

## Succession Planning in Dentistry: Structuring a Successful Transition

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For most dentists, their practice represents a lifetime of professional effort, patient trust, and financial investment. Yet, succession planning is often deferred until retirement is imminent or a triggering event occurs. This failure to plan can result in diminished practice value and significant challenges for a dentist's family.

Ideally, succession planning should begin at least three to five years before a transition. Early preparation provides the flexibility to evaluate options, position the practice for maximum value, and structure a transition that aligns with both financial and personal goals.

### Legal and Practical Constraints

Dental practices operate within a different regulatory framework than many businesses. Under New York law, only licensed dentists may own and control dental practices. Unlike other assets, these restrictions limit the ability to transfer ownership to non-dentist family members and require careful planning in the event of retirement, disability, or death.

If a dentist becomes unable to practice without a succession plan in place, the value of the practice may decline rapidly. Although a deceased dentist's estate may, in limited circumstances, continue a practice temporarily through licensed dentists to preserve operations and facilitate an orderly transition or sale, New York law does not permit indefinite operation by an estate or unlicensed owners. Early succession planning is therefore critical to preserving practice value.

### Four Common Sale Pathways

While each situation is unique, most dental practice transitions fall into one of four categories:

#### 1. Outright Sale (Dentist-to-Dentist)

An outright sale to another individual dentist is the most traditional form of succession. In this structure, the owner sells the practice to a third-party dentist. Typically, a dentist-to-dentist sale may be accomplished via the dentist's own network and relationships or done through a practice broker. The advantages of this type of sale include the immediate monetization of practice value, a clean exit for the selling dentist and continuity of care for patients. However, this can be on average a six month-to-a-year process since identifying a qualified buyer can take time and final valuation and the deal terms may be subject to negotiation and market conditions.

This approach works well for owners seeking a defined exit timeline and often more limited ongoing involvement.

#### 2. Associate Buy-In / Gradual Transition

Many practice owners pursue a phased transition through an associate relationship. Over time, the associate acquires an ownership interest, ultimately leading to full ownership. This option provides a built-in successor familiar with patients, staff, and operations, reduces disruption to staff and the patient base and provides an opportunity for staged payouts and strategic tax planning considerations. Like the previous option, it requires long-term planning and alignment between parties, and valuation and buy-in terms must be clearly defined in advance.

These arrangements are often formalized through **buy-sell agreements**, which establish pricing mechanisms and triggering events such as retirement, disability, or death.

### 3. Sale to a Dental Support Organization (DSO)

In a DSO transaction, the dentist typically sells clinical assets to a licensed entity and enters a long-term relationship with a management organization that provides administrative support for the practice. This provides the potential for premium valuations compared to traditional sales, the immediate liquidity from the sale and upside of future equity value, the requirement to retain a clinical role, and access to operational, marketing, and administrative infrastructure. However, these deals are more complex, sometimes requiring earnouts or continued employment for as much as five years, and reduced autonomy after the transaction closes. Additionally, careful structuring is required to comply with New York's restrictions on ownership and fee-splitting.

### 4. Family Transfer with a Management Structure

If a family wants to remain in control of the practice but they lack a licensed dentist, a creative fourth possibility may be an option. In this model, the clinical practice remains owned by a licensed dentist while a separate entity—often owned by family members—handles non-clinical operations. Obviously, this requires a licensed dentist to work. However, this can allow non-dentist family member(s) to maintain economic participation, possibly for the long term.

It must be noted that strict compliance with New York's corporate practice of dentistry and fee-splitting rules needs to be considered. Additionally, this method demands careful legal structuring and ongoing oversight and relies on securing and maintaining relationships with licensed dentists to serve as clinical directors.

### Conclusion

There is no single “best” path for transitioning a dental practice. The appropriate strategy depends on a range of factors, including practice size, financial objectives, family considerations, and desired level of post-transition involvement. What is consistent across all scenarios is the value of early planning. Dentists who take a proactive approach to succession retain greater control over timing, valuation, and legacy.

Because each transition pathway presents distinct legal, tax, and operational considerations, engaging experienced counsel is critical. Skilled advisors can help structure transactions that comply with New York law, preserve value, and align with the dentist's long-term objectives.

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