



Preparing for Practice Ownership

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Wednesday, January 14, 2015

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“Ambition is the path to success. Persistence is the vehicle you arrive in.”

– *Author unknown*

Business opportunity

- Highest income-earning generation in history
- Historical and current trends
 - Two *Business Insider* articles placed optometry on a list of high-paying, low-stress jobs
 - In 2013, optometry made the list of 15 occupations and was given a stress tolerance rating of 65.5, on a scale from zero to 100, and the average salary was noted as \$97,820
 - In 2014, optometry was on a list of 17 and both its stress tolerance and average annual salary saw increases: 70.3 and \$111,640 respectively

Source:

www.aoa.org/news/inside-optometry/optometry-perfect-balance-of-high-pay-and-low-stress?sso=y

Future of optometry

- Individual opportunities abound
 - High barriers to entry
 - Very little proactive competition
 - Great lifestyle
- High incomes are associated with:
 - Demographic factors
 - Educational factors
 - Employee development

It's a great time to be an optometrist

Successful business owners...



Preparing for Ownership: Your roadmap to success

Step 1: Define your **vision**

- Ask yourself: “What do I want — personally and professionally?”
 - Articulates what you want and where you want to go
 - Personal skills
 - Community
 - Practice “must have” vs. “nice to have”
 - Lays the foundation for short and long-term goals

Start with the end in mind

Step 2: Set **goals**

- Why do you want to make a change?
- Where do you want to be in 3, 5 and 10 years?
- Do you want to buy an existing practice or start one from scratch?
- Do you want to own property or lease space?
- What size practice do you want?
 - How fast do you want to get there?

Step 2: Set **goals**

- How many years do you want to work?
- Where do you want to live? Work?
- Will you practice solo or bring in an associate or a partner?

Step 3: Develop your **business plan**

- Key components
 - Professional and practice objectives
 - Financial projections
 - Capital and operating expenses
 - Production goals
 - Marketing strategies
 - Operations and business controls
- Use your vision and your goals as your foundation
- “Must have” vs. “nice to have”

Step 4: Prepare your **portfolio**

- CV or resume
- Clinical & personal references
- Two years personal tax returns
- Production reports
- Personal financial statements
- Credit report
- Household budget
- Insurability
- Licensure

Managing your financial profile



Ask yourself: Is my credit strong enough to allow me to start or purchase my own practice?

About credit

- Credit allows you to borrow tomorrow's money to pay for something today
- Credit is a privilege – not a right
- National distribution of credit scores

Credit score	% of population
750 – 850	40%
700 – 749	18%
650 – 699	15%
600 – 649	12%
300 – 599	15%

How credit scores are calculated

Credit factor	% of total score	Considerations for improving score
Payment history	35%	Have you made your payments on time?
Outstanding debt	30%	How much do you owe?
Credit history	15%	What is length of your credit history?
Pursuit of new credit	10%	Have you made numerous applications for new credit? Are you taking on more debt?
Types of credit in use	10%	Do you use a variety of credit types?

Source:
www.myfico.com/crediteducation/whatsinyourscore.aspx

Actions that can harm your score

- High Balances on credit card(s)
- Late payment(s)
- Debt settlement
- Foreclosure
- Short-sale
- Bankruptcy
- Judgment
- Liens
- Tax liens

How to improve your financial profile

Do	Don't
Maintain 2-3 revolving credit accounts <ul style="list-style-type: none">• Credit cards, lines of credit	Apply for credit with too many lenders in a short timeframe
Make on-time monthly payments	Use all credit available <ul style="list-style-type: none">• Don't "max out"
Keep all documentation clearing incorrect information reported on your loan history	Co-sign for loans
Protect your identity <ul style="list-style-type: none">• Review your credit report twice a year• Inform credit bureaus of discrepancies in writing	Inadvertently reveal your personal information

Credit reports and credit bureaus

- Review your credit report at least twice a year
 - www.annualcreditreport.com
- Inform all credit bureaus of any discrepancies in writing

Equifax	Experian	TransUnion LLC
www.equifax.com	www.experian.com/consumer	www.transunion.com
800-685-1111	888-397-3742	800-888-4213

Financing you future

Optometrists have unique financing needs

- Build out costs tend to be higher than general use offices
 - Multiple lanes
 - Displays, equipment and inventory costs
- High-tech equipment and integration

Multiple sources of financing

- Specialty lenders
- SBA lenders
- Conventional banks
- Partial seller note
- Finance brokers

Different lending philosophies

- Collateral based
 - Lending based on value of personal assets
 - Use personal items as collateral
 - Homes, money market accounts, CDs, etc.
- Cash flow
 - Lending based on historical performance & practice potential
 - Use practice as collateral

Planning for success

- Make sure the revenue generated by your new practice fits with your business and personal expense obligations
 - Student debt
 - Business debt
 - Living expenses
 - Future plans

Calculating cash flow

Revenue
(-) Expenses
Net income

(+) Depreciation
(+) Amortization
(+) Doctor's compensation
Gross practice cash flow

(-) Practice debt service
Cash flow for personal use

(-) Personal expenses

Net cash

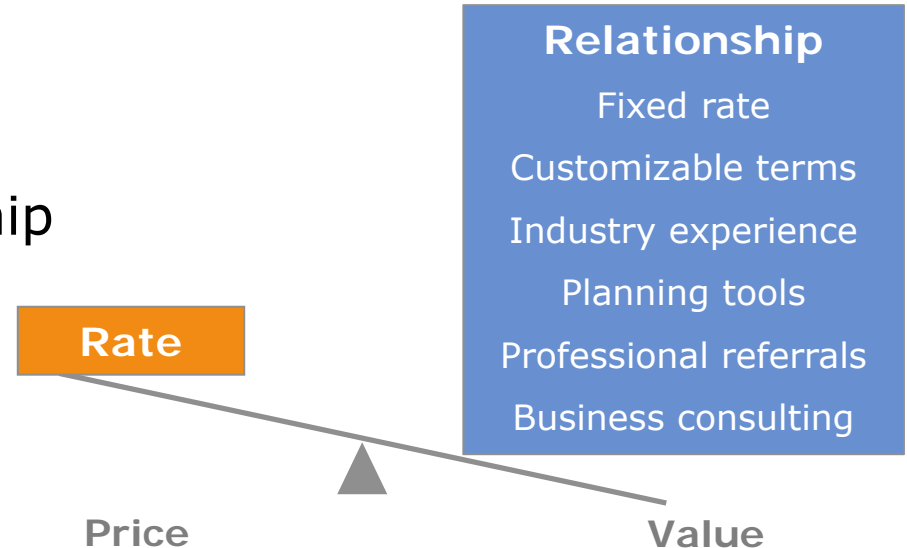
Practice loan characteristics

	Specialty lender financing	SBA loan	Conventional loan
Structure	<ul style="list-style-type: none"> ▪ 100% financing ▪ 10 year amortization ▪ Graduated or deferred payments 	<ul style="list-style-type: none"> ▪ Fixed/variable rate. <ul style="list-style-type: none"> ▪ 7a= 10 years ▪ Fully amortized over term of loan 	<ul style="list-style-type: none"> ▪ Fixed/variable rate ▪ 5-7 year ▪ Fully amortized ▪ Collateral outside of practice
Down payment	<ul style="list-style-type: none"> ▪ 0% 	<ul style="list-style-type: none"> ▪ 10-15% 	<ul style="list-style-type: none"> ▪ 20%
Closing costs	<ul style="list-style-type: none"> ▪ \$500 (paid by borrower) 	<ul style="list-style-type: none"> ▪ 2.6-3.5% (can be financed into loan) 	<ul style="list-style-type: none"> ▪ 1% typical
Approval time	<ul style="list-style-type: none"> ▪ 3-5 business days 	<ul style="list-style-type: none"> ▪ 1-2 months 	<ul style="list-style-type: none"> ▪ 1-4 weeks
Strength	<ul style="list-style-type: none"> ▪ Financing based primarily on historical/projected practice income 	<ul style="list-style-type: none"> ▪ How traditional lenders get these deals done 	<ul style="list-style-type: none"> ▪ Good rates but hard to qualify for
Must have	<ul style="list-style-type: none"> ▪ Average to good personal credit and cash flow 	<ul style="list-style-type: none"> ▪ Average to good personal credit and cash flow 	<ul style="list-style-type: none"> ▪ Collateral, average to good personal credit

Selecting your lender

- Look for:
 - Experience
 - Understands the process, industry and profession
 - Price vs. value of relationship
 - Graduated repayment structure
 - Cash flow evaluation
 - Approval time

Be sure the value you receive is worth the price you pay



Questions to ask your potential lender

- What specific markets do you serve?
 - Do you have eye care industry experience?
- What are your fees (closing costs, etc.)?
- Fixed or variable rates?
- What is your pre-payment policy?
- How does the approval process work?

Questions to ask your potential lender

- Who will fund my loan?
- Who will service my loan?
- Who do I call if I have questions or need help?
- How can you help if I experience problems in my practice?
- May I speak with current optometric clients?

Are you ready for practice ownership?



What's
stopping you?



Are you
prepared?

Overcoming obstacles

- Too much debt
- No collateral
- No money to put down
- Not sure if you'll qualify for a loan
- Afraid to own or run a practice

Preparing for a Practice Acquisition

Practice acquisition team



Due diligence: **Analyze** the practice

- Location and curb appeal
- Facility condition
- Business systems
- Chart audit
- Staff & associates
- Seller information
- Time on market

Due diligence: **Evaluate** the practice

- Does the practice provide the income you need to support your business and personal needs?
- Your team can help with the following:
 - Cash flow feasibility (Lender)
 - Practice evaluation (Practice management consultant)
 - Independent appraisal (Broker)

Sample costs: practice acquisition

Practice acquisition	\$665,000
Working capital	<u>\$ 80,527</u>
Total business loan	\$745,527

Monthly payment

(4.99% fixed over 10 yrs.*)

\$8,157

** Assumes "good" FICO*

Plus monthly business expenses

Preparing for a Practice Start-up

Practice start-up team



Practice planning overview

- Define your practice
 - Vision, goals and business plan
 - Practice size
 - Type of services
 - Personnel and management
 - Marketing
- Understand the business aspects
 - Legal structure
 - Competition
 - Overall financial position

Practice planning

- Location, location, location
 - Is this where I want to live and work?
 - Demographics
 - Patient draw/access
 - Zoning law, issues & costs
 - Seasonal impact
 - Current & future space needs
 - Current & future equipment needs
 - Location for retail business

Practice planning

- Operational considerations
 - Scope of services
 - Days and hours of operation
 - Equipment and supply needs
 - Systems in place
 - Staff
 - Frame inventory

Practice planning

- Marketing plan
 - Who are your patients?
 - Demographics
 - Will the market support the type of practice you want?
 - Internal marketing
 - External marketing

Sample start-up costs: leased office space

Leasehold improvements	\$125,000
Equipment, furnishing, etc.	\$135,000
Working capital	<u>\$ 65,000</u>
Total business loan	\$325,000

Graduated payment plan*

3 @ \$100

9 @ \$1,459

12 @ \$2,702

96 @ \$4,033 5.39%

** Assumes "good" FICO*

Plus monthly business expenses

Everybody wants your business.

How do you choose?

- Get recommendations from other doctors and service providers
- Interview multiple candidates
 - Learn how to get what you need out of an interview
 - Ask to see other projects/samples of their work
 - Ask for references
- Who do you feel will best help you meet your needs?

Remember your keys to success

- Vision
- Demographics
- Planning
- The right team
- Adequate budgeting
- Enjoy the process
- Focus on moving forward
- Compassion, Service, Quality, Integrity

Thank you

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All practice financing is subject to credit approval.

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