

## **The Practice Owner's Guide to Retirement**

By Mark Crootof, DVM and Veterinary Consultant

In terms of thinking about retirement, most vets fall into one of the following categories:

### **The Early Bird**

At age five, you smashed your piggy bank and invested the \$1.98 in an IRA. You're reading this article either to revel in your far-sightedness or check to make sure you haven't forgotten something.

### **The Average Joe**

You know you are supposed to be thinking about retirement, and after nudges from your financial planner, you've ensured that you'll have enough to eat. Trips to the French Riviera, however, might be far and few between. You're reading this for tips on how to make such trips less far and few.

### **The Late Bloomer**

Retirement? You? Ha! You're going to work forever! While your rational mind knows that eventually you're going to want to spend your days in the sun instead of over a lab table, there's a deep secret voice that whispers that it's not something you need to worry about now . . . You're reading this because worried friends staged an intervention and locked you in a room with this article and a stiff drink.

To objectively assess which of these categories you fall into, you should schedule some quality time with your CPA, during which you can discuss exactly how much money you will need after retirement and how to make sure it's there. This is a vital step that far too many veterinarians postpone, and it is not something you want to learn too late – once retired, veterinarians fall behind the times quickly, making it almost impossible to return to work.

Next, you will want to have your practice evaluated by a practice management consultant. Being an Early Bird, Average Joe, or Late Bloomer might determine how well you employ the suggestions herein; however, regardless of which of the personality types above best matches yours, nearly all practice owners are also

### **The Optimist**

You're not too worried about retirement: you own a solid practice that has stood you in good stead for years, and you're sure that you will be able to sell it easily and retire on the profits.

This is a persistent, dangerous myth – persistent because many vets *are* able to retire thanks to such a sale, and dangerous because the preparation necessary to make that probable isn't

obvious. For example, owners often minimize their profits, either to minimize taxes or because they don't realize their practice's potential. However, the profits from the past few years are the largest determinant of a practice's sales price. Potential buyers rarely take the years and energy you've spent building a practice up into account in their offers, which comes as a severe shock to many owners.

The surest way to avoid this unpleasant surprise is to get a practice evaluation. A consultant will help you separate the emotional value of your practice from its fair market value by reviewing your financials, determining a fair price tag, and working with you to create a plan to reach that goal. David McCormick, MS of Simmons and Associates, Mid-Atlantic group, believes that a valuation is "one of the most important steps you can take . . . If the value is where it should be, you're all set. If not, the veterinary practice appraiser can help identify why and get you on the path to improving your practice."

Jim Gunther, a practice consultant and evaluator for Brakke Practice management group, agrees: "[Veterinarians] should start at least three to five years before the planned date of change with the first of several valuations to ensure they have optimized the value of the practice. Value does not merely happen: it is planned, evaluated, and tweaked many times before it is complete."

In addition, to ensure that your optimism is well founded in reality, there are a number of questions to consider at least two years before selling:

1. Should you consider changing your practice's type of legal entity?

According to Ed Guiducci, a veterinary attorney, "It is extremely important for a veterinarian that is considering selling his or her practice to retire from veterinary medicine to evaluate whether or not the legal entity that operates his or her veterinary practice will provide the most favorable tax treatment. You should not delay talking to your tax advisor and attorney because there are significant tax consequences if you have not done proper entity planning on the sale of your practice."

2. Are you planning on selling the practice and the real estate together, or were you thinking of acting as a landlord and only putting the practice on the market?

There's nothing inherently wrong with choosing either one of these options, but in my experience it is almost always easier for the seller to package everything together. This saves you the headache of property management, and it makes a much more attractive deal for the buyer – which sometimes makes the difference between an offer and a pass.

An owner's overestimate of a practice's value may be compensated for by an undervaluing of the rising worth of real estate. Sometimes, in a package deal, the two will cancel each other out. It is always preferable, however, to be in the position of making the decision to sell the real estate over being forced into it.

3. Will you finance part of the deal?

If you, as the seller, are willing to hold paper for three to five years, the lending company will be more comfortable financing the sale. The more comfortable the lending company is, the smoother the sale.

4. Who are you planning on selling to?

When it comes time to sell, *always* list your practice nationally. No matter how many assurances your associates have given you, they will always prioritize the unexpected needs of their families over your expected needs. At worst, this is an insurance policy; at best, you might find yourself moderating a bidding war.

5. Have you considered corporations as potential buyers?

Corporations are usually only interested in the larger practices (ones with multiple doctors that gross over a million), but for such practices they are often-overlooked potential buyers. If you have reservations about selling your practice to a national chain, remember that there are many regional corporations as well.

Finally, the question that seems obvious, but which most veterinarians rarely consider:

6. What are you going to do after you retire?

Retirement may not be the extended holiday you anticipated. You've spent your life working hard and mostly enjoying it, so it's unreasonable to think that abruptly you're going to be happy sitting around for the next thirty years. Sure, a week with your feet up is great, but soon you might find you're itching for something to do. Because most vets work incessantly in their professional careers, the majority have not cultivated the hobbies that might otherwise fill the empty hours.

To avoid post-retirement depression, you should start thinking now of how you would like to spend your time. That trip to the French Riviera is appealing, but what are you going to do when you return? Maybe volunteer for a library, work on a political cause, or lecture at veterinary schools. Or maybe you'd like to become a veterinary consultant and help others avoid making the same mistakes you made. Hey, it worked for me.

**Sidebar: Other Questions to Consider before Retiring**

1. Are you selling the entire practice, or a part of it?
2. Will your retirement be complete or partial?
3. Will you work part-time for the buyer?