



# GUIDE



# *Selling* your dental practice

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## WHEN SHOULD I SELL MY DENTAL PRACTICE?

Generally, dentists tend to sell their dental practice when they are approaching retirement. The dentist will usually reduce their working hours and limit the hours of operation of the clinic before selling, which adversely impacts the market price. To optimize gross revenue and strengthen the sale value, selling the practice between three to five years preceding full retirement is ideal. After the transaction, the selling dentist can work as an associate for the purchaser, free from managing the dental practice's day-to-day operations.

## HOW LONG WILL IT TAKE TO SELL MY DENTAL PRACTICE?

Once we gather the required documentation and prepare the appraisal, we are ready to put your practice on the market. However, certain factors can influence how long it takes to sell a dental practice. For example, clinics with at least four operatories, a full-time hygienist, and the potential for real estate included in the transaction make for coveted assets for purchasers. Gross revenues of at least \$600,000 (average for the last three years) can expedite the selling process. As a rule of thumb, selling a dental practice could take anywhere from three months to one year.



## HOW MUCH CAN I SELL MY DENTAL PRACTICE?

Before selling a dental practice, we must complete an appraisal to determine its fair market value. The purchase price established in the assessment considers the gross revenues and net revenues for the last three years, the practice's location and staff, the quality of the working order and equipment, and leasehold improvements, among other factors.

## WHAT ARE THE FEES INVOLVED WHEN SELLING MY DENTAL PRACTICE?

When selling a dental practice, some fees will occur. Before marketing the dental practice for sale, the seller must obtain an appraisal to establish the asking price. An appraisal typically costs between \$8,000 and \$11,000. Other fees to consider when selling a dental practice are legal fees, post-transaction accounting fees, and commission paid.

## WHICH FACTORS HAVE AN IMPACT ON PURCHASE PRICE?

Some factors that can greatly increase the fair market value of a dental practice:



- Plumbed and equipped operatories,
- Competent and supportive hygienists on staff,
- Exclusive lease clauses limiting competing dentists in the building,
- Accessible location for drivers and commuters alike,
- Opportune real estate that includes the purchase of the building as well as the dental practice in the transaction,
- High gross and net revenues,
- Supporting post-sale position for the selling dentist to ease the transition

## WHAT HAPPENS TO THE BUILDING WHEN SELLING A DENTAL PRACTICE IF I ALSO OWN IT?

If you own the real estate or building in which your dental practice operates, we highly suggest that you sell the real estate at the same time as selling the dental practice. Currently, financial institutions are lending 100% of the purchase price of real estate if the dental practice occupies at least 50% of the space. A purchaser does not have to make a dollar down payment when purchasing the real estate. Because of these advantageous market conditions, purchasers are actively looking for dental practices that also sell the real estate with the dental practice. To determine the purchase price of the real estate, we recommend hiring a certified real estate appraiser that can provide you with a detailed report on the suggested purchase price.

## HOW DO I MINIMIZE TAXES PAID WHEN SELLING MY DENTAL PRACTICE?

According to the Income Tax Act of Canada, by incorporating your dental practice immediately before selling, you can claim the lifetime capital gains exemption. Selling the shares of your incorporation is tax-free for up to approximately \$920,000. If you have already been incorporated for many years, ensuring that your corporate structure respects specific criteria to claim the lifetime capital gains exemption before selling is essential. In some cases, a corporate reorganization is necessary. We encourage you to seek tax advice from our team or your accountant before selling your dental practice.

## HOW CAN MEDITAX HELP FIND A PURCHASER FOR MY DENTAL PRACTICE?

At Meditax, we are committed to providing for our clients thoroughly, no matter their needs, equipping them with the knowledge and tools to succeed. By joining the Meditax team as a purchaser, you will benefit from our care, expertise, and network. We host private events partnering with financial institutions throughout the year and give presentations to dental associations and personal study clubs. As a result, we have built an extensive list of qualified and highly motivated purchasers in Quebec interested in finding the perfect practice for their profile. When mandated with a new dental practice to sell, we always start by connecting with our reliable and ever-growing list.



## DOES MEDITAX WORK WITH DSO?

Every one of our purchasers are dentists from Quebec. Some look to work in their newly acquired clinic, while others buy multiple dental practices for investment purposes. However, we do not work with any DSOs.

## WHAT IS THE MEDITAX APPROACH TO SELLING A DENTAL PRACTICE?

Our background is primarily in business and tax law. For this reason, when we are mandated to sell a dental practice, our approach is to consider all the business's legal and tax aspects.

We use a 3-step approach which makes the purchasing and selling process as efficient and seamless as possible for both ends of the transaction.

### *Step 1- Organization*

We gather as much financial information about the dental practice as possible. We want to establish the ideal purchaser profile for your specific business as different purchasers look for different assets. Potential purchasers ask a few questions: which procedures are referred to externally? Can we expand the space and add additional operatories? What is the potential to attract new patients and strategies that the current owner is not exploring? Going into depth on these questions will help establish a suitable purchaser profile.



## Step 2- *Optimization*

Next, we examine the practice's legal and tax situation. We review the current lease and staff/associate contracts to ensure that the dental practice is adequately protected. By analyzing the corporate structure, we can best assess the need for reorganization or incorporation to sell the dental practice tax-free.

## Step 3- *Offering*

Our last step is establishing a list of highly engaged purchasers that fit our ideal purchaser profile. A professional photographer takes pictures and puts together a 360° virtual tour of your practice. Once the purchaser signs a non-disclosure agreement we provide access to the appraisal and the virtual tour. The purchaser must carefully review the information provided. If they agree with the financials, we book a private tour at a convenient time with the purchaser and the seller. On-site visits are exclusive to pre-qualified purchasers.

## WHAT DO I NEED TO PROVIDE TO SELL MY DENTAL PRACTICE?

To sell a dental practice, you need to provide certain documents:

If you are incorporated:

- Corporate tax returns for the last three years (T2)
- Financial statements for the dental practice (last three years)

If you are not incorporated:

- Personal tax returns for the last three years (T1)
- Financial statements for the dental practice (last three years), if available



## I AM READY TO SELL MY DENTAL PRACTICE. HOW DO I GET STARTED?

Once you have determined that you are ready to sell your dental practice, the first step is to book a discovery call with us to study the feasibility of the sale. We will provide you with a checklist of required information and documents to start the appraisal process. We also take the time to detail the upcoming fees to the selling dentist. You can book a discovery call directly on our website.

SCHEDULE A FREE CALL TODAY USING OUR WEBSITE:

<https://www.meditax.ca>

