

What is “Transition” Planning?

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When we invented the term “Transitions” in dentistry about twenty years ago it was a novel concept.

Since that time many service providers such as lawyers, accountants and, particularly, brokers have used the term and *abused* it. The term “transition” is now used by brokers, in particular, as a euphemism for simply selling your practice. These folks know that brokerage has taken on a negative connotation and so they call themselves “transition specialists” instead of brokers. But the proof is in the pudding. These folks get paid a commission (usually about 10% of practice value) when they sell your practice and this does not include the legal and accounting fees that you will pay.

The real concept of transitions planning hasn’t changed since we developed it. The greatest wealth producing asset that you own is your practice. Many of us intuitively know this; even during the hard times. What most doctors don’t realize is that there is *hidden or trapped wealth* in their practices. Proper transitions planning taps this wealth, in order to create more freedom (fewer days in the office, while maintaining income); so that the doctor can spend more time with the family, serve his/her Church, travel, etc. This additional wealth may also provide the economic “kick start” for the retirement plan; which may have suffered a bit over the last several years.

Proper transitions planning has very little to do with selling the practice outright. Selling the practice through a broker is a form of transition; but so is death.

Unlike death or disability, a proper transition should be planned. This planning cannot begin too soon.

Another common myth in transitions planning (fostered by brokers using the term) is that it is for doctors nearing retirement.

We have worked on great transition cases and reaped great results for doctors in their thirties and forties. Indeed, the **sooner** you start the better. Many of these clients will transition their practices two or three times in their career; producing hundreds of thousands of dollars of additional wealth.

When you hire a consultant for this type of planning, choose one who really understands all of the business, legal, tax and other considerations. There are folks out there who understand the legal and tax stuff; but really don’t understand the guts of a dental and/or specialty practice. Similarly, there are folks who understand practice consulting; but don’t know the transition nuances.

Also, choose someone who is purely fee based; not commission driven. This way you will know that the valuation, financial analysis, documentation, tax structure, etc will be done in an objectively fair way for all parties.

We welcome your questions and would be happy to discuss these concepts with you at any time.