



DENTAL NEWSLETTER

March 2016

Buying/Establishing Dental Practices: Safest to less safe to avoid

1. The safest practice to buy is a multi-dentist practice in which the buyer has been a long-term employee and who therefore has a relationship with many patients, subject to long-term occupancy of premises being available for either lease at reasonable commercial rates relative to practice fees or purchase.
2. The next safest practice to purchase is a multi-dentist practice in which the buyer has not been employed, but in which the outgoing owner is prepared to do a staged exit, working say three days per week for a time, then two days, then one day, during which time the buyer is introduced as having joined the practice.
3. The next safest buy is the purchase of a sole-dentist practice, with a solid fee base, in which the owner is prepared to work for one day per week, then half a day per week for agreed periods, with the new owner filling in the other spaces. Again, it's subject to having guaranteed lease or purchase occupancy of premises at reasonable cost relative to size of practice.
4. The next safest is to buy into an existing associateship in which the dentist is employed, but it's not as good as having outright ownership and hence control as in 1, 2 or 3 above, and sometimes continuing associates can impose rules which are a drag on profitability, such as insisting on overstaffing of a practice or unrealistically low fee schedules.
5. Avoid practices in which the fee base has evaporated or where the rental cost is an unavoidably high percentage of gross fees. For example, a practice in Toorak in Melbourne or Mosman in Sydney paying, say, 15% of gross fees in rent for a small space should be avoided.
6. At the bottom of the list are start-ups, particularly start-ups in areas which are well-served by existing dental practices; which is pretty well everywhere these days. Invariably premises are more difficult to find than first thought, and fit-out budgets run well above initial estimates whilst on day one the new practice start-up has zero patients, and must therefore use up personal capital to meet expenses whilst they are gradually building a practice. Even when a dentist has worked in the area, the practices in which they have worked continue to control the practice telephone number, website and address and many patients will have

those details embedded in their electronic devices or in reminder notices sitting on their fridge door.

Finding a practice

Most good practices are sold from a seller to a buyer where the two parties are already known to each other, and hence where Synstrat is involved it is as a valuer and adviser facilitating the transaction. Most practices advertised for sale are either grossly overvalued or have substantial problems. For valuation advice contact David Collins or Graham Middleton at 03 9843 7777.

Pass it on

If you have friends in a dental chat line or a dental study group who are not receiving our newsletter, please email it to them. If they wish to be added to our distribution list, they may contact annie@synstrat.com.au

Protecting Your Practice from Predatory Health Funds

Avoid becoming a preferred provider if at all feasible. Research the small not-for-profit funds which are likely to be fairer than the three large ones, which distribute profits to their shareholders and/or British parent. Recommend two or three such funds rather than just one. As the three big for-profit funds have to pay dividends to their shareholders (nib and Medibank Private) and Bupa which remits profits to its UK parent, it's likely they will offer inferior arrangements to both dental patients and dentists. It's never safe for any small business to be dominated by a big organisation.

Destroying Dentists' Goodwill

In some cities, a dominant health fund is utilising its power over dentists to force them to practice under restrictive conditions. This is slowly destroying the goodwill value of dentists' practices.

A large health fund which becomes a preferred provider to a practice may appear benign at first, but once it has a significant number of members among your patients will act like a boa constrictor. It will slowly tighten its coils and your practice will gradually have its goodwill value transferred from the practice to the health fund.

Marriage Breakdown – Property Settlement Valuations

To avoid protracted dispute about the value of your dental practice, valuation by a jointly appointed valuer is required. Synstrat has been valuing dental practices for 21 years and has a wealth of data. An objective valuation by experienced valuers speeds settlement. Our valuations are rarely challenged because they are recognised as being the most authoritative in Australia.

Telephone David Collins or Graham Middleton on 03 9843 7777.

ADA Action?

Surely it is time for the ADA to speak with a unified national voice involving all of its state offices to highlight the shortcomings of extras insurance and how both dentists and dental patients are shamelessly exploited by the funds. It would be useful if the ADA could also research and recommend several of the smaller not-for-profit health funds. From the point of view of the profession as a whole, practices are far better off:

- a. If none of their patients belong to a health fund.
- b. If that is not possible, having their patients belong to a variety of smaller funds, none of which is likely to be in a position to dominate them or their to your patients.

WA Dentists Need to Stand Up

Many WA dentists trapped themselves into a subservient health fund relationship because they put individual temporary self-interest above their wider and longer-term good. They'll need to stop the blame game and expecting others to solve the problem which they were complicit in creating. Once they have accepted responsibility they can join together to introduce effective solutions.

Independent Dental Network (IDN)

IDN is launching shortly and will provide dentists with the tools they need to fight predatory health funds.

Contact merv@independentdentists.com.au

Note: Neither the Synstrat Group nor its partners/directors have a financial interest in IDN. We have many dental clients and we want what is best for dentists and their patients. We believe dentists should seriously consider joining IDN.

Everybody's Going Electronic!

Help us to save the planet by electing to receive the Dental Newsletter by email. In addition to the newsletter, information not provided in the newsletter is periodically emailed to dentists on our distribution list. Please email annie@synstrat.com.au to register your email address, and advise the postal address we currently send your newsletter to.

Dental Associateships: From Red Hot to Ice Cold

Read *Synstrat Dental Stories* (page 168). To obtain a copy of this publication written by Graham Middleton, make a tax deductible donation to the **Delany Foundation**, a charity which brings hope and opportunity into the lives of young people deprived of education in Australia, Papua New Guinea, Kenya and Ghana, including medical aid and meals to enable kids to participate in learning.

The charity is administered by volunteers, and hence every dollar collected is spent on those in need. Once you have made your donation, please email confirmation of your donation along with your postal address to annie@synstrat.com.au and a copy will be sent to you. Donations can be made by mail to:

Delany Foundation
PO Box 429
Casula Mall NSW 2170

Or via direct debit to the Delany Foundation Ancillary Trust, BSB 062 784 CBA account number 4050 5402. Should you have any difficulties, contact Matthew Mahoney on 0419 202 787 or 02 9600 8184.

Also available free on request: **Buying and Selling General & Specialist Dental Practices** (booklet size) and **50 Rules for Success as a Dentist** (booklet size).

Synstrat Dental Practice Valuations

Synstrat is the only accounting group in Australia which maintains an active, continuously updating database of dental practice benchmarking performance. This is essential in assessing features of a practice. As accountants to many dentists we also witness the finalised purchase and sale agreements, and this is a critical tool in assessing the market. Telephone David Collins or Graham Middleton on 03 9843 7777.

Independent Financial Planning and Life Insurance for Dentists

Synstrat is experienced at providing financial plans for dentists. These take into account dental practice profitability and benchmarks, as well as ownership of premises and other family assets and other financial issues. Telephone Graham Middleton, Cameron Darnley or Roger Armitage, each of whom are experienced financial planners, on 03 9843 7777. Cameron can also assist with life insurance. Synstrat Management Pty Ltd holds its own licence. It is not obliged to recommend the products of a particular bank or insurance company.

Buying a Practice – Accounting Advice

We regularly meet dentists who, because of wrong accounting advice, expose themselves to greater capital gains tax on eventual sale far into the future. If buying Telephone Graham Middleton or David Collins on 03 9843 7777.

Government Profits from Negatively Geared Residential Rentals

Those who lend finance to negative gearers, do the conveyancing, advertise for rent, manage the properties, insure them, repaint, recarpet and repair, all have to declare the income received in their tax returns, which cancels out the tax deductions to the landlord. As residential rents are not tax deductible to tenants but landlords have to declare rents as taxable income, the government actually profits!

Visit www.synstrat.com.au for more information on these topics.

THE SYNSTRAT GROUP ARE AUSTRALIA'S MOST EXPERIENCED DENTAL PRACTICE BUSINESS ADVISERS, FINANCIAL ADVISERS, ACCOUNTANTS AND VALUERS

For further information on this subject, please call:

Graham Middleton or David Collins

Telephone: 03 9843 7777

Email: dental@synstrat.com.au

Internet: www.synstrat.com.au

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