

# TRANSITIONS

Winter Issue 2006

News & Information from

THE  
SNYDER  
GROUP  
LLC

The Transition & Financial Experts for the Dental Profession.

## Getting More for Less:

### *The Advantages of Tax Deferred Transitions*

What if you could buy-into a practice with pre-tax dollars, and get a great opportunity to accelerate earnings and reduce debt, even before you set foot in the door? What if you could sell your practice to a wider range of potential buyers by creating an opportunity that preserves their wealth, without sacrificing your own?

That's the beauty of a pre-tax transition. When structured properly by professionals with experience in the financial and legal aspects, a pre-tax transition can be the ultimate win-win situation for both buyer and seller.

The design of a pre-tax transition is complex and requires the services of a CPA and possibly an attorney to ensure that a pre-tax transition is preferable for both parties. An important part of the design is to ensure that the seller is in no worse a position for capital gains than in an after-tax transaction. When capital gains status can be maintained, a pre-tax transition is always preferable.

For a buyer, it's an exciting proposition. Pre-tax deals mean more spending power, because a buyer is paying with pre-tax dollars, and payments are deductible, with little or no tax being paid on the purchase money. On the other hand, a buyer in an after-tax situation, needs to earn \$180K in order to have \$100K in purchasing power because of paying a maximum Federal tax rate, plus both halves of payroll taxes on their income.

For a seller, the benefits of a pre-tax transition usually include faster sale of the practice, greater numbers of qualified buyers, and the ability to more quickly enjoy a new lifestyle and plans for the future. Is paying a one time fee of \$10,000 to \$15,000 worth saving \$80,000 per \$100,000 of sale price?

Most buyers and sellers who know about the advantages of pre-tax transitions say, "Absolutely!"

To learn more about pre-tax transitions, contact TSG partner, Bruce Bryen, CPA at [bbryen@snydergroup.net](mailto:bbryen@snydergroup.net) or call him at 1-800-988-5674 ext. 112.

## Welcome

Transitions are not only a part of life, they are an inevitable part of owning a dental practice. Our new newsletter name — "Transitions" — reflects our commitment to helping dentists achieve more through every stage of their career— with sound advice and customized strategies for success.

Inside this issue, you'll find information on improving your financial fitness, as well as real-life success stories of dentists we've had the privilege to serve.

Thinking of buying or selling a practice? Read about the advantages of a pre-tax transition, which can handsomely benefit both buyer and seller in more ways than one.

Need last minute tax tips to keep more of 2006's earnings? We'll show you immediate steps to reduce your tax burden today. Considering a new practice with a higher price tag? We'll tell you how to determine real risk.

The Snyder Group is dedicated to bringing clients information and insights to build success on every level. Wherever you want to go, we can help take you there. We are the transition experts.



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# An Experienced, Qualified Team: *Your Practice Transition Experts*

Thomas Snyder, D.M.D., M.B.A.



Dr. Thomas Snyder is a nationally known speaker, author and consultant who has been advising dentists for more than 20 years. A former professor at the University of Maryland Dental School, and a graduate of both the University of Pennsylvania's School of Dental Medicine and The Wharton School of Business, Dr. Snyder demystifies the complexities of practice transitions, strategic planning, and practice and financial management, and offers invaluable insights and strategies to help clients achieve their goals.

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Mr. Bruce Bryen, CPA



Bruce Bryen is a certified public accountant with thirty years of experience and a penchant for developing outstanding financial plans for dentists at every career stage. With extensive experience in dental practice brokerage, finance and debt restructuring, Mr. Bryen provides prudent solutions to even the most complex issues. His expertise in retirement planning and financial products helps clients rapidly build and preserve financial wealth. A former chairman of the board of a regional bank, Mr. Bryen advises clients on day-to-day financial matters, as well as long-term financial needs.

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Mr. Charles Costa



As a partner of The Snyder Group, Charles Costa offers unparalleled financial expertise to clients throughout the transition process. Prior to joining The Snyder Group, Mr. Costa was a partner and chief financial officer of a multi-location, multi-specialty dental group practice for fifteen years, and was on the board of directors of a regional bank. His extensive expertise in dental practice brokerage, and commercial banking are invaluable to clients.

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Ms. Donna Costa



A former operations manager of a multi-location, multi-specialty dental practice, Ms. Costa often is the first point of contact for clients who need assistance with unique practice issues and all aspects of brokerage. With expertise in both buyers and sellers representation, Ms. Costa is a veteran strategist and expert in negotiations, pre-qualification of potential buyers, and structuring sales that offer fair and equitable terms for both parties. Her keen awareness of meeting clients' needs allows her to create ideal matches between buyers and sellers, and develop positive synergy that leads clients toward their goals.

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## Reduce, Avoid, or Defer 2006 Taxes. 10 Tips to Use Now.

### Buy Now. Pay Later.

Save Today. When purchasing equipment, up to \$108,000 can be written off immediately. With good financial planning, and smart use of debt, you can write off the full amount and not pay for it for a period of years. Check with your advisor about defining "present value" to determine your actual tax and cash benefit.

### Pay Thyself First.

To reduce the self-employment tax, Medicare tax and matched payroll tax to the lowest levels, reimburse yourself for out-of-pocket deductible expenses through your dental practice by year-end.

### Plan for Retirement.

Do you realize it is possible to contribute \$100,000 per year to a retirement plan based on certain conditions? Sophisticated, custom-designed retirement plans for dentists and their spouses make it happen. Learn more about this IRS approved tax deferral and savings technique.

### Hire Your Spouse.

If your spouse works for you, make sure he or she is paid through the practice to gain from retirement plan contributions. If your spouse is not working for you, why not?

### Own & Occupy.

If you own the real estate that houses your dental practice, do you have two separate business entities? Rental income is not subject to Social Security and Medicare taxes, so take advantage.

### Maximize Rental Income.

If you own your building, pay yourself the highest fair market rental rate so funds can be disbursed from the practice free of the Social Security and Medicare tax.

### Pay Personal State Taxes in 2006.

If you are in a state where there is a personal income tax, pay the tax before December 31st, so that the deduction takes place in 2006, if you need the deduction.

### Think Cinderella.

Pay all real estate taxes and interest on your mortgage that are due before December 31, 2006 with a check dated by December 31, 2006. Make sure the check is in the mailbox by December 31st.

### Be A Mile Marker.

Keep a mileage log for the business use of your car. With proper support, you can deduct 44.5 cents per mile. Tolls and parking expenses incurred for business are also deductible. Support these deductions by maintaining good records.

### Go For Broke.

If you have a "C" corporation, make sure there is little or no income left as of December 31, 2006. Pay additional compensation or reimburse expenses to ensure that double taxes will not be due on the "C" corporation and on you.



**“Before deciding on a “start-up” option instead of purchasing a high grossing existing practice, one must consider the cumulative potential for wealth.”**

## Can I Really Afford That Practice?

*Why spending more money to make more money often makes more sense.*

A high-grossing practice is for sale. You’re starting out, starting over, or looking to expand. But can you really afford to buy that \$700K practice – or more importantly, can you afford not to? The enormous benefits of acquiring an established, high-grossing, high-profit dental practice will certainly outweigh the financial risks, if the buying opportunity is good.

Viewing the purchase of a high-grossing practice as a financial burden is a common misperception in building professional wealth. While it is true that assuming a large amount of debt seems imprudent when one already has substantial outstanding obligations, when it comes to investing in your professional future, this shortsighted thinking does not necessarily apply. If you are a high-producing practitioner, and can maintain the levels of service which exist in a thriving practice, the purchase of a high-grossing practice essentially ensures a larger income stream now and in the future. Increased income from a busy and established practice will help you generate and accumulate wealth.

Today, more young dentists are considering launching practice start-ups instead of purchasing existing practices because of perceived cost benefits. However, one must consider that a start-up has no patients, and a high-producing practice provides a buyer with instant cash flow that should not be underestimated.

Before deciding on a “start-up” option instead of purchasing a high grossing existing practice, one must consider the cumulative potential for wealth.

To illustrate this point, assume that you purchase a \$700,000 practice, which realizes annual profits of 40 percent — or \$280,000 a year, before debt service. Over a 20-year period, without ever considering any increases in income, the accumulated income would translate into \$5 million in earnings. Let’s assume that you paid \$420,000 for this investment and the payments were made over ten years at an interest rate of 8.5%. That would translate into monthly payments of \$5,170 over the course of the loan. Does borrowing \$420,000 for a practice that can produce at least \$5 million in career earnings seem to be a worthwhile investment? The answer, of course, is “yes.”

Since many startups range from \$250,000 to \$350,000, the cost may seem more attractive at first. However, without patients there is no income. It will take a considerable number of years to approach the earning stream offered by a high-producing, existing practice with good cash flow.

Today’s lower interest rates make investing in a high-grossing practice more viable than ever. With more purchasing power today, you’ll reap greater financial rewards now, and in the future.

## Upcoming Seminars & Events

Dr. Tom Snyder frequently presents seminars on a wide range of practice transitions topics to national dental meetings, state dental associations, universities, and study clubs. **To invite Dr. Snyder as a guest speaker for your organization, association, or study group, please call 1-800-988-5674.**

**Friday, November 17, 2006**  
**Montgomery-Bucks Dental Society, Blue Bell, PA**  
*Measuring the Pulse of your Practice and Practice Transitions*

**Thursday, March 15, 2007**  
**The Thomas P. Hinman Dental Meeting, Atlanta, GA**  
*Practice Transition: If Not Now, When?*  
1:30 pm - 4:30 pm General Session

**Friday, March 16, 2007**  
**The Thomas P. Hinman Dental Meeting, Atlanta, GA**  
*Can I afford a \$500,000 Practice?*  
1:30 pm - 4:30 pm Registered Program

**Saturday, March 17, 2007**  
**The Thomas P. Hinman Dental Meeting, Atlanta, GA**  
*Getting Started: Associates-Partner-Start-up-Practice Purchase?*  
8:30 am - 11:30 am General Session

**Friday, April 27, 2007**  
**American Association of Endodontists**  
Annual Meeting, Philadelphia, PA  
*What You Need to Know About Banking & Finance*  
Bruce Bryen, CPA, & Thomas L. Snyder, DMD MBA  
8:00 am - 9:30 am

## California, Here We Come: One Couple's Story.

Dr. Lura Orsino and her husband, Dr. Martin Kerzie, built a highly successful 3,500 patient family and cosmetic dental practice in suburban Philadelphia over 10 years ago. With two young children, and a longing for their roots and families in California, the couple decided in March, 2006, that the time was right to sell their practice and make a move to the West Coast. Their goal: to enroll their children in California schools in the fall, and sell the practice by the end of 2006. After speaking to friends and colleagues, the doctors chose The Snyder Group (TSG) to make it happen.

"We looked at several other companies, however, The Snyder Group's commission seemed more fair and reasonable. They also had a great reputation with online groups, such as Dental Town," says Dr. Orsino.

The first step was completing a comprehensive valuation prepared by Dr. Tom Snyder, which, Dr. Orsino notes, was very organized and efficient. After the doctors provided operations information for the valuation, TSG conducted a chart audit, and brought in a dental equipment company to assess the value of the practice's equipment. "We thought the valuation was very fair, since they did it three different ways and took the average," says Dr. Orsino.

As the valuation was being finalized, The Snyder Group ran teaser ads on its own website, to generate immediate interest in the practice.

Within days, eight potential buyers made inquiries. "We had originally worried about not being able to sell the practice, and then we had eight people right from the start," says Dr. Orsino. "We were very surprised," she said.

With eight pre-qualified buyers on deck, The Snyder Group's Donna Costa held an evening Open House at the practice. She met with each purchaser individually, to provide ample time to tour the practice, answer questions, and provide practice highlights. The result? Two offers within 48 hours. Within one week, a letter of intent was signed.

"We were thrilled with the efficiency of the process, and the service we received," says Dr. Orsino. "If I ever had a question, Chalie Costa acted as mediator, and handled everything." Issues regarding license transfers, compensation of vacation hours for seven employees, and a renegotiated lease agreement for the buyers were each settled by The Snyder Group.

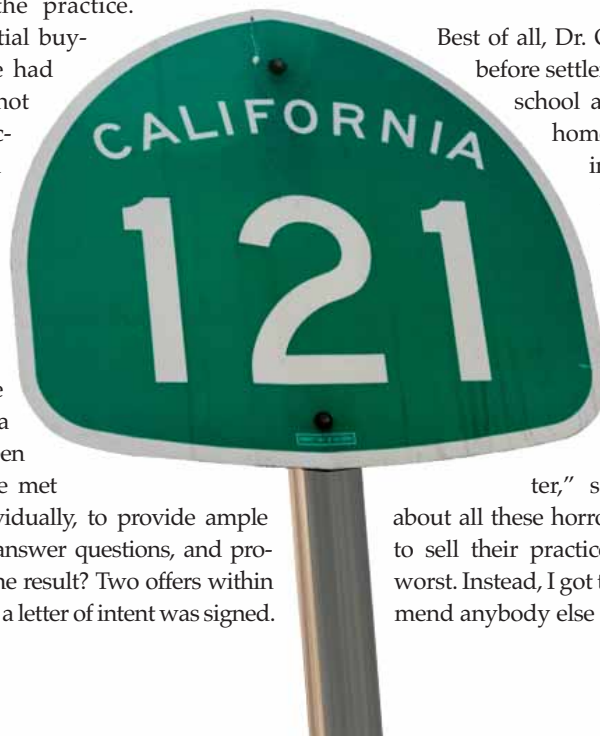
"I always felt confident that Chalie was there for us. He held my hand through the whole thing and I needed that," says Dr. Orsino. "He even helped us write a letter to patients, and coached us on how to tell our employees," she says.

As settlement day approached, TSG also provided contract templates for attorney review as part of their commission, which, Dr. Orsino says, made a fantastic impression on her attorney. "Our attorney saw the documents and said they were perfect. It was one of the best contracts he had ever seen. He had very minor adjustments to it," she notes.

A key element was the length of time that Dr. Kerzie, would remain at the practice to facilitate the transition. The Snyder Group negotiated a two-week transition, instead of the usual six to eight weeks. Provisions for revisiting the practice within the first 45 days, if needed, were included to ensure the buyers felt totally comfortable within the office.

Best of all, Dr. Orsino returned to California before settlement, enrolled the children in school and began settling their new home. The Snyder Group kept her informed via email, and with Power of Attorney, acted on her behalf at the sale. On October 6, 2006, the practice was sold. Dr. Kerzie was back in California by October 25th.

"The whole process could not have been better," says Dr. Orsino. "You hear about all these horror stories when dentists want to sell their practices, and I was expecting the worst. Instead, I got the best! I would never recommend anybody else except The Snyder Group!"



# From Listing to Settlement in Three Months: One Doctor's Story.

Eighteen months before contacting The Snyder Group (TSG) for practice brokerage services, Dr. Neil Dicker received a compilation of materials on practice transition issues prepared by TSG partner Dr. Tom Snyder for a local study group. Impressed by the depth of material and the detail with which a valuation was handled, Dr. Dicker made a mental note that when it came time to sell his practice, The Snyder Group would be at the top of his list.

Fast forward to April, 2006, when an unexpected illness prompted Dr. Dicker to contemplate selling the Pennsylvania practice he worked so hard to build. "I told Dr. Snyder about my situation, and he was immediately receptive, helpful, and very responsive," he says.

Within days, Dr. Dicker received practice valuation material that started the momentum toward a successful transition. Two weeks later, the valuation was finalized and TSG transition specialist Donna Costa began an aggressive campaign to market the practice. Through a highly targeted direct mail campaign, advertising in regional journals, promotion on the TSG website, and personal contact with interested parties in TSG's database, Ms. Costa found several potential buyers for Dr. Dicker to meet "almost immediately," he says.

When a perfect buyer was found in early June, the need to arrange financing and approvals without delay loomed large. Mr. "Charlie" Costa, TSG partner and financial specialist, worked directly with Dr. Dicker during the entire process.

"My practice was small, and as a seller, you wonder if that will affect the quality of service you receive. But the attention I got was as if I had a large practice. I received a five-star treatment from the very beginning, through closing and beyond," he says.

To ensure success, Mr. Costa provided the framework for financing for the buyer. He negotiated with lenders to obtain the best terms, and provided alternatives that made the deal even more attractive. Additionally, as is routine with all TSG brokerage transactions, The Snyder Group provided an Agreement of Sale contract template, as part of the commission fee. This document details all terms of the

sale for review by both parties' attorneys, and saves both time and money for buyer and seller, as a result.

"The sale was absolutely pleasant and went smoothly. Without a shadow of a doubt, this sale would never have gone through without Charlie. He was pivotal in bringing us together and was so highly efficient in orchestrating every-

thing quickly, despite the short time frame and the complexities of the sale," Dr. Dicker says.

Mr. Costa also assisted the buyer with lease negotiations, and provided Dr. Dicker with a transition letter for patients introducing the new doctor to effect a proper patient transfer.

Today, Dr. Dicker has successfully transitioned the practice to the new owner, and he feels confident that his patients and former staff are happy and well-cared for.

"I have always appreciated excellence. Most of the time you run across mediocrity. In my opinion, Charlie Costa was impeccable and incredibly professional in every aspect. He was there at closing, making sure everything was perfect. And subsequent to closing, he continued to touch base with me, which I found remarkable. He was absolutely the best person I could have had to get the job done."

