



GUIDE TO **SETTING UP OR PURCHASING A DENTAL PRACTICE**



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INTRODUCTION

WHO IS THIS GUIDE FOR?

This guide is for dentists who are considering purchasing an existing practice, selling their practice, or who are already in the process of doing either of those tasks.

The purpose of this guide is to provide you with information about services that can help you avoid issues that may cause delays or add to the stress of your transaction.

Our goal is help you have peace of mind as you embark on purchasing or selling your dental practice.



WHY LISTEN TO US?

Our lawyers have helped many dentists with their purchase and sale transaction and are aptly able to guide you through the process. Not only are many of our clients dentists, our founder and principal, Winston Kam, also grew up aspiring to be a dentist, like his father, Dr. Paul Kam, often spending many summers helping to clean his father's dental practice.

Although Winston never ended up following in his father's footsteps, he and others of the firm hold first-hand knowledge about the ins and outs of the dentistry profession.



Winston Kam | Lawyer + Founder



3 THINGS TO CONSIDER WHEN SETTING UP YOUR OWN PRACTICE

Continue adding bits and pieces on a regular basis and soon you'll find that you have a clear vision for how you want your practice to be.



1. Location, location, location.

Location is critical where acquiring or building. There's a lot to consider when picking where you want to set up your practice. Limited by the existing location of the clinic for sale, or by available commercial space in the neighborhoods you are focusing on. Acquisition has the benefit of a track record at this location, it can also be limited by changes in the area since the clinic was built including slowing growth, changing traffic patterns and new commercial developments nearby. So while in history a location can be useful, a bright new clinic in a new development, particularly adjacent to brand name or proven anchors, can often be superior to an older, existing clinic. Keep an open mind.

2. Learn how to lead

Owning your own dental clinic is like running a business, and it is all about managing your team. How are decisions made? How does the owner handle employee matters? Is the quality of treatment and service consistent? If so, how does the owner ensure the consistency? Reading books on managing small businesses and researching online can be incredibly helpful in developing some basic knowledge of what works and what doesn't. Try to find a management approach and style that you think will work for you. Your relationship with your team will ultimately determine your success.



3. It's going to be hard, but it's worth it

Starting any new business from the ground-up, or taking over a clinic from an established dentist is hard at first. We won't sugar coat it. However, if you've made it through dental school, you should be able to handle this, and your effort will be rewarded. Once you've established your practice, you'll never look back.



3 STEPS TO BUYING OR SELLING A PRACTICE

GETTING STARTED IS OFTEN THE HARDEST PART – HERE’S A SIMPLE GUIDE

STEP 1: SURROUND YOURSELF WITH PROFESSIONALS

The first thing you should do is find a business broker with expertise in matching the right buyers and sellers. Once you’ve been connected to the right buyer or seller, you’ll need a good lawyer and accountant.

STEP 2: INITIAL CONTRACTS AND NEGOTIATIONS

Before you start negotiating, it’s important to conduct due diligence and start with some standard contracts.

A **Non-disclosure Agreement (NDA)** allows the seller to show the buyer confidential information about the business without worrying about it being made public.

A **Letter of Intent (LOI)** is a non-binding offer where both sides acknowledge that they are moving forward with due diligence with the intention to complete the transaction once the buyer is satisfied.

STEP 3: EVALUATING FINANCIALS TO DETERMINE THE PRICE

Whether you’re selling or buying, thorough financial statements can really make a difference. If you’re selling, it will show to the buyer that you’re reliable and that the business has been managed well, potentially increasing the value.

Get your accountant and lawyer involved in this step to help you decide whether it’s in your best interest to move forward with either an **asset transaction** or a **share transaction**.

When you’re trying to figure out what you can afford, don’t forget to consider the tax consequences – choosing an **asset transaction** or a **share transaction** will significantly change what a “fair price” means.



2 WAYS TO TAKE OVER A PRACTICE

ASSET VS. SHARE TRANSACTIONS

1. Asset Transaction

Asset transactions involve the purchase/sale of **only** the assets of the business. This means all of the furniture, equipment, office supplies, dental tools, x-ray machines, leasehold improvements or even the building if its currently owned by the business.

As a **buyer**, this is an enticing option because it means you don't have to take on any of the liabilities of the existing practice, since you're only buying the assets, and not the business itself. However, it also means you don't get the employment contracts for the staff, or the lease for the unit – you'll have to renegotiate all of that if you won't to keep any staff or the unit that the practice operates out of. There are also tax advantages related to depreciation allowed on these assets.

As a **seller**, this might be your only option in certain circumstances or, if you have already exhausted your personal exemption on the capital gain arising from a sale of shares, it may be a consideration.

In almost all circumstances, a **buyer** will prefer to buy assets while a **seller** will prefer to sell shares. You need to be prepared for this.



2. Share Transaction

Share transactions involve the purchase/sale of the shares of the business. This allows the practice to continue operating without missing a step, the only difference being who now owns it.

As a **buyer**, this allows you to step into an already operational and established practice. Not only would it be fully furnished, you would also take on all staff contracts and lease agreements. You'll need to conduct more due diligence since you'll be taking liabilities, but as long as everything checks out it can be a smooth transition.



As a **seller**, this option allows you to completely step away from the practice. You will no longer be bound by any obligations or liabilities of the business. As liberating as that is, it's important to note that selling shares of your business will result in a *capital gain* which is taxable but there are certain exemptions to this tax for eligible small businesses, so it's very important to consult with your lawyer and your accountant first.



HOW WE HELP DENTISTS

WE CAN HELP WITH ESTABLISHING YOUR BUSINESS, COMPLIANCE AND CORPORATE STRUCTURE SO YOU HAVE PEACE OF MIND, INCLUDING...



"They went above and beyond to find out what was needed to be done and in the end, they delivered."

VANESSA NAMUJHE

- Incorporating, which should even be considered while you are working as an associate, and ensuring your dental practice will comply with all the requirements of the College of Dental Surgeons of B.C.
- Working with your accountant to create a tax efficient structure for you and/or your family
- Working with your accountant to for corporate reorganizations
- Creating family trusts within your tax structure of your dental incorporation
- Ongoing annual filings to keep your corporate minute book up to date
- Purchasing an existing dental practice and negotiating its terms
- Selling your dental practice and working with third parties to ensure a suitable sale price and transition
- Reviewing and negotiating leases with landlords
- Drafting cost sharing agreements for office sharing partners
- Drafting employment agreements for your staff
- Drafting associate agreements for your dental associates
- Drafting partnership agreements for your future partners



OUR SERVICES

THE WINRIGHT WAY MEANS MORE VALUE TO YOU

At Winright, we keep our promises, speak honestly and take client feedback seriously. At Winright, you will always be met with friendly, client-oriented services.



REAL ESTATE SERVICES

- Residential Transactions
- Commercial Transactions
- Real Estate Development
- Reputation for Quality



BUSINESS SERVICES

- Starting a Business
- Running a Business
- Buying or Selling a Business
- Resolving Business Disputes



WILLS, ESTATES & WEALTH PRESERVATION

- Drafting or Updating Wills
- Estate Planning
- Trusts, Power of Attorney
- Wealth Preservation Planning



IN-HOUSE LEGAL COUNSEL

- Manage Day-to-Day Legal Issues
- Cost Effective vs Full-Time Legal Counsel
- Able to Work Remotely or On-Premises
- Work in Tandem with Existing Legal Counsel

"He helped boil down some complex legal questions into simple solutions. Definitely worth it!"

JONO CATLIFF

WHEN YOU WIN, WE WIN

CONTACT US TODAY FOR HELP WITH YOUR DENTISTRY PRACTICE

