



## Inside

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- Defining your career
- Assembling your team
- Developing your plan
- Financing your practice

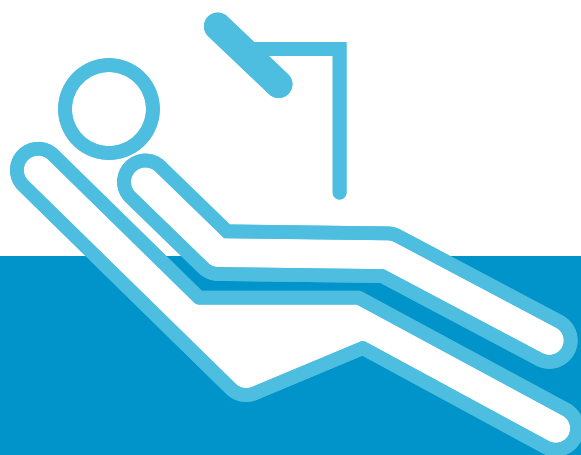
Practice Success Series for Dentists

# Preparing for Ownership

Wells Fargo Practice Finance

**WELLS  
FARGO**

This workbook is for general information only, and does not constitute, nor is it intended as a substitute for legal, tax, financial, or other professional advice. Any dentist interested in starting a practice should consult their personal attorney, accountant, and other financial and professional advisors.



*Every journey begins  
with a single step.*

Thank you for taking this  
one with us.

# Introduction



Opening your first dental practice — whether you're purchasing an existing one or starting from scratch — is one of the most significant transitions you'll make in your career. That's why we created the *Practice Success Series*, a collection of workbooks with tools and tips to establish a foundation for your successful future as a practice owner.

In this workbook, you'll learn the critical first steps to practice success:

- Defining your career goals
- Developing your plan and timeline
- Managing your financial profile
- Selecting your professional team

When you're ready to move on, your next workbook — either *Acquiring a Practice* or *Starting a Practice* — will take you through your transition to ownership with the same level of step-by-step guidance and helpful resources. Your Wells Fargo practice financing specialist is here to assist throughout your journey.

## How we can help



We want you to be successful.

In addition to providing specialized financing and resources like this, we'll help you put together your team. Through our experience funding dental practices each year, we work with skilled professionals servicing the dental industry and can refer you to other specialists.

Let's talk about your plan and what you need to achieve your goals. We're here to help you take your next step and look forward to working with you.

Call 1-888-937-2321 or email [practicesuccess@wellsfargo.com](mailto:practicesuccess@wellsfargo.com).

# Table of contents

Defining your career path .....	1
A. Developing your goals	
B. Are you ready for ownership?	
C. Acquisition, buy-in, or start up: which is right for you?	
D. Practice ownership pros and cons	
E. Defining your priorities	
Assembling your team .....	5
A. Your advisors	
Developing your plan .....	8
A. Seeing the path ahead	
B. Writing your business plan	
C. Practice overview	
D. Market analysis	
E. Management & operations	
F. Marketing	
G. Financial forecast	
H. Building your timeline	
Financing your practice .....	16
A. Managing your financial profile	
B. Where do you stand?	
C. Evaluating your financing options	
D. The anatomy of a practice loan	
E. Selecting your lender	
Taking your next steps .....	21
Appendix A: Practice acquisition timeline & checklist .....	22
Appendix B: Practice start-up timeline & checklist .....	23



# Defining your career path

To realistically plan your career, you need to be clear on exactly what you want — both long- and short-term goals — in order to ensure that your actions towards those goals are in alignment. These first few exercises guide you through that process to help shape the strategies and activities to follow.

## Developing your goals



This exercise helps you recognize and articulate your goals and skills, the foundation of your career.

### I am thinking about (*check all that apply*)

- Purchasing an existing practice
- Buying into an existing practice
- Starting my own practice
- Associateship
- Residency
- I'm not sure yet; I need help
- Other \_\_\_\_\_

### Community considerations

Where do I want to live? \_\_\_\_\_

Where do I want to work? \_\_\_\_\_

### Personal/lifestyle considerations

How much do I want to work?

- Full-time       Part-time       Job share

What kind of flexibility do I need or want?

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What type of practice do I picture myself in?

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Do I prefer working alone, with a partner, or with a larger group of professionals?

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### Goal setting

One year from now, I see myself

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Three years from now, I see myself

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Five years from now, I see myself

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### Personal skills assessment

The qualities needed to start and manage a practice are similar to those needed to start a small business. Review the list below and rate yourself in each category. For additional perspective, ask a friend or family member to rate you as well.

	Very strong	Strong	Average	Needs improvement	Weak
1. Decision making	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Getting along with others	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Planning ahead	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Managing personnel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Delegating responsibilities and tasks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Leadership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

All of these skills are important qualities to develop as a new practice owner. What can you do to improve the areas where you consider yourself average or below?

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# Defining your career path

## Are you ready for ownership?



Complete this assessment to determine whether you're ready to take on the roles and responsibilities of ownership.

Do I have or can I develop the management skills required to run a practice?

Yes  No

Am I prepared to handle the business responsibilities involved in running a practice? (financial, administrative, personnel, etc.)

Yes  No

Are my case presentation skills well developed?

Yes  No

Is building something that is mine important to me?

Yes  No

Are my confidence and clinical speed at a point where I'd be comfortable being in charge?

Yes  No

Am I capable of operating a practice myself (or with other dentists)?

Yes  No

Is having more control over my work environment – and potential for earning income – important?

Yes  No

Count and record the number of “Yes” and “No” answers you checked.

Number of “Yes” answers: \_\_\_\_\_

Number of “No” answers: \_\_\_\_\_

### Five or more “Yes” answers

You are ready to think about – and prepare for – owning your own practice. There are two basic paths you can take, with benefits and challenges to each:



**Starting a practice from scratch** requires a great deal of research; a high level of motivation, dedication, and stamina; a strong aptitude for developing or honing your business skills; and a desire to manage the business side of the practice.



This path can be incredibly rewarding, but can also present many challenges, such as the learning curve ahead of you, the amount of time it takes to manage the business aspects of a practice, the challenges of managing employees, and building your office from scratch.



**Purchasing or buying into an existing practice** is generally an easier road to practice ownership, since the business is up and running, employees are on board, procedures are in place, and the practice most likely has a solid patient base.



All of this may give you a running start, but it may also require a good deal of work to bring everything into line according to your vision and management style.

### Five or more “No” answers

You may not be ready for ownership just yet. Consider taking time to prepare yourself by working at an established practice where you can further develop your clinical and case presentation skills. You'll also be able to study the business aspects of running a practice. For assistance with management skills, seek out a training program that addresses your particular areas of need and/or interest.

Networking with other dental professionals and business-savvy colleagues who can help mentor you is another effective way to help ensure your long-term success.

If you ultimately determine that ownership may not be right for you, look for a position that allows you to practice the type of dentistry you prefer in a setting compatible with your personal skills and preferences.

**Consider both paths to ownership as extremely successful and satisfying. One key is to ensure that your choice fits both your personality type and interpersonal style.**



# Defining your career path

## Acquisition, buy-in, or start up: which is right for you?

For each set of statements below, circle the one that sounds most like you.

**A.** I prefer to hand-pick my employees.

**B.** I would rather inherit a base of employees than hire new ones.

**A.** I enjoy and am good at networking, meeting new people, and marketing my services.

**B.** I would rather work where there is a stable, existing patient base.

**A.** I have a clear and unique vision of my practice and haven't seen anything on the market that matches it.

**B.** I have seen or think I can find an existing practice that meets my goals and vision.

**A.** I'm comfortable developing policies and procedures for a wide variety of topics.

**B.** I can adapt to policies and procedures that are already in place.

**A.** I am passionate about creating my own professional environment and surroundings.

**B.** I prefer to work in an already established office environment.

**A.** I am willing to invest the time it takes to get started.

**B.** I need to "hit the ground running" with no time to spare.

**A.** I have strong organizational skills and prefer to develop my way of doing things.

**B.** I am more comfortable working with established processes and systems.

**A.** I am comfortable being financially frugal for a while.

**B.** Immediate cash flow is very important to me.

**A.** I like the thought of creating my own patient base.

**B.** I would feel more comfortable joining a practice with an established patient base.

**A.** I want to use new equipment that I have selected.

**B.** I am comfortable using older equipment that someone else has selected — for the time being.

**A.** I am independent, entrepreneurial, and excited about creating a new business.

**B.** I would like to come into an "instant practice" in terms of equipment, patients, and personnel.

**A.** I enjoy and have all the skills to sell my business and myself.

**B.** I don't want to spend my time on sales.

**A.** I'm flexible with my location and community.

**B.** Where I want to work and live is not negotiable at this point.

**A.** I want to be in a community that welcomes and supports new businesses and new business owners.

**B.** Connecting with my community is important, but a pre-existing income is more important.

Count the number of **As** and **Bs** you have circled and note them below. If you answered mostly As, you may be best suited to a start-up. If you answered mostly Bs, a practice acquisition, or buying into an existing practice, may be right for you.

Number of As: \_\_\_\_\_  
*Start-up (SU)*

Number of Bs: \_\_\_\_\_  
*Practice acquisition or buy-in (PA)*

# Defining your career path

## Practice ownership pros and cons



Review the information below to help validate which path to ownership feels right for you.

Acquiring an existing practice (PA)	Starting a practice (SU)
<p><b>Pros:</b></p> <ul style="list-style-type: none"><li>• Immediate cash flow</li><li>• Staff is familiar with how practice runs</li><li>• Know practice revenue and costs in advance</li><li>• Opportunity to get to know patients before final transition</li><li>• Typically an easier road to ownership</li></ul>	<ul style="list-style-type: none"><li>• You are fully in charge</li><li>• Office designed to your specifications</li><li>• Select the equipment you prefer</li><li>• Hire the staff you prefer</li><li>• Satisfaction of building something on your own</li><li>• Potential for greater profits</li></ul>
<p><b>Cons:</b></p> <ul style="list-style-type: none"><li>• Equipment may be out-of-date</li><li>• Office may need an update</li><li>• May have to transition patients to a new dental philosophy</li><li>• May inherit seller's problems</li><li>• Staff is already in place – may be positive or negative</li></ul>	<ul style="list-style-type: none"><li>• Must develop patient base from scratch</li><li>• Significant start-up costs</li><li>• Training staff can be time-consuming</li><li>• Requires extra investment of time to get running</li><li>• Must be a business manager as well as a doctor</li><li>• Cash flow is not immediate</li></ul>

## Defining your priorities



Whether you're purchasing, building, or joining a practice, a final important step in defining your career path is to clearly visualize and articulate the type of practice that will work well for you.

### My “must haves”

The five most important things about my practice, that I am unwilling to compromise, are:

- 1) \_\_\_\_\_
- 2) \_\_\_\_\_
- 3) \_\_\_\_\_
- 4) \_\_\_\_\_
- 5) \_\_\_\_\_

### My “nice to haves”

The five things I would really like my practice to have, but would be willing to negotiate, are:

- 1) \_\_\_\_\_
- 2) \_\_\_\_\_
- 3) \_\_\_\_\_
- 4) \_\_\_\_\_
- 5) \_\_\_\_\_

# Assembling your team

Selecting your team of advisors is amongst the most critical decisions of your career. Working with professionals who specialize in dental practices can help save you time and money – and add lasting value. With the experience they bring, specialized advisors provide educational tools and help to keep you focused on your goals.

## Your advisors



Your team should include at least the following key advisors:



### Lender

Name: \_\_\_\_\_

Company: \_\_\_\_\_

### Attorney

Name: \_\_\_\_\_

Company: \_\_\_\_\_

### Accountant

Name: \_\_\_\_\_

Company: \_\_\_\_\_

### Insurance broker

Name: \_\_\_\_\_

Company: \_\_\_\_\_

### Practice broker

Name: \_\_\_\_\_

Company: \_\_\_\_\_

### Lease negotiator

Name: \_\_\_\_\_

Company: \_\_\_\_\_

### General contractor

Name: \_\_\_\_\_

Company: \_\_\_\_\_

### Equipment supplier

Name: \_\_\_\_\_

Company: \_\_\_\_\_

Depending on the nature and scope of your project, you may want to add any of these professionals to your team:

- Architect
- Interior designer
- Local practitioner/mentor
- Marketing consultant
- Practice management consultant

# Assembling your team

## Core team

	What they do	Why they're important	PA	SU
<b>Lender</b>	<ul style="list-style-type: none"> <li>Provides funds and resources for opening your practice</li> <li>Services financing agreements</li> <li>Can help with practice cash flow projections</li> <li>May offer planning tools, educational resources, or additional financial products and services to help grow your practice</li> </ul>	<ul style="list-style-type: none"> <li>Helps protect your practice investment by structuring a financing program that fits within your budget</li> <li>Provides ongoing support during the acquisition or start-up process and throughout practice ownership</li> </ul>	✓	✓
<b>Accountant/CPA</b>	<ul style="list-style-type: none"> <li>Develops tax projections, plans, and estimates</li> <li>Prepares and files tax documents</li> <li>Can help establish financial and collection procedures</li> <li>Advises on tax and accounting implications of business decisions</li> </ul>	<ul style="list-style-type: none"> <li>Protects your business by providing accurate practice accounting and filing of tax documents</li> <li>Makes sure your books and accounts are set up to run your business properly and efficiently</li> </ul>	✓	✓
<b>Attorney</b>	<ul style="list-style-type: none"> <li>Negotiates and drafts contracts, leases, and employment documents</li> <li>Provides tax advice, estate planning, and Will preparation</li> <li>Reviews other documents</li> </ul>	<ul style="list-style-type: none"> <li>Represents your interests as your advocate</li> <li>Assures contracts and legal documents comply with legal requirements</li> </ul>	✓	✓
<b>Insurance broker</b>	<ul style="list-style-type: none"> <li>Evaluates existing coverage to make recommendations for additional policies and/or coverage</li> </ul>	<ul style="list-style-type: none"> <li>Preserves practice value by insuring against loss</li> </ul>	✓	✓
<b>Practice broker</b>	<ul style="list-style-type: none"> <li>Identifies practices available for sale</li> <li>Negotiates transaction</li> <li>Can offer valuation services</li> <li>With attorney, generates sample agreement of sale</li> <li>Can help structure transition and coordinate financing</li> </ul>	<ul style="list-style-type: none"> <li>Saves you time and money by providing qualified options</li> <li>Provides consultation and support throughout the acquisition process</li> </ul>	✓	
<b>Lease negotiator</b>	<ul style="list-style-type: none"> <li>Negotiates lease transaction</li> <li>Conducts due diligence</li> <li>Helps optimize lease terms and minimize personal guarantees</li> </ul>	<ul style="list-style-type: none"> <li>Helps you avoid a "bad deal" and potential legal entanglements through professional negotiations</li> <li>May save you money in the short and long term</li> </ul>		✓
<b>Equipment supplier</b>	<ul style="list-style-type: none"> <li>Presents practice equipment and technology recommendations</li> <li>May measure your selected location to evaluate whether it is suitable for a dental practice</li> </ul>	<ul style="list-style-type: none"> <li>Helps assure appropriate selection and integration of equipment and both clinical and business systems</li> </ul>		✓
<b>General contractor</b>	<ul style="list-style-type: none"> <li>Builds or expands facility according to your plans</li> <li>Recommends structural changes to optimize practice functionality</li> </ul>	<ul style="list-style-type: none"> <li>Protects your physical assets from structural and environmental damage</li> <li>Can advise on transforming new practice location according to your vision</li> </ul>		✓

## Where do you start?

While there's really no right answer to who the best first advisor is, your greatest success will likely come from those who can introduce you to the most contacts. Ask peers or advisors for recommendations. (Wells Fargo practice financing specialists can be a great resource for local information.) Interview them and select who feels right.



# Assembling your team

## Other specialists to consider, based on project need

	What they do	Why they're important	PA	SU
<b>Architect</b>	<ul style="list-style-type: none"> <li>• Develops space plan according to your practice vision</li> <li>• Provides design for interior architectural elements</li> </ul>	<ul style="list-style-type: none"> <li>• Helps maximize efficiency of work flow and traffic patterns to help boost productivity</li> </ul>		✓
<b>Interior designer</b>	<ul style="list-style-type: none"> <li>• Develops concepts for office appearance — color schemes, finishes, décor, furniture, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Helps you make choices appropriate for a dental office and your personal taste</li> <li>• Helps enhance patients' perception of your practice as a professional operation</li> </ul>		✓
<b>Marketing consultant</b>	<ul style="list-style-type: none"> <li>• Helps develop practice brand with consistency in all communications</li> <li>• Helps develop marketing calendar including internal and external marketing initiatives</li> <li>• Can suggest ways to use local media, the Internet, and other communication channels</li> </ul>	<ul style="list-style-type: none"> <li>• Protects your practice's image</li> <li>• Can maximize marketing dollars to attract new patients</li> </ul>	✓	✓
<b>Practice management consultant</b>	<ul style="list-style-type: none"> <li>• Evaluates strength of practice systems (scheduling, case acceptance, etc.)</li> <li>• Identifies potential areas of improvement</li> <li>• Works with you to develop a plan for change</li> </ul>	<ul style="list-style-type: none"> <li>• Is designed to help you increase profitability and decrease stress</li> </ul>	✓	✓
<b>Local practitioner/mentor</b>	<ul style="list-style-type: none"> <li>• Provides perspective on what to do and what to avoid</li> </ul>	<ul style="list-style-type: none"> <li>• Understands local market</li> </ul>	✓	✓



### Why join your professional association?

Your professional association offers a wide array of resources and programs designed to enhance your ability to achieve success and improve your excellence as a doctor. As a member, you have access to printed and online publications that keep you up-to-date on the latest happenings in the industry.

Training programs, continuing education courses, and career centers are available to help you manage your practice and enhance your professional skills. Qualified members may also have access to discounted products and supplies. Plus, your professional association gives you a powerful voice in state and national legislatures to help ensure a healthy future for the industry. For example, here are just some of the benefits members of associations may enjoy:

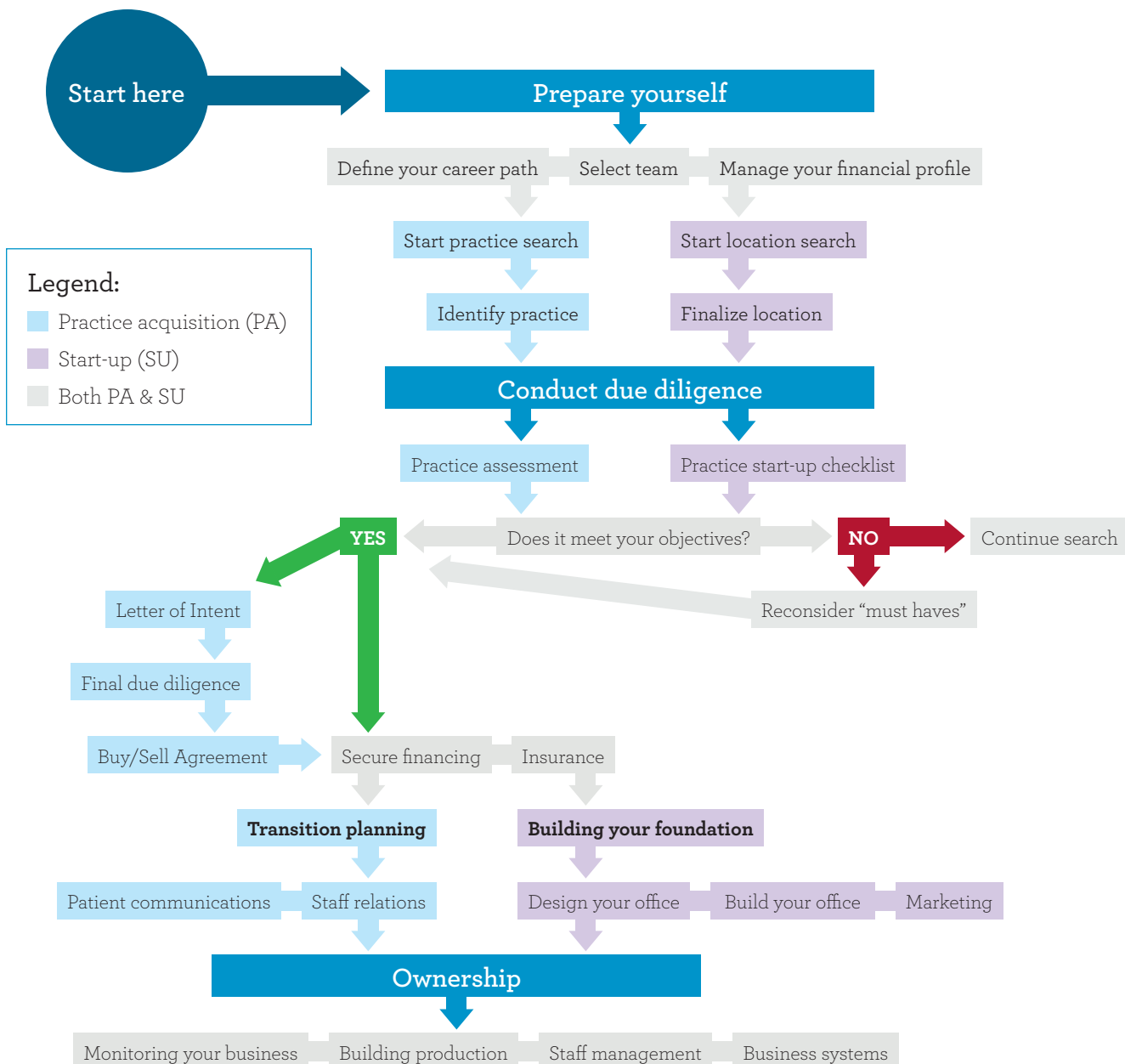
- Specialized programs and resources for emerging practitioners
- Online resources to help you manage your career, expand your knowledge, and balance your life
- Online CE and other educational resources
- Value-added products and services
- Membership at the local or state level may automatically qualify members at the national level. With one membership, you get the benefits of all
- Access to patient-centered, ethically based best practices for managing patients, finances, regulatory issues, and more

# Developing your plan

One important phase of your path to ownership is the development of your plan. This is where you bring your professional goals into clear view with a definition of the strategies, tactics, and resources that will make your practice a reality.

## Seeing the path ahead

Familiarizing yourself with the acquisition or start-up process before you start writing your business plan will help you anticipate and prepare for the journey in front of you.



# Developing your plan

## Writing your business plan

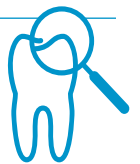


An important tool for solidifying support from your lender and other key advisors, your business plan is a living document that you should regularly review and update to help you keep your actions in sync with your objectives.

While there is no one official formula, your plan should articulate your vision, detail practice operations, and outline your plan for financial success. The next several sections introduce the most common components of a business plan, and provide guidance to help you develop them for yourself.

## Practice overview

Business plans typically start with a high level description of the proposed business. Including the information below will provide a comprehensive introduction to your practice.



### Executive summary

- **Practice description** – provide a general description of the practice you will build or purchase.
- **Mission statement** – state your practice philosophy and why you are building or buying this practice.
- **Financing requirements** – provide an overview of the capital you need to get your practice up and running.

### Practice description

- **Personal history** – for example, where did you go to dental school? When did you graduate? Have you had any private practice experience? Most importantly, what qualifies you to run your own business?
- **Management team** – include the principals ultimately responsible for financial performance (dentist, partners, investors), and practice team members and their roles and responsibilities (dentists, hygienists, staff).
- **Professional advisors and their roles** – lender, accountant, attorney, etc. (see *Assembling your team*, pg. 5).
- **Business & legal structure** – e.g., Sole Proprietorship, C Corporation, S Corporation, Limited Liability Company, or Partnership. Talk to your attorney about the pros and cons of each.
- **Business insurance** – include what business insurance you will carry.
- **Insurance philosophy** – list what types of dental insurance you will accept.



For a free easy-to-use business plan template tailored to dental practices, contact your Wells Fargo practice financing specialist at 1-888-937-2321 or [practicesuccess@wellsfargo.com](mailto:practicesuccess@wellsfargo.com)

# Developing your plan

## Market analysis



A thorough investigation of the location, community, and marketplace you're considering will reveal important information about the potential for your practice's success.

### Market demographics

A demographic study or market analysis can help you validate whether there is a real need for an additional dental practice or specific services in a particular community. The study should define the population for your specialty. It should also include the following statistics:

- Ratio of the population of the community to the number of dentists
- Growth potential for the area
- Amount the community spends on healthcare
- Average household income

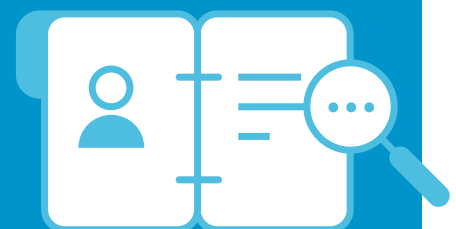
### Patient profile

Describe your ideal patient, such as children if you are interested in pediatric dentistry, making sure they reside in the location you have chosen, in numbers significant enough to support your practice. The data found in your market analysis can help with that.

***Know your neighbors.*** A handy tool for evaluating the opportunity in the area you're considering is the Competitive Intelligence Tool from Wells Fargo Works for Small Business<sup>®</sup>, an online resource to help small business owners achieve their goals. Visit [wellsfargoworks.com](http://wellsfargoworks.com) for more information.



***We can help.*** Remember that you can call your Wells Fargo practice financing specialist for help with your market and competitive analyses, including a free Market Data Report. Call 1-888-937-2321 or email [practicesuccess@wellsfargo.com](mailto:practicesuccess@wellsfargo.com).





# Developing your plan

## Competitive environment & analysis

An extremely effective tool for analyzing your competitive environment is a SWOT Analysis. By identifying a practice or location's Strengths, Weaknesses, Opportunities, and Threats, you can visually identify both helpful and harmful influences generated by both internal and external sources. This analysis can also be instrumental in helping you make key decisions about your practice.

To complete your own SWOT analysis, list the factors that may affect or be impacted by the practice or location you're considering in the appropriate box. Strengths and Opportunities should outweigh Weaknesses and Threats. If Weaknesses and Threats seem greater, consult with your advisors. You may see things in a new light, or you may need to reconsider this particular practice or location. For additional resources or help with your SWOT analysis, including how to interpret your results, contact your Wells Fargo practice financing specialist at 1-888-937-2321 or [practicesuccess@wellsfargo.com](mailto:practicesuccess@wellsfargo.com).

Practice/location: \_\_\_\_\_

<b>Strengths</b> <ul style="list-style-type: none"><li>• _____</li><li>• _____</li><li>• _____</li><li>• _____</li><li>• _____</li><li>• _____</li></ul>	<b>Weaknesses</b> <ul style="list-style-type: none"><li>• _____</li><li>• _____</li><li>• _____</li><li>• _____</li><li>• _____</li><li>• _____</li></ul>
<b>Opportunities</b> <ul style="list-style-type: none"><li>• _____</li><li>• _____</li><li>• _____</li><li>• _____</li><li>• _____</li><li>• _____</li></ul>	<b>Threats</b> <ul style="list-style-type: none"><li>• _____</li><li>• _____</li><li>• _____</li><li>• _____</li><li>• _____</li><li>• _____</li></ul>

# Developing your plan



## Management & operations

A detailed description of your plan to staff and run the practice is an integral part of your plan.

### Location & premises

Describe the exact location of your practice, whether you own or lease, number of operatories, and your long-term plan for expansion or upgrade. If you haven't selected your location yet, the next workbook (*Acquiring a Dental Practice* or *Starting a Dental Practice*) provides detailed information about working with your real estate advisor on location selection. Contact your Wells Fargo practice financing specialist at 1-888-937-2321 or [practicesuccess@wellsfargo.com](mailto:practicesuccess@wellsfargo.com) for more information.

### Daily operation

Describe the days and hours you will be working, when you will be associating in another practice while growing your practice, and equipment and supplies needed.

### Staffing

Outline your recruitment plans, staff roles, and job descriptions, including the need for full-time versus part-time employees, compensation and benefits, and personnel policies, including performance evaluations, and hiring and firing practices.

## Marketing



A marketing plan that outlines how you'll attract patients, keep them coming back, and maximize revenue provides a strategic roadmap for the growth of your practice.

A classic marketing plan follows the Objectives-Strategies-Tactics framework. Starting with measurable business objectives, build a cascading plan of strategies and tactics that drive towards achieving those objectives. There are hundreds of marketing activities (tactics) that can generate results. Make sure every tactic in your plan tracks back to your objectives through at least one of your strategies. Your plan should also include your anticipated expenditure for these activities.

Your next workbook (*Acquiring a Dental Practice* or *Starting a Dental Practice*, which you can get from your Wells Fargo practice financing specialist) has detailed information about the most effective strategies for new or newly acquired practices. But to help you get started, here are some examples.

### Acquired practice

Objective	Strategies	Tactics
Maintain at least 90% of existing patient base	<ol style="list-style-type: none"><li>1. Ensure patient satisfaction with an excellent service experience</li><li>2. Increase internal referrals by 20%</li><li>3. Build relationships with staff and patients</li></ol>	<ol style="list-style-type: none"><li>1. Conduct daily team huddles</li><li>2. Invest in service-focused training for staff</li><li>3. Learn how to ask for referrals</li><li>4. Sponsor neighboring schools' and organizations' events</li><li>5. Network with local business community, include them in open house</li></ol>

# Developing your plan

## Start-up practice

Objective	Strategies	Tactics
Achieve positive cash flow by month 18	<ol style="list-style-type: none"><li>1. Build practice brand with consistent application of visual identity across all materials and communications</li><li>2. Attract 30 or more new patients per month</li><li>3. Achieve case acceptance of 75% or higher</li></ol>	<ol style="list-style-type: none"><li>1. Design practice logo and stationery (letterhead, envelopes, and business cards)</li><li>2. Develop and launch a website</li><li>3. Place locally targeted mobile and print advertising</li><li>4. Establish a presence in social media</li><li>5. Educate patients with visual aids in new patient exams and consultations</li></ol>

## Financial forecast



The financing package from your lender will be based on the numbers in your forecast, so it's critical to do your homework and be as accurate as possible. You will need:

### Capital & operating expenses

These are the total funds needed to purchase or build and operate your practice including equipment, cabinetry, computers, working capital which helps cover overhead until collections ramp up, leasehold improvement, and other soft costs.

### Project financing

Describe how much financing you need and the terms you are looking for.

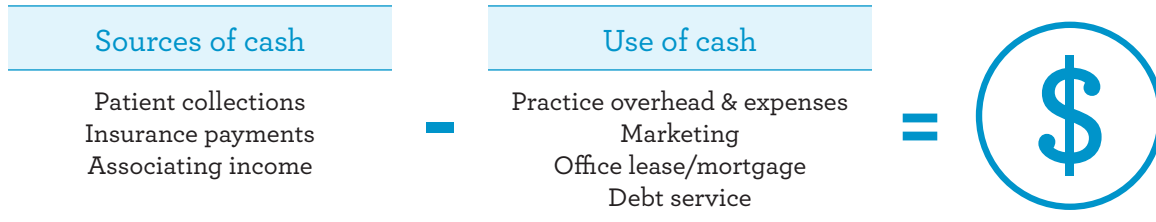
### Cash flow projection

Cash flow is essentially the total amount of money moving in and out of a practice. A cash flow projection defines your sources of income and how that money is used. If done accurately, it demonstrates that you have thought through the purchase price or growth of your practice and helps show how and when you will achieve profitability. This is important because your projection will influence your lender's credit decision and the amount of capital included in your practice loan. Typically, a monthly cash flow projection for 12 or 24 months and an annual projection for the first five years provide sufficient information for your lender.

As you continue to refine your practice plan, you should modify your cash flow projection accordingly. It is critical that you work with your financial advisor, such as your CPA, to ensure the information is as accurate as possible.

# Developing your plan

## The cash flow equation



## Cash flow calculation

Use this formula to calculate monthly net cash flow:

- \$ \_\_\_\_\_ Estimated monthly revenue
- \$ \_\_\_\_\_ Plus other income sources (associating income)
- (\$ \_\_\_\_\_) Minus fixed expenses (rent, insurance)
- (\$ \_\_\_\_\_) Minus variable expenses (dental supplies, lab expenses)
- (\$ \_\_\_\_\_) Minus staff costs (salaries, benefits)
- (\$ \_\_\_\_\_) Minus cost of debt service (loan payments)
- \$ \_\_\_\_\_ Equals net cash flow per month**

## Concerned about student debt?



While debt of any kind factors into your ability to secure financing, it may not stop you from moving forward with your practice plans. Look at your options.

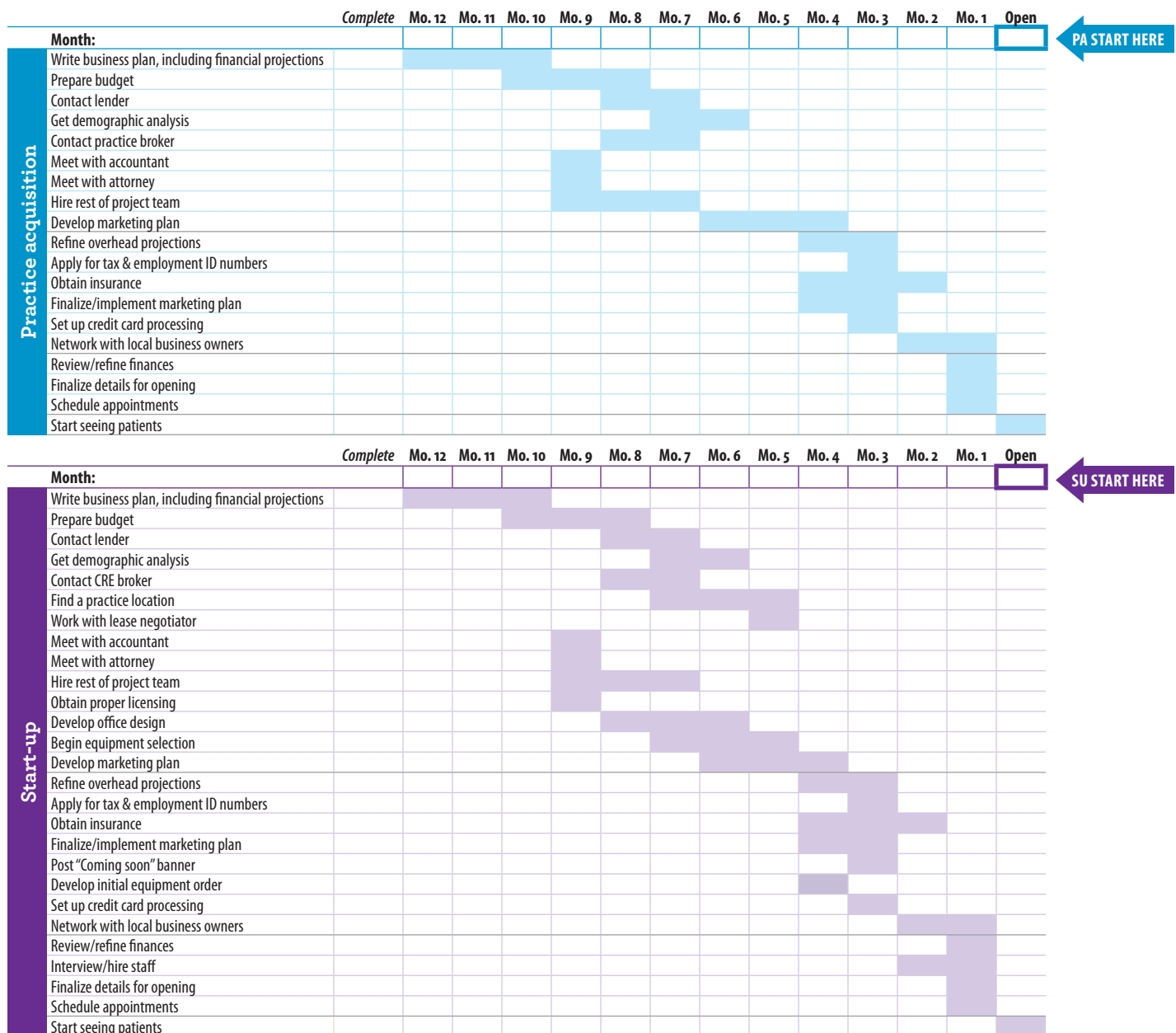
Student debt, like a mortgage, is one of several components of your cash flow calculation. Generally speaking, higher monthly payments result in lower cash flow, and vice versa. Refinancing student (or other) debt may increase immediate cash flow for the trade off of a potentially longer loan term. For information on managing debt or help with cash flow projections, contact your Wells Fargo practice financing specialist at 1-888-937-2321 or [practicesuccess@wellsfargo.com](mailto:practicesuccess@wellsfargo.com).

# Developing your plan

## Building your timeline

According to Wells Fargo Practice Management Group, the average time before you'll start seeing patients is about nine to twelve months, and will vary considerably depending on whether you're acquiring an existing practice, building a new facility, or remodeling a purchased or leased space.

To build your timeline and see where you should address each step of the process, select the chart that applies to you (acquisition or start-up) and fill in your goal opening month in the far right column where indicated. Working backwards towards the left side of the page, fill in the months leading up to your opening.



For checklist versions of these timelines, see Appendices A and B on pages 22 and 23.

# Financing your practice

The financing process should begin early in your planning. The closer you work with your lender and the better they understand your plan, the more effectively they can help support you with a financing package suited to your needs. And while that package gets finalized towards the end of the process, there are several things you can do up front to help position yourself for optimal success.

## Managing your financial profile



Having a healthy financial profile, including good and well-managed credit, will help you secure the financing you need to start your practice.

Credit decisions for new practice financing are typically based on an assessment of a practice's cash flow and your ability to repay your loan with enough left over to cover your livelihood and other expenses. The most commonly used predictor of your ability to meet your loan commitments is an evaluation of your personal financial profile — specifically, your personal debt (e.g., student loans, personal credit cards, and lines of credit) and overall credit score. A credit evaluation can vary depending on the lender you choose (see **Selecting your lender**, pg. 19). Generally speaking, however, low debt yields higher credit limit decisions, and high debt results in lower credit limit decisions.

## Where do you stand?



How well have you managed your credit history? For each statement below, circle the response that best applies to you:

Yes	No	N/A	I maintain at least two or three revolving credit accounts (credit cards, lines of credit, etc.)
Yes	No	N/A	I do not use all the credit available to me
Yes	No	N/A	I have not applied for credit with multiple lenders within a short timeframe
Yes	No	N/A	I always make on-time monthly payments on credit cards, mortgages, installment loans, and student loans
Yes	No	N/A	I continue to make minimum monthly payments even when I am in dispute with a creditor and working towards a resolution
Yes	No	N/A	I keep copies of all agreements, documents clearing judgments or liens, and letters from creditors clearing incorrect information reported on my loan history
Yes	No	N/A	I notify creditors in writing when my address changes
Yes	No	N/A	I review my personal credit report at least twice a year and inform all credit bureaus in writing of any discrepancies

For an excellent financial profile that lenders are likely to favor, work to change every “No” answer to a “Yes” over the next several months. List here the steps you will take to improve your financial profile:

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If you have three or more “No” answers, contact your financial advisor for help with improving your credit profile.

# Financing your practice

## Evaluating your financing options



Unless you use personal funds, you will need to find a lender to finance your new practice.

There are several funding sources available for you to consider. To help you make an educated decision about who to work with, the chart below illustrates some of the key features of the most common types of loans.

	Specialty financing	SBA loan	Conventional/bank loan
<b>Structure</b>	<ul style="list-style-type: none"> <li>• Fixed rates</li> <li>• 100% financing</li> <li>• 10 – 15 year amortization</li> <li>• Graduated or deferred payments</li> </ul>	<ul style="list-style-type: none"> <li>• Fixed &amp; variable rates</li> <li>• Up to 25 year terms                             <ul style="list-style-type: none"> <li>▸ 7a = 10 years</li> </ul> </li> <li>• Fully amortized over term of loan</li> </ul>	<ul style="list-style-type: none"> <li>• Fixed/variable rate</li> <li>• 5 – 7 year</li> <li>• Fully amortized</li> <li>• Collateral outside of practice</li> </ul>
<b>Down payment</b>	<ul style="list-style-type: none"> <li>• 0%</li> </ul>	<ul style="list-style-type: none"> <li>• 10 – 15%</li> </ul>	<ul style="list-style-type: none"> <li>• 20 – 30%</li> </ul>
<b>Closing costs</b>	<ul style="list-style-type: none"> <li>• Fixed</li> </ul>	<ul style="list-style-type: none"> <li>• 2.6 – 3.5% (can be financed into the loan)</li> </ul>	<ul style="list-style-type: none"> <li>• 1% typically</li> </ul>
<b>Strength</b>	<ul style="list-style-type: none"> <li>• No collateral outside the practice</li> </ul>	<ul style="list-style-type: none"> <li>• Designed to help new businesses get started</li> </ul>	<ul style="list-style-type: none"> <li>• Generally good rates with full documentation</li> </ul>
<b>Must have</b>	<ul style="list-style-type: none"> <li>• Average to good personal credit</li> <li>• Average to good cash flow</li> </ul>	<ul style="list-style-type: none"> <li>• Average to good personal credit</li> <li>• Average to good cash flow</li> </ul>	<ul style="list-style-type: none"> <li>• Average to good personal credit</li> <li>• Collateral</li> <li>• Usually a history of having operated a business for a set period of time</li> </ul>

### Commercial real estate financing

One of the first major decisions for a start-up is whether to build from the ground up, buy and convert a building or condo, or renovate lease space. If you choose either of the first two options, you will have to secure a long-term commercial real estate (CRE) mortgage. Generally there are two types of financing available: conventional loans and Small Business Administration (SBA) loans. The chart above illustrates the key differences between them.

To determine which type of financing is appropriate for your project, talk with your accountant or lender. They should be able to present different options and explain the pros and cons of each.

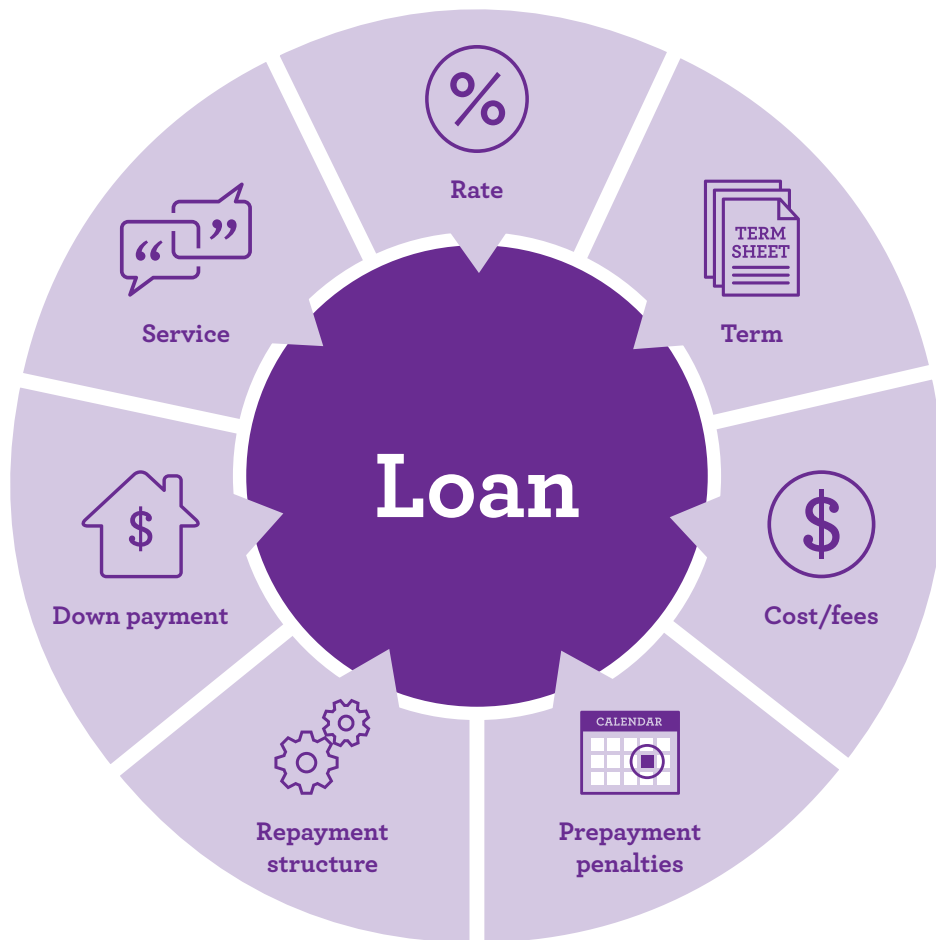
**Tip:** The most efficient way to get an SBA loan is through an SBA Preferred Lender. By managing the whole transaction from underwriting and credit decisions to loan servicing, SBA Preferred Lenders streamline the process. For more information, contact Wells Fargo Practice Finance’s Commercial Real Estate team at 1-888-937-2321 or [practicesuccess@wellsfargo.com](mailto:practicesuccess@wellsfargo.com).

# Financing your practice

## The anatomy of a practice loan

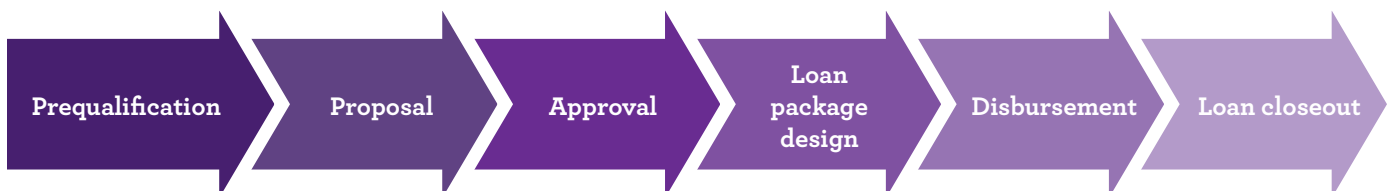


To understand why it's important to carefully consider your choice of lender, take a look at all of the components that factor into a loan.



With multiple elements contributing to the final loan package, understanding how different lenders combine those elements will help you identify the best financing option — and lending relationship — for your needs.

And while the lending process seems pretty straightforward, it's also helpful to understand the sequence of events so you can anticipate and be prepared for each step.





# Financing your practice

## Selecting your lender



One of the key differences between types of lenders is the philosophy upon which they base their credit decisions. Generally speaking, you'll find two different lending philosophies:

	Credit decisions based on (among other factors)	Collateral	Example
<b>Collateral-based lender</b>	Personal assets	Personal assets (e.g. home, money market accounts, Certificates of Deposit)	Traditional/local bank
<b>Cash flow lender</b>	Practice financial performance (for acquisitions)  Projected revenue and cash flow (for start-ups)	Practice and associated assets (e.g. equipment, furniture, A/R)	Specialty lender

Both types of lenders offer different advantages and you should research your options before making a decision. To better understand the services they can deliver for your project, ask your prospective lender these questions:

- Which specific markets do you serve? \_\_\_\_\_
- What kind of experience do you have with dental practices?  
\_\_\_\_\_  
\_\_\_\_\_
- How does the approval process work?  
\_\_\_\_\_  
\_\_\_\_\_
- What are your fees?  
\_\_\_\_\_  
\_\_\_\_\_
- Do you offer fixed and/or variable rates? \_\_\_\_\_
- Who will fund my loan? \_\_\_\_\_
- Who will service my loan? \_\_\_\_\_
- Who do I call if I have questions or need help? \_\_\_\_\_
- How can you help if I experience problems in my practice now or later in my career?  
\_\_\_\_\_  
\_\_\_\_\_
- May I speak with existing dental customers? \_\_\_\_\_

# Financing your practice

To determine whether a lender is the right fit for you, compare the answers you get with how you want to be supported. Ultimately you want to choose the one you feel will best meet your individual needs. A few criteria to keep in mind as you evaluate the information you collect:

<b>Experience</b>	Does the lender have a working knowledge of the unique business needs of dental practices?
<b>Support</b>	Will you get guidance and support from start to finish?
<b>Structure</b>	Is there any flexibility with repayment options, allowing you to find a structure that fits your budget?
<b>Approval</b>	Does the timeframe provided work with the schedule you developed?
<b>Relationship</b>	Are there other business and financial resources available to help your practice grow?



*As you approach lender candidates,*  
you should be prepared to answer these five basic questions:

- How much money will you need?
- How will you use the money you will borrow?
- How will you pay back your lender?
- When can you start to make payments on your loan?
- What will you do if you experience a revenue or income shortfall?

Even if the cash flow projection for the practice you plan to build or purchase is strong, your personal debt or credit score may negatively impact a credit decision.

Check your credit report at least twice a year so you know where you stand and can manage issues as they arise. The faster you act, the sooner you can affect change. [www.annualcreditreport.com](http://www.annualcreditreport.com)



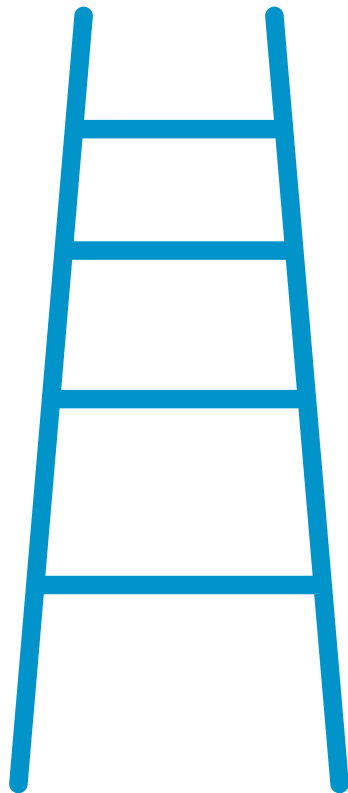
# Taking your next steps

**Take the time to make sure your team truly understands your business objectives and practice priorities. Then, with your advisors on board, your plan developed and your financing lined up, it's time to start looking at practices or scouting locations.**

Distribute copies of your business plan to each team member. When you're comfortable that everyone is united in supporting your vision, you're ready to move on to your next steps: finding or building your practice, and preparing for your transition to ownership.

For more information and guidance on your transition, work with your Wells Fargo Practice Finance specialist to get your copy of either *Acquiring a Dental Practice* or *Starting a Dental Practice*. Both workbooks provide comprehensive information and practical tools to help plan, establish, and manage your new practice including staffing, marketing, administration and business systems. Contact your Wells Fargo practice financing specialist at **1-888-937-2321** or **[practicesuccess@wellsfargo.com](mailto:practicesuccess@wellsfargo.com)** for your complimentary copy.

We're here to help you take your next step and look forward to working with you!



# Appendix A: Practice acquisition timeline & checklist

## Acquisition timeline & checklist



If you're acquiring a practice, it's likely to be at least six to nine months before you assume ownership and start seeing patients. Keep in mind that timing can vary greatly depending on the nature of your project.

### 6 to 9 months before transition

- \_\_\_\_\_ Write a business plan (see *Writing your business plan*, pg. 9)
- \_\_\_\_\_ Prepare your personal and business budget
- \_\_\_\_\_ Contact your lender about financing options
- \_\_\_\_\_ Obtain a demographic analysis of the area(s) you are considering
- \_\_\_\_\_ Identify a candidate practice through your practice broker
- \_\_\_\_\_ Meet with your accountant and attorney to review your plans
- \_\_\_\_\_ Select and hire the rest of your project team (see *Assembling your team*, pg. 5)
- \_\_\_\_\_ Obtain proper licensing from the appropriate experts on your team
- \_\_\_\_\_ Meet with your equipment representative to begin equipment selection, if needed
- \_\_\_\_\_ Write a marketing plan and order communications materials (business cards, brochures, etc.)

### 2 to 4 months before transition

- \_\_\_\_\_ Review your finances and refine overhead projections
- \_\_\_\_\_ Meet with your accountant to apply for Federal Tax Identification and employment identification numbers
- \_\_\_\_\_ Obtain insurance including property, Workers' Compensation, disability, overhead, liability, and malpractice
- \_\_\_\_\_ Credential with insurance companies
- \_\_\_\_\_ Finalize and start implementing your marketing plan, including development of your website
- \_\_\_\_\_ Send letters to existing patients announcing the new practice ownership
- \_\_\_\_\_ Meet with existing staff to start forming a relationship – if allowed by seller
- \_\_\_\_\_ Meet with your supply representative to set up ongoing orders
- \_\_\_\_\_ Set up credit card processing
- \_\_\_\_\_ Network with local business owners

### 1 month before transition

- \_\_\_\_\_ Review your finances and refine as necessary
- \_\_\_\_\_ Begin interviewing and hiring additional staff as needed
- \_\_\_\_\_ Work with your equipment representative, supplier, and marketing experts to finalize details for transition
- \_\_\_\_\_ Start scheduling appointments or co-treating with the seller for a period of time
- \_\_\_\_\_ Write a transition letter to send to patients from seller and buyer

# Appendix B: Practice start-up timeline & checklist

## Start-up timeline & checklist



If you're starting a practice from scratch, plan on at least nine to 12 months before you open your doors to patients. The timelines below are based on the experiences of other dentists. Keep in mind that timing can vary greatly depending on the nature of your project.

### 6 to 12 months before opening

- \_\_\_\_\_ Write a business plan (see **Writing your business plan**, pg. 9)
- \_\_\_\_\_ Prepare your personal and business budget
- \_\_\_\_\_ Contact your lender about financing options
- \_\_\_\_\_ Obtain a demographic analysis of the area(s) you are considering
- \_\_\_\_\_ Find a location through a commercial realtor or local equipment representative
- \_\_\_\_\_ Work with a lease negotiator to negotiate the terms and conditions of your contract
- \_\_\_\_\_ Meet with your accountant and attorney to review your plans
- \_\_\_\_\_ Select and hire the rest of your project team (see **Assembling your team**, pg. 5)
- \_\_\_\_\_ Obtain proper licensing from the appropriate experts on your team
- \_\_\_\_\_ Meet with your architect, interior designer, and/or equipment representative to develop office design
- \_\_\_\_\_ Meet with your equipment representative to begin equipment selection
- \_\_\_\_\_ Write a marketing plan and order communications materials (business cards, brochures, announcement banner, etc.)
- \_\_\_\_\_ Create a database of prospective patients and friends of the practice – everyone you meet

### 2 to 4 months before opening

- \_\_\_\_\_ Review your finances and refine overhead projections
- \_\_\_\_\_ Meet with your accountant to apply for Federal Tax Identification and employment identification numbers
- \_\_\_\_\_ Obtain insurance including property, Workers' Compensation, disability, overhead, liability, and malpractice
- \_\_\_\_\_ Credential with insurance companies
- \_\_\_\_\_ Finalize and start implementing your marketing plan, including development of your website
- \_\_\_\_\_ Post a "Coming Soon" banner announcing the opening of your new dental practice
- \_\_\_\_\_ Send periodic emails to your list of prospective patients
- \_\_\_\_\_ Meet with your supply representative to begin developing your initial order
- \_\_\_\_\_ Set up credit card processing
- \_\_\_\_\_ Network with local business owners

### 1 month before opening

- \_\_\_\_\_ Review your finances and refine as necessary
- \_\_\_\_\_ Begin interviewing and hiring staff
- \_\_\_\_\_ Work with your contractor, equipment representative, interior designer, supplier, and marketing experts to finalize details for opening
- \_\_\_\_\_ Start scheduling appointments
- \_\_\_\_\_ Continue implementing your marketing plan



***We're here*** to help you achieve your financial goals

Wells Fargo offers a wide variety of business products and services to help you manage, grow, and transition your practice through every stage. Let's talk.

# How can we help?

Let's talk

1-888-937-2321

Monday through Friday

7:00 a.m. to 4:30 p.m. Pacific time

[practicesuccess@wellsfargo.com](mailto:practicesuccess@wellsfargo.com)

[wellsfargo.com/dentists](https://wellsfargo.com/dentists)



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