



# A good broker = peace of mind

**There is nothing more comforting than knowing that EVERYTHING IS GOING TO BE ALL RIGHT.** Whether it's a small child with her favorite teddy bear or your insurance being in "good hands," the knowledge that a project will be handled properly gives you peace of mind.

The same is true of a practice broker. When a doctor hires a broker to handle the sale of his or her practice, the selling doctor must have ultimate confidence in the practice broker. The seller needs to feel the broker will handle all the details of the sale ethically and capably. The two broad criteria I would recommend for hiring a practice broker are (1) the broker must be competent and (2) the broker must be honest.

Although a broker may be honest, if he or she doesn't have the degree of experience and expertise necessary to handle your transaction, your practice sale might be fraught with mistakes, stress, and failure. A capable practice transition specialist must be well versed in a variety of different areas, such as:

- ① *Proper appraisal methods;*
- ② *Fair and effective sales techniques;*
- ③ *In-depth knowledge of the legal and tax implications incidental to the practice sale. Overall, your practice broker must have good business judgment he or she can apply to your practice transition.*

Some questions you can ask your practice broker to determine his or her competency include:

- *Would you give me names and telephone numbers of sellers you recently represented?*
- *Could you explain to me the tax implications of the practice transition (especially if it involves a corporate practice and/or real estate)?*
- *How many practice transitions have you participated in during the previous two years?*
- *Explain to me the practice sales process from start to finish.*

In sum, it is critical to retain a practice broker with a high degree of *competency* to minimize costly mistakes.

The next main criteria for a practice broker is *honesty*. As with determining the competency of a broker, you can certainly request references. In addition, you can check with colleagues and other individuals in the dental industry to verify the broker's reputation. In the end, you must trust your broker to do the right thing.

One area to test for a broker's trustworthiness is his or her position on *dual representation*. Dual representation means the broker represents both the buyer and the

seller in the same transaction. In many jurisdictions, there has been litigation or statutes enacted to limit or prohibit dual representation. Yet today, dual representation remains commonplace in practice brokerages. In my opinion, practice sales are so important and so complicated that it is impossible to serve two masters well. Dual representation brings with it inherent conflicts of interest, which put the parties in extremely precarious situations and often negates the broker's objectivity. Moreover, dual representation typically adds to the cost of the transaction since both parties are paying the broker a fee, as well as other costs incidental to the transaction such as attorney and accounting fees. In my many years of experience, the most disastrous results have come from practice sales involving brokers representing both parties.

Another common scheme for the less-than-honest broker is "bait and switch tactics" or "ticklers." These sales tactics usually take the form of a cheap give-away or a "valuable secret" that will only be disclosed to you if you list your practice for sale. Recently, a brokerage company touted "tax-free practice sales." Naturally such a claim sparked curiosity in the dental community (and probably by the IRS as well). However, when potential sellers inquired about it, they were told that such "top-secret" information would only be revealed to them if they listed their practices for sale with that broker. Shamefully, after some unknowing sellers fell into the trap, they discovered the transaction was not tax-free, and they learned they would have to forfeit a substantial amount of their practice for such a scheme to be effective. A truthful broker has nothing to hide and is forthright about the methods he or she uses to assure you the best results from your practice transition.

The sale of your practice is certainly one of the most important decisions of your career. It is essential that you hire a broker with the highest degree of knowledge and integrity. As one doctor related to me, "It doesn't cost any more to hire the best." Thus, if you find a broker with these qualities, you will have peace of mind knowing your practice sale will be handled right! **DE**

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