

## ARTICLE

# Vital signs: The pros and cons of buying an established medical practice

May 2016, NAB

Purchasing a practice could secure a medical practitioner's financial future – and there are good reasons for choosing one that is well-established.

"An existing customer base provides a predictable cash flow from day one," says Nathan Marris, Relationship Manager at Medfin Finance. "Everything you need to run a practice will be in place, including staff who know the business and how to do their job, so you can just walk in and take over."

Inevitably, there are also possible drawbacks. "The staff might not have the same approach to patient relationships and care as you," Marris continues. "You might also be buying a level of liability. For example, depending on how you structure the purchase, you may have to pay any long service leave accrued by staff employed there for more than 10 years."

### Purchasing cost

How much you will have to pay for a medical practice varies widely and depends on a number of factors.

"The most significant is the location," says Marris. "Most practitioners prefer to work in an urban environment, so a country vendor might struggle to find a buyer."

When it comes to finance, Marris recommends talking to an industry specialist.

### Start-up versus the purchase of an existing business

Dr Nour Tarraf considered building an orthodontic practice from scratch but decided that an existing business would save more time, which could be spent with his family.

"Starting out with experienced staff and effective systems meant I didn't have to spend my evenings working out what to do," he says. "A more secure cash flow was also a factor although, for an

orthodontist, this only applies for a limited time. A dentist or general practitioner could inherit whole families of patients who return regularly for treatment but, as we tend to see people for a one-off course of treatment, marketing was always very important."



### Finding the right practice

Dr Tarraf grew up in Egypt and studied dentistry and orthodontics at Cairo University. He completed a Master's degree in Orthodontics at the University of Sydney in 2008 and is currently working on a part-time Ph.D.

"I'm very interested in research and teaching so, when I finished my studies, I divided my time between academia and private practice," he says. "Then, when I decided I wanted to own a practice, I started working at three different locations on the understanding that, after 12 months, I'd have the option of buying."

He eventually decided on a practice in Chatswood on Sydney's North Shore.

"I have a particular interest in treating adults and children with aesthetic and invisible appliances and, as Chatswood is a rapidly-growing suburb with lots of businesses starting up, it seemed the ideal location,"

For more information Contact:-

Office: 86-90 Bay Street, Broadway, NSW, 2007  
Mail: PO Box 537, Broadway, NSW, 2007  
Phone: +61 2 9211 5977 | Fax: +61 2 9281 8424  
Email: [gpl@gplsolutions.com.au](mailto:gpl@gplsolutions.com.au)  
Website: [www.gplsolutions.com.au](http://www.gplsolutions.com.au)

**gpl SOLUTIONS**  
building wealth & lifestyle together

he says. "I went to Medfin for finance because I believe it's important to use a specialist lender. As well as being very helpful and professional they provided insight into what I needed to factor into my purchase arrangements."

Importantly, this included equipment and technology.

"As soon as I started working at the practice I invested in the latest 3D technology and updated all of the systems to ensure I could provide cutting-edge treatment," Nour continues. "This also gave me a point of differentiation."

### **Engaging with the community**

From the outset, his marketing strategy was to engage with the community by taking part in street fairs and sponsoring local events. He's also rebranding the practice as Chatswood Orthodontics to underline his commitment to the area.

"When I started working here it was two-day practice," he says. "Now it's a four-day practice with four full-time and three part-time support staff. My aim is to take on an associate so that we can operate full-time."

Dr Tarraf advises practitioners thinking of purchasing a practice to make their intentions clear from the start.

"If you join a practice without having an agreement in place you could end up wasting years of your time," he says. "You should also insist on a specific exit strategy for the existing owner. Blurred lines can cause many problems."

### **Tips for buying into an established practice**

1. Do due diligence to ensure you know exactly what you're buying, including the liabilities.
2. Ensure you have adequate income protection, accident and life insurance. As a practitioner, you are the business asset – if you can't work, you have no income.
3. Invest in an adviser you can trust to understand the ins and outs of the business. If the process isn't correct at the start, it can be difficult and expensive to put things right.

*Disclaimer: this information is of a general nature and should not be viewed as representing financial advice. Users of this information are encouraged to seek further advice if they are unclear as to the meaning of anything contained in this article. Bstar accepts no responsibility for any loss suffered as a result of any party using or relying on this article.*

---

For more information Contact:-

**Office:** 86-90 Bay Street, Broadway, NSW, 2007  
**Mail:** PO Box 537, Broadway, NSW, 2007  
**Phone:** +61 2 9211 5977 | **Fax:** +61 2 9281 8424  
**Email:** [gpl@gplsolutions.com.au](mailto:gpl@gplsolutions.com.au)  
**Website:** [www.gplsolutions.com.au](http://www.gplsolutions.com.au)