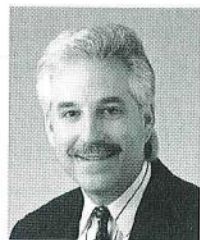


# How to Write A Dental Business Plan

**Y**ou are thinking about going into business, have met with the dental lender and were told for the very first time that you will need to write a dental business plan. The lender goes on to tell you, "The first time you took a trip, you had to use a road map. Well, this is your road map to your dental success: a dental business plan."

While attending dental school, you may have been given the option of attending a business class, but you opted out for the clinic or the lab at school. Now you are kicking yourself for not attending that one particular course where the dental school brought in an expert for one day to teach the dental students how to write a dental business plan. *Dental Entrepreneur*

recognizes this may be the case and has asked me to share my thoughts and ideas on your dental business plan.



Allen M. Schiff

Once completed, your dental business plan should include as much information that the lender will need in order to make an informed lending decision. In fact, if your business plan is written correctly, your lender will not ask you for any additional information.

Here are some initial thoughts for you to consider about your dental business plan:

- Does the writing reflect your enthusiasm?
- Does it demonstrate your understanding of the business and your commitment to it?
- Does it answer all the questions that

you may have (if you were the actual dental lender)?

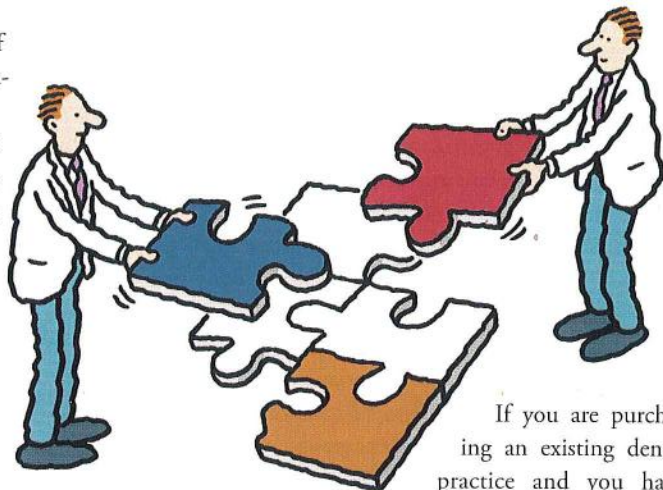
- Would you approve the financing requested (if you were the dental lender)?

## Introduction

Within the introduction section of your dental business plan, please be sure to be clear who the borrowers are and what form of entity you choose to create to borrow the money from the dental lender. For example, you could borrow as a Corporation (C or an S), as a LLC (a limited liability company) or as a Sole Proprietorship. Please be sure to consult with a dental CPA who is a professional tax advisor as to which entity makes sense for you.

In addition to the above and within the introduction section of your dental business plan, you should:

- Identify the purpose of the loan in detail
- Explain exactly how the loan proceeds will be used
- Identify the specific loan amount needed and what the funds will be used for
- Identify the timing of when the funds are needed
- Identify how the loan amount will be taken and repaid
- Show how the loan amount is not too small or too large



If you are purchasing an existing dental practice and you have agreed to the purchase price as well as the allocation of the purchase price with the seller, then you should reflect that information within this section of your dental business plan. Within the exhibits section of your dental business plan, you should include the legal documents, such as the purchase agreement, in order to support the above.

If you are starting a practice from scratch in the form of a dental start-up, then you should inquire to the various vendors the approximation of the cost of their services and reflect that information here in the introduction as well. For example, you may want to inquire to the dental contractor as to the build-out costs, the dental equipment vendor as to the equipment costs, the dental practice management software consultant as to their costs, etc. Once you are able to obtain these quotes, they should be summarized in an orderly fashion within the introduction section of your dental business plan. Within the exhibits section of your dental business plan, you should then include the detailed quotes from the vendors in order to support the above.

### Description of Business

Within this section of your dental business plan, you want to outline when the business started, how it came to be started and who was involved in its direction. For example, you have decided to purchase Dr. Smith's Dental Practice who has been located at 123 W. Main Street, Anytown, USA for the last 30 years. If you are purchasing Dr. Smith's assets this should be clear here; whereas you may have decided to purchase just Dr. Smith's entity. In any event, you should state your company's legal structure (Corporation, Sole Proprietorship, LLC, etc.).

You may also want to mention the goods and services currently offered by Dr. Smith and how you may offer them as well as introducing the new dental technologies that are currently not offered.

If you are considering a dental start-up, then you want to mention why you have chosen this community over others to hang your "shingle." You may want to consider including a demographic analysis of this community. A demographic analysis displays information about the population within the community that includes information normally obtained from the US Census Bureau as well as an analysis of your local competition. Currently, the ADA offers these services through their for-profit division ADAidm, which stands for ADA intelligent dental marketing. You can visit their web site at [www.adaidm.com](http://www.adaidm.com).

### Management of Business

If you have decided to purchase an existing dental practice, one of the largest assets you are acquiring is the continuity of the current team. Please be sure to include a listing of key management personnel and the job responsibilities of your newly acquired team. I like to list these within your dental business plan by department: Clerical, Chairside and Hygiene. Naturally, if there is an associate already employed and you have decided to retain their services, they should also be included within this section of your dental business plan.

Additionally, I would encourage you to include your curriculum vitae (CV) or your resume. Please be sure to list

If you are considering a dental start-up, then you want to mention why you have chosen this community over others to hang your "shingle."

all of your professional accomplishments, like papers written and awards you may have received while attending your dental school. You may also want to include a copy your current driver's license and dental license. And, don't forget a rundown of any or all of your following professional advisors, such as:

- Dental CPA ([www.adaidm.com](http://www.adaidm.com))
- Attorney
- Equipment Specialist
- Contractor
- Insurance – Commercial Agent
- Insurance – Life & Disability Agent
- Commercial Real Estate Advisor
- Dental Lease Specialist
- Other

### Description of Service/Products

In this section, you want to inform the dental lender what products and services you will be offering. You should also con-

sider major changes and developments that may occur once you acquire Dr. Smith's dental practice. For example, you have been trained on digital radiograph and currently Dr. Smith's practice is still using an automatic processor.

Also within this section of your dental business plan, please include a current fee schedule in ADA nomenclature that Dr. Smith is currently using; or if you are considering a dental start-up, what your new fee schedule may be also look like in ADA nomenclature. Your dental CPA can help you with this.

Due to your dental school training, you should mention here some of the services you will implement that Dr. Smith currently does not offer. For example, you may have been trained to perform simple endo, which Dr. Smith currently refers out. Perhaps you were trained through Align Technologies on Invisalign since you graduated dental school. This would be the appropriate section of your dental business plan to mention such.

### Financial Information

In order for the dental lender to make an informed business decision as to whether they can approve your loan proposal, they will need various financial documents to review. Many of these documents will come from the selling dentist, but some you will have to prepare. If the seller sup-

See "Business Plan" on page 36

## Business Beyond the Classroom

### RESOURCE GUIDE

**Cincinnati Insurance Company**  
800-769-0548  
[www.cinfin.com](http://www.cinfin.com)

The Cincinnati Insurance Company was founded in 1950. The Cincinnati's Dentist Package Policy offers state-of-the-art coverages...broad property coverages and professional liability on the much preferred occurrence form. We won't settle a professional liability claim without your consent. We are rated A++ (Superior) by A.M. Best Company. Please see our ad on page 33.

**ADA Insurance Plans**  
888-463-4545  
[www.insurance.ada.org](http://www.insurance.ada.org)

For loan collateral, debt protection, and peace of mind, dentists look to the American Dental Association for best-in-class life and disability insurance, including free life insurance and discounted disability insurance for dental students. ADA members buy direct and pay no commissions, which keeps rates low and hard to beat. You get professional guidance without any pressure or conflict of interest. Great-West Life & Annuity Insurance Company has underwritten and administered the ADA Insurance Plans since 1934. Please see our ad on the back cover, then compare for yourself!

plies you with their financial documents, in order for these financial documents to be considered current under current lending guidelines, all documents should be no older than 90 days. For example, if you are purchasing an existing dental practice whose current business accounting period ends as of Dec. 31 each year, than those documents must be obtained within 90 days of the year end (March 31) otherwise they will be considered "stale." It is important for the selling dentist to cooperate with you here, in order to avoid unnecessary delays and costs.

Here are suggested financial documents:

- Three years of historical financial statements
- Three years of business income tax returns
- Three years of individual income tax returns
- Current personal financial statement
- Prospective financials for five years (forecasts, projections & cash flows)
- Current business financial statements (within 90 days)
- Current copy of your credit report (www.freecreditreport.com)
- Copy of current A/R aging schedule

### Additional Information

Included in this section of the dental business plan should be a copy of your proposed lease, facility layout, trends in dentistry and any testimonials you may have received from colleagues, patients, professors, neighbors, etc. Prior to graduating from your current dental school, you may want to politely request of your current (as well as prior year) professors to write something nice about you and your professional abilities. If you are one of the lucky dental school students to receive a testimonial from a patient you have treated within your dental clinic at your dental school, you may want to save these to include in your dental business plan as well.

### Final Thoughts

Please try to avoid superlatives such as "unbelievable profits" and "incredible sales." Put together your dental business plan so that it is interesting, concise, readable and reflects your enthusiasm. Now that you

Prior to graduating from your current dental school, you may want to politely request of your current (as well as prior year) professors to write something nice about you and your professional abilities.

have your business road map completed, you will be more confident in dealing with the dental lender and arriving at your business life's destination!

*Allen Schiff is the Managing Member of Schiff & Associates, LLC (S&A). Prior to forming S&A, Allen was a Partner with Smart and Associates and was their Practice Leader for Dental Practice Management Services. Allen has over 30 years of expertise in the areas of dental practice management. He provides clients with services in the areas of business planning to include obtaining financing, succession planning, exit strategies and long-range planning. Allen is a founding member of the Academy of Dental CPAs (www.ADCPA.org). This group of CPA firms across the nation specializes in practice management services to the dental industry. The ADCPA combines its outstanding resources and expertise to share information and jointly develop resources to better serve the dental community. Allen can be reached at [aschiff@schiffcpa.com](mailto:aschiff@schiffcpa.com).*

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