The majority of the associates that I speak with aspire to ultimately become practice owners – possibly as a result of logical career progression or simply to protect their own position and to be in control as they can often see their income share percentage reducing.

How they must look enviously at their colleagues who purchased practices in the early to mid 2000’s when it seemed the banks would lend to anyone simply because they were a dentist; asking very few questions and making available the full asking purchase price by way of loan – quite often at rock bottom rates!

As we all know the financial world has now changed somewhat...

The banks are now taking a much more critical approach to any finance requests and will review in depth all aspects of any proposal.

The banks main focus nowadays is on the individual(s) who is looking to buy the practice and it is essential therefore to ensure you present yourself in the best possible terms to the bank in question – with particular attention given to three areas:

1. **Your CV**
   The bank WILL ask for this. Ensure your CV is fully up to date – include all positions worked from VT onwards and try to avoid any gaps in employment/working history. Include any specialism/additional qualifications and having worked both privately and NHS at a number of practices will be viewed as a good thing. Also, highlight any managerial or staff responsibilities you may have undertaken, especially if you have any separate business qualifications and/or family friends who do.

   “It is a big jump from being an associate to a practice owner and the bank will need to be confident that you can take this step.”

2. **Track Record/Earnings**
   Most banks would now expect any applicant to have worked for at least TWO years as an associate in the UK before any lending for practice purchase will be considered.

   It is essential that your financial accounts are kept as up to date as possible as these will form a key part of any lending assessment – with the banks looking closely at prior GROSS earning (before current principal) as a guide to what you could achieve as practice owner, i.e. if your gross £100k as associate (take home say £40k) but are looking to acquire a practice where the current owner grosses £250k this may be considered too big a jump – unless you can reasonably explain why.

   We also strongly suggest that you engage the services of a specialist dental accountant. A good accountant will hopefully save you more in tax (with the extra expenses you can claim for) than you pay them to prepare the accounts.

3. **Deposit / Contribution**
   The banks will certainly be looking for any prospective purchaser to put a deposit down towards any new purchase. The banks would prefer cash but WILL consider equity in property as quasi contribution – but be prepared as it may not be worth as much in the bank’s eyes as you think (see below as to the value the banks place on such property).

As a rule of thumb, a 20 per cent contribution is needed; however in certain cases 10 per cent can be considered (and the banks ARE quite often happy to include a contribution – cash or property - that is gifted from family – which is a common way for clients to get on the practice-owning ladder).

For most though, the key here is to build up your cash savings and if your dream is practice ownership, DO NOT BUY YOUR HOUSE FIRST! So many
associates put their hard earned savings as deposit towards a house purchase (as mortgage providers also now need 20 per cent) with nothing left for the practice purchase.

**Equity**
With house prices static at present, once you have put your deposit towards the house, it simply cannot be claimed back. Whilst the banks can consider your house as security, they will tend to place a ‘security’ value of 70 per cent of open market value on the property – so once discounted by this figure, less existing mortgage, there tends to be no equity left.

For example, a house of £500,000 value with a £300,000 mortgage. Banks would value at 70 per cent of £500K less the mortgage leaving ‘security’ value of £50,000 (somewhat less that the true equity of £200,000).

**BUY YOUR PRACTICE**

‘The banks ARE still lending for practice purchase and the dental sector is viewed by them as relatively low risk - which is great news for prospective purchasers’

**FIRST AND YOUR HOUSE**
SECOND - your deposit can be put towards the practice purchase. Once you have the practice you would expect to earn more than you would as an associate - you should then accumulate savings at a faster rate to then enable you to put a deposit down for a larger house close to where the practice is.

In most cases you would earn more pound for pound purchasing a dental practice than investing in property.

The banks ARE still lending for practice purchase and the dental sector is viewed by them as relatively low risk - which is great news for prospective purchasers.

**The right result**
However, it is essential that your application is present ed in the right manner to the right person at the right bank. Simply walking in to your local branch will not achieve the right result, and could go against you if the local manager does not understand the profession and says ‘no’. Once you receive a ‘no’ it is then extreme-ly difficult to overcome this.

**ALWAYS** engage the services of an independent specialist to work on your behalf (we currently have access to SEVEN banks who are actively lending into the dental market), who will package the proposal in a manner which will satisfy the banks credit criteria (all banks have slightly different requirements) and ensure you are personally introduced to a number of the specialist dental divisions of these banks. By involving more than one bank, a degree of competition can also be generated to ensure that more competitive terms are secured.

Remember that you only get one chance to make a first impression with the bank - make sure you get it right.

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About the author

David Brewer has worked for the dental profession for more than 15 years helping more than 1000 clients secure funding for practice purchase and start up. With his banking background and friendly pro-active approach, he is ideally placed to provide advice and guidance to clients who are looking to purchase a practice or simply review their existing arrangements. David works with Frank Taylor and Associates and can be contacted on 08456 123434 or david.brewer@ft-associates.com

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