

# Residency Timeline: The Ultimate Blueprint

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After the first six months of your residency, you should be investing time in determining in which state and city or town you wish practice. Waiting until your last year of residency to start the process of identifying the area in which you wish to live and practice is a high stakes gamble. Experience shows that if you are considering buying into a practice you need to start preparing early. A resident timeline can help with this long and daunting task. The following timeline will give you some benchmarks to help measure your progress as you consider a potential buy-in or buy-out.

## **24 Months Left in Residency** *Search Phase*

- Narrow your search. Identify two primary locations in which you would like to practice. Your spouse can be a key factor in this important decision. Frequently, a situation arises wherein a doctor desires a certain practice location but the spouse does not. Avoid this obstacle and agree together early on where you would like to practice.
- Send letters to orthodontists who are 45 years of age or older in your area of interest. Send a one-page letter explaining who you are, how long you have left in your residency and that you are considering entering this market. Follow up two weeks later with a phone call. Ask the following two questions: Did you get my letter? Would you be willing to speak about the possibility of entering your practice? You can learn a great deal about the market in that particular area from his or her responses. Keep in mind that most orthodontists do not want you to enter into their market unless you will be working with them.
- Register with companies that match buyers and sellers within the orthodontic market to let them know of your interests.
- Register your interests with the AAO. The American Association of Orthodontists provides a free matching service for buyers and sellers.



## **18 Months Left in Residency** *Visit Phase*

Hopefully at this point you have located a few practice opportunities. Now is the time visit the offices you have identified as possibilities. Your mission is to visit the practice(s), get to know the doctor(s) and decide if there is a potential fit for you. The seller will be evaluating you in the same manner. Many essential items need to be addressed during this initial visit:

- Inquire about treatment philosophy. At this point in your residency, you are in the midst of developing your treatment philosophy. Most practices that you consider have already defined their treatment philosophy. Make sure that any practice you are visiting contains major elements of how you want to practice.
- Determine pace and size. There are very profitable practices that see anywhere from 30 patients to 150 patients

a day. In some practices, the staff is allowed by law to accomplish a great deal of the actual orthodontic treatment. If you have not decided yet, it is time to determine whether you want a staff that does the majority of the work or whether you want to do it yourself.

- Observe the physical facility. What is the condition of the physical facility and its fixed assets? Make mental notes since you will have an opportunity to upgrade items as you gain ownership in the practice. However, if you are uncomfortable with the current status of the physical facility or certain fixed assets, discuss your concerns with the selling doctor. He or she may choose to upgrade some equipment, redecorate or spend money on leasehold improvements, especially if you will be partners for an extended period of time. Nonetheless, make sure you understand that you may participate financially in updating the practice and equipment to meet your desires.
- Assess local demographics. Research and be familiar with what is happening in the area's patient demographics. Most of this information is available for free through the web. Look at age group growth projections for the next ten years, particularly for ages 7-14. Examine the median household incomes, competition, school ratings, future school locations and employment projections. The selling doctor may provide you with a valuation that will address much of this information, which may supplement your research.

### **12 Months Left in Residency** ***Valuation and Housing Phase***

- Perform a practice valuation. If a valuation has not been done on the practice, encourage the potential seller to do this. A motivated seller will understand your request but you may need to suggest starting this necessary step. Most valuations take 60-120 days to complete. It is best to contact an independent third party to value the practice. The orthodontic community has provided a number of companies that do a very good, credible job in valuing practices.
- Schedule a second visit and allow your spouse to observe the practice. Ask the selling orthodontist to set up a meeting with a local real estate agent and take some time to explore the local housing market. You may also want to speak with a local banker regarding possible practice financing and possibly inquire about setting up your personal affairs (the seller often has relationships with local banks and may provide you with suggestions and referrals).

### **6 Months Left in Residency** ***Signed Agreement Phase***

- Get a signed agreement. All significant and substantial terms of the buy-in, buy-out and/or partnership agreement should be negotiated, finalized and in writing before you enter the practice. Be aware of all the details about what you will be buying. Know your income amount during your time as an associate and how the buy-in or buy-out will be structured. A cash flow model should be presented to show what your and the seller's net after tax income will be during the buy-in or buy-out. This will help to budget what you will be able to afford as you consider housing, cars, and general living expenses, including payments on your school debt.
- Specifically address corporate structure and tax allocation structure. Make sure you know the answer to the following questions: Will you be setting up your own company or buying into an existing company? How will the tax allocation structure be handled? If you are purchasing less than 100% ownership interest in the practice, is there a calculation or a formula for calculating the price for the remaining interest in the practice?

### **1 Month Left in Residency** ***Finalization and Enjoyment Phase***

- Relax and enjoy the results of your persistence and planning. Ideally, documents are signed or waiting to be signed as you prepare to enter the practice. While this time is hectic, especially if you have a big move, this is time to enjoy that last month of your residency. This is the final step in preparing to enter a fantastic profession.
- Transitioning into private practice can be a smooth process if you start planning for this event early in your residency. Keep in mind that locating and finalizing a practice opportunity averages two years, but for numerous residents the process is more drawn out. Take each step one by one and do not get frustrated with any setbacks that may occur. Just remember to start early and be persistent, and your hard work will pay off with a wonderful practice.

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