

## Crafting the Perfect Exit Strategy for New York Dentists

**William Barrett, Esq.**

CEO, Mandelbaum Barrett PC



*Bill Barrett is the CEO of the full-service law firm Mandelbaum Barrett PC, co-chair of the firm's National Dental Law Group, and dental dealmaker who has successfully closed hundreds of transactions nationwide. He has co-authored two best-selling books on dental industry transactions, showcasing his expertise. Bill is also a nationally recognized speaker at industry events across the country. Mandelbaum Barrett PC is a Corporate Friend of NYCDS.*

As a New York dentist, planning your exit strategy is just as critical as building your practice. Whether you are approaching retirement, seeking a career change, or exploring new opportunities, your decisions will shape your financial future and the legacy of your practice. This article identifies key exit strategies to help you transition effectively.

### Exit Strategies: Understanding Your Goals

Dentists have different motivations for exiting their practices. Some prioritize maximizing value, while others focus on legacy preservation or a phased transition. Timelines also vary—some want to continue practicing for years, while others prefer a swift exit. These considerations will determine the best transition strategy.

### Selling to a Dental Service Organization (DSO)

Selling to a DSO is often thought of as the most lucrative option because it generally results in a higher valuation than selling to an individual. DSOs typically offer an upfront cash payment along with equity accounting for 30-40% of the purchase price. It is important to note that most DSOs require the seller to continue providing clinical dentistry during a three-to-five-year transition period.

While this option provides financial security and administrative support, it comes with less autonomy over practice operations. To ensure a successful sale, dentists should compare offers from multiple DSOs and engage an attorney experienced in these transactions to negotiate favorable terms.

### Transitioning to an Associate

For dentists who want to phase out gradually while maintaining practice continuity, selling a minority interest in the practice to an associate is a viable approach. A typical structure starts with a sale of 20-30% of the practice, followed by a future purchase that is triggered by the senior dentist's death, disability, or retirement.

This model allows the senior dentist to mentor the associate, ensuring they are a good fit for the practice's culture and patient base. A clearly defined partnership agreement outlining the timeline and terms of the transition is essential to avoid future disagreements.

### Selling to Another Dentist

Selling directly to another dentist is often the fastest way to exit a practice. While this option may not offer the same financial return as selling to a DSO, it allows for a clean break with fewer contractual obligations.

To streamline the process, working with a broker can help identify and vet potential buyers. A structured transition plan, including proper introductions and patient referrals, can also ease the handover and ensure continued success for the new owner.

### Merging with Another Practice

A merger allows for a gradual transition and can enhance the overall value of both practices. By combining resources, the seller benefits from shared operational costs and continued patient care. However, this approach comes with challenges, including the existence of lease obligations. One of the key drivers of a merger is the economies of scale and synergy gained by consolidating into a single location, which can create value and increase profitability. However, if the doctor whose office will no longer be used still has remaining lease obligations, this can become a significant obstacle to closing the deal. Addressing these financial commitments early in negotiations and planning for potential solutions can help ensure a smoother transition.

### Assembling a Transition Team

A successful practice sale requires expert guidance in finance, law and operations. An experienced accountant will assess the practice's valuation, while a dental attorney ensures contracts are properly structured. A broker can help market the practice, and a practice consultant can offer strategies for maximizing value.

Many dentists hesitate to hire a full advisory team due to cost concerns, but investing in expert guidance early can prevent costly mistakes and ensure a smooth transition.

### Planning Your Next Move

Regardless of the chosen exit strategy, planning ahead is critical. The first step is to assess your timeline and financial goals—whether you want to retire immediately or transition over several years. Obtaining a professional valuation helps determine the practice's worth, while exploring different exit options ensures alignment with long-term objectives.

Building a transition team early allows for strategic decision-making and legal preparedness.

It is also important to consider how and when to inform staff and patients. A thoughtful communication plan ensures confidence in the transition while maintaining trust and continuity in patient care.

A well-planned exit strategy maximizes practice value and ensures a smooth transition for patients and staff. Whether selling to a DSO or another dentist, merging, or transitioning to an associate, early preparation is key. Engaging the right professionals, defining objectives and structuring a thoughtful transition plan will set the stage for a successful next chapter.

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