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Business

MONEY MATTERS

# Who ya gonna call?

Selling a practice isn't a do-it-yourself endeavor.



By Leslie A. Mamalis,  
MBA, MSIT, CVA



**Are you thinking about selling your veterinary practice? Are you ready for retirement?** In a perfect world, your hospital would be appraised three to five years before you plan to sell so that you know what your practice is worth at that moment and to give you sufficient time to make changes that could increase the value of the business and the selling price. You also would meet with an accountant to put in place structures designed to minimize taxes paid on the sales proceeds.

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But the world isn't perfect and you aren't always able to plan at your leisure. So, if you're ready to sell and haven't talked with a CPA, make it your first call. If you learn that postponing a sale until next year would save you a bundle on taxes, you need to know that before you get too far along in the process.

Your next call should be to a veterinary business expert, someone who has made a career out of helping veterinarians and who understands the market. You also will need an attorney who works with veterinarians every day, not once or twice a year.

The same is true about consultants and brokers. Sure, the local SCORE office might identify someone who can mentor you through a sale, but you don't need mentors, you need experts who will ensure that your best interests are achieved. All these experts, whether attorneys, valuation analysts,

brokers or lenders, can direct you to other experts.

Whether you are selling a small piece of your business or the whole thing, you need to establish the asking price. Expecting a buyer to make an offer without any idea of the price you have in mind is unwise and unfair. Ideally, you will hire a valuation analyst or broker to help establish a price, but you could pluck a number out of the air if you wanted to. Just understand that you need to defend the asking price. That is much easier to do if an expert has prepared a written analysis.

Some veterinarians think they don't need expert representatives if they sell to a corporate consolidator. After all, consolidators buy practices every day and use standard contracts, so no point in trying to negotiate, right? Wrong! Regardless of who buys your practice, you need experts in your corner. Standard contracts can always

be renegotiated. If a consolidator declines to negotiate, take that as evidence the company won't be a good custodian of your practice.

Now, should you call a valuation analyst or a broker? And what's the difference, anyway? A valuation analyst is trained and tested in valuation principles and theory. By definition, a true valuation is unbiased, meaning the result would be the same regardless of who requested the analysis or how much the analyst was paid.

Brokers are different. When you hire one, you get an advocate whose job is to sell your practice and get you the best deal possible. Many are credentialed to appraise both real estate and the business, while a valuation analyst's expertise is valuing the business alone.

If you don't have a buyer lined up, hiring a broker to market your practice is essential, particularly if a deadline looms. If you need to sell quickly, a broker's wide reach will

help you do that. Using a broker also helps you preserve confidentiality and avoid having to respond to buyers, send information packets and schedule on-site visits. Believe me, you don't want prospective buyers calling the practice or your cell phone at all hours.

Trust your broker, attorney and consultant to help you make the best decisions. Selling a business is an emotional time, and keeping your emotions in check when the practice you built is questioned and analyzed is harder than you think. Making a decision when you are angry, frustrated or hurt rarely yields positive results. Your hired experts have your best interest in mind and the experience to handle any bumps in the road.

Once you select a buyer, helping the purchaser to be successful also is in your best interest. That means having policies in place so that your hospital's operations keep humming. The practice should run

smoothly with or without you.

Problems occur when a practice is owner-centric. These owners are the only people who know all the passwords, fix all the equipment, deal with the vendors and pretty much make all the decisions. In other words, the practice relies on the owner for just about everything.

Owner-centric practices have difficulty transitioning to a new owner. The buyer doesn't know the staff, the procedures or how to run the payroll. If this describes you as the owner, start relying on your team. Delegate, educate and trust others to do their jobs.

Finally, employees who hear that you are leaving the practice might tell you that they won't work for anyone else and will quit.

Actively discourage this. Thank these employees for their loyalty and encourage them to stay with the practice so that clients will continue to see people they know and their animals will continue to receive the level of care your clients have come to expect. Loyalty must transition from you to the practice.

Selling your veterinary practice is a culmination of the time you spent building and sometimes rebuilding your business and career. You used experts throughout your ownership, everyone from accountants and attorneys to software installers and cybersecurity consultants. Now is the time to call on experts who will guide you to the best possible outcome for both you and your practice. ■

Money Matters columnist Leslie A. Mamalis is the owner and senior consultant at Summit Veterinary Advisors.

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