

MONEY MATTERS

# Ownership Is a Great Idea

Nothing is guaranteed, but investing in and running a veterinary hospital can be a win-win financially and for your career.

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**A**t some point in their career, all veterinarians in private practice imagine their ideal hospital — from the type and level of medicine practiced to the diagnostic equipment purchased to the experience that clients would expect. To create that ideal practice, you need to own the business. Becoming an owner is achievable regardless of how many years you have left on your student loans. Owning a profitable hospital is the fastest path toward paying off your college debt, and it can provide you with a very satisfying career.

The two biggest benefits of business ownership are control and financial gain. These go hand in hand with the risks you accept when you own a veterinary practice.

## **The Control**

As a practice owner, you choose the equipment to buy, the hours the clinic is open, the philosophy or style of practice, the mission and the core values. You can set your work schedule, compensation and fringe benefits. You no longer depend on another person's decisions. But of course, you are now the decision-maker and are responsible for running a successful practice.

In the end, ownership provides you with the opportunity to shape your business and your professional life.



A significant reward of practice ownership is the ability to mold your practice to reflect your values. As the owner, you create the vision and provide the leadership to turn dreams into reality. You create a culture that embodies your vision so that even when you are not physically present, the practice operates the way you want it to. This is how you shape your business and build your professional legacy.

Understand that your level of control is usually proportional to the percentage of the business you own. If you own just a minority share, your ability to shape the practice is reduced. As a minority owner, you might need your partner's approval before you implement your ideas. Even when you own a majority interest, your business partners will have something to say about your decisions. Partners must have similar values and agree on the direction of the business.

## **The Financial Gain**

You might not have entered veterinary medicine to make a lot of money, but money can help you achieve personal and professional goals. Owning a practice allows you to earn significantly more money over time than you would as an associate veterinarian. As an owner, you are compensated for your position in the hospital and reap the profits generated. You decide how much profit to reinvest in the business. The rest is yours to take home. You can save it, put it toward your student debt, or spend it on a down payment on a house or car, on private school tuition or a college savings plan for your child, on a family vacation or on anything else you want.

Finally, practice ownership means you are investing in an asset whose value increases over time. Like with buying a house, when you build equity in a veterinary hospital, you have something of value that you can eventually sell.

## Business

When you are ready to sell, the asset can be a significant retirement nest egg. Unlike a home, a business is a source of ongoing revenue and profit.

If you buy a veterinary practice at a reasonable price, the business profits will be sufficient to cover your acquisition loan payments. You should be able to draw a salary equal to or greater than that of an associate veterinarian working a similar schedule. As the practice grows, the profits will surpass your debt requirements, creating an even greater return on your investment.

### Form a Reliable Team

Owning a business is about more than just money and control. As a veterinarian, you learned about a variety of animal species and their body systems, and you were expected to be competent in all of them. Likewise, as a practice owner you need to know something about a wide variety of business systems — from finance, marketing and human resources to customer service and regulatory issues. To be a successful business owner, you need to develop at least a baseline competency in each of these areas.

Unlike the vital need to master veterinary medicine, you don't need mastery of all aspects of business. You just need to be smart enough and humble enough to surround yourself with a team of advisers doubling as your ad hoc board of directors. At a minimum, you need a tax accountant and an attorney. Consider adding a marketing expert, a reputable IT company, a business consultant and a financial planner.

A competent full-time practice manager will make your job as the hospital owner significantly more manageable. Personnel, client and maintenance issues crop up every day. You cannot expect to adequately handle all those issues if you are seeing appointments, doing surgery or trying to take a day



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off. An experienced manager will address everyday issues without involving the owner. Leaving those decisions to the practice manager and keeping them off of your shoulders will reduce your stress level and allow you to focus on bigger decisions.

The most successful veterinary hospitals have a clear set of values and standards of care that form the basis for all client, patient and staff interactions. If your team members share a common frame of reference and a well-defined vision of how to practice, they will be empowered to act independently. That said, when it comes to the hospital's leadership, you can't "phone it in" and expect the business to be successful.

As an aside, the more a veterinary practice is client- and patient-centric and not owner-centric, the more valuable it is to a buyer. If you have systems in place so that your practice is not dependent upon you being physically present, then the systems are more likely to transfer to and persist under new ownership. This ability to transfer goodwill reduces the risk to a potential buyer and makes the practice more valuable.

### Why Not Give It a Shot?

Owning a practice requires substantial time and money. These resources, which are scant for most veterinarians, will be proportional to your share of ownership and will depend on how well-established your practice is and how effectively it is managed.

The greatest rewards in life are often earned on the heels of our biggest risks. When you invest in a business, you expose yourself to the risk that the business won't succeed and that you could lose much, if not all, of the time and money you put in.

On the other hand, if you nurture and grow your business, you have the opportunity to achieve great rewards, both personally and financially. **TMB**

## NEW OR USED?

You'll find a big difference between buying an existing practice and starting one. When you buy a hospital, it has an active client and patient base, appointments on the books, and an established reputation. The business is generating profits and covering

your salary. A start-up veterinary practice has no clients or patients, no appointments, and no reputation. Not only are profits nonexistent, but you also might not be able to pay yourself for four to six months after the hospital opens. Even then, your

pay probably won't equal what you made as an associate veterinarian until sometime in the middle of the second year. Don't take all that to mean you shouldn't start a practice. Just understand that a new business needs to grow before it can afford you.