending to dentists – and they REALLY do want to lend to you – Dentists have the green light! And remember, the cost of borrowing is currently at an historic low. Speak to someone about Government lending initiatives under FLS or NLGS – it could mean your cost of borrowing can be even lower.

3. You need a sound business plan with realistic and up to date figures. Again work with an independent business adviser as they know exactly what the banks like to see and the format in which to present it. This should include: • Your CV including confirmation of your current income levels • 'Executive' summary of your proposal • Financials for the subject Practice • Proposed working arrangements and impact on bottom line profit • Financial Forecasts (P&L/ Cash flow) including assumptions behind the figures

4. Are you buying on your own or jointly? There are advantages to a partnership but also certain disadvantages which you need to be made aware of.

5. An independent practice valuation is vital. You need to ensure that the figure being quoted by the seller is not inflated and is realistic. This report will also give any potential lenders the majority of the background information that they require.

6. Always seek specialist legal advice from experienced dental solicitors. It is false economy to use a lawyer without this specialist knowledge, particularly if there is any NHS element in the purchase.

7. Choose the right lender. Several of the major banks have specialist dental lending teams. This means that the decision whether to agree to your loan will be taken by people with experience of the dental sector and how a dental practice functions. Alternatively there are a number of companies that offer independent advice and search lenders on your behalf – effectively doing the ‘leg work’ for you enabling you to concentrate on your dentistry. This can be seen as the ideal option as you will have had access to the full range of lending deals on offer.

8. This is the boring but vital bit - most lenders will insist upon life cover, income protection and practice/professional insurance. You should always seek independent ‘whole of market’ advice and from a specialist dental IFA.

9. Make sure you buy on one of our Beginners Guide to buying a dental practice, they provide a rich source of information and knowledge and an opportunity to meet the team of FT&A Finance. There is no cost to attend one of our events, and you get CPD points!

In 2012 we added to our team and were fortunate to secure the services of Helen Skinner who will be known to many dentists from her previous role with RBS where she specialised in the dental sector. Alongside David and Helen is Dino Charalambous, our specialist 'whole of market' Dental IFA who can assist with all practice and personal insurance requirements as well as mortgages and investments. These experts are not only knowledgeable and understand your sector but are totally approachable and well known for their efficiency and positive can-do attitude. With over 93 per cent of their funding proposals approved by the Banks they have a high success rate as well as being able to secure best terms so if you are considering making a purchase either for your first practice or to add to your portfolio or simply wish to acquire new equipment. -