When Selling or Buying a Veterinary Practice

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Exit Strategies— 
When is the right time to sell?

Have you thought about selling your practice lately? Or have you decided that now is not the right time and you will continue working in the practice a few more years.

Many of you had planned on selling in 2009 or 2010, but because of the downturn in the economy, you have decided to continue to work and sell sometime in the future.

Selling your practice is probably one of the most important decisions that you will ever make, so you want to make sure the time is right. We would like to point out the following facts you should consider when making this important decision.

Some veterinarians have decided to postpone selling their practice and opting for working less hours. This position could lead to a decline in revenue, which would have a negative impact on the practice value. It probably is better to sell now while the practice is running at peak performance.

Another factor to consider is how much tax will I have to pay on the practice sale. The current tax rate on capital gains is 15%. The current administration has promised that capital gains rates will increase to 25% or higher. This will result in netting less from the sale of your practice.

Another point that we would like to make is that practice values, on average, have been declining over the last few years. There are many reasons for the trend, but the banking industry plays a key role in this trend. A veterinary practice has a loan value just like a used car, and banks will only loan so much based on the cash flow of the business.

Many doctors are afraid to sell now because they don’t know where to invest the sales proceeds. You might consider some owner financing, which is usually a good investment. In today’s market, a guaranteed return of 7-9% on your money is a good investment. Also, many experts think now is a good time to invest in real estate and also the stock market. Talk to your financial planner and get their current recommendations.

The good news is that there are many qualified buyers looking for a quality practice to purchase. This fact has kept practice values relatively stable even in today’s market. In today’s seller’s market, this might be a good time to consider selling your practice and maximizing your investment.

In summary, the question is whether to sell now or wait until later. Let the professionals at TPSG assist you with your decision. Please contact a TPSG professional in your area for a free consultation. We can discuss your unique situation and assist you in your decision of selling your practice now or sometime in the future.

For information: Contact the Total Practice Solutions Group Associate in your area of interest

David D. Davenport, DVM  
19603 Harrelson Dr. ■ Belton, MO 64012  
Office: 816.331.9449 ■ Fax: 816.331.9445 ■ Cell: 816.804.2861  
Toll Free: 1.800.457.2315  
E-mail: drdave1942@yahoo.com

Len Jones, DVM  
11911 US Hwy 80 W ■ Shorter, AL 36075  
E-mail: lenjones@bellsouth.net

George R. Sikora, DVM  
732 State Route 89 ■ Suite 2 ■ Polk, OH 44866  
Office: 419.945.2408 ■ Fax: 419.945.2726 ■ Cell: 330.635.0661  
Toll Free: TPS.4.TPS.SOLD  
E-mail: grstpsg@yahoo.com

Kurt D. Liljeberg, DVM  
31213 Manchester Lane ■ Bay Village, OH 44140  
Office: 440.871.2878 ■ 866.813.3639 ■ Cell: 440.670.6777  
E-mail: kurt@sbbsales.com

www.TotalPracticeSolutionsGroup.com