



## WORKING ON A DREAM

I have been involved with practice transitions for about 25 years and have witnessed the process evolve from retiring dentists handing their patient charts to their colleague next door for little more than pocket money, to a complex business transaction requiring a large investment.

office environment and is compatible with the owner and the staff. For a number of years I have been looking for a top notch recruiter who fits in well with the dental community. I was excited when I met the right candidate for the job in Larry Staley, a

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The biggest challenge is finding the ideal candidate, be it a successor who will continue to build on your legacy, or a dynamic associate who can raise your practice to a new level. How do you find such a dentist? The ideal individuals will likely not respond to your advertisement. You actively have to search for them. That's the role of headhunters, helping you find the right person and making sure that the new dentist fits into the

30 year veteran and a vice-president of the largest privately owned recruiting firm in Canada. With Larry and a team of experienced recruiters, we created Purtzki Dental Recruitment, designed to assist practice owners in recruiting the perfect dentist either in associate capacity or for succession. We are also focused on working with associate-dentists to find the right opportunity and coaching them through this crucial step in their career.

- Manfred Purtzki



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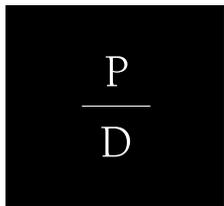
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### WHAT WE DO BEST

- PRACTICE TRANSITIONS
- PRACTICE VALUATIONS
- PRACTICE MANAGEMENT
- FINANCIAL PLANNING
- TAX MINIMIZATION
- ESTATE PLANNING
- FRAUD PREVENTION
- ACCOUNTING



# PURTZKI DENTAL RECRUITMENT INC.

## “Creating Life Changing Choices”

PURTZKI  
DENTAL  
RECRUITMENT INC.

### Our Goal Is Two Fold

1. We give the practice owner peace of mind by finding their ideal associate or successor, while ensuring a smooth transition.
2. We assist the associate build a rewarding career by searching out the right opportunity.

#### Why Use a Dental Recruitment Firm?

Recruiting actively searches for qualified dentists for available practices. The traditional method of advertising and networking has often proved to be non-productive and frustrating. Responses are few and the candidates are unsuitable. Our team consists of professional recruiters, experts in their field. Our daily focus is to contact and recruit dentists across Canada. We maintain an extensive data base and are able talk to dentists at various stages in their careers. We perform personality profile assessments

the staff and office culture. At Purtzki Dental we also act as a career coach for those dentists who are looking for a practice opportunity. We have access to those hard to find, non-advertised opportunities, and will attend to all important phases of the transition, including negotiating on your behalf, and carrying out the extensive due diligence required to ensure the practice is sound.

#### Purtzki Dental Team

Larry Staley quarterbacks our recruitment team. Larry brings thirty years of

Larry brings thirty years of recruitment experience to our venture and was recently senior vice-president of the largest privately held recruitment firm in Canada.

to ensure that a potential candidate is compatible with not only the dentist, but

recruitment experience to our venture and was recently senior vice-president



*Manfred Purtzki and Larry Staley.*

of the largest privately held recruitment firm in Canada. Seasoned recruiters Ioana Ardelean and Heidi Jones have teamed up with Larry to bring their results-oriented experience to both dental practices and individuals seeking a career in dentistry. ■



*Heidi Jones, Larry Staley and Ioana Ardelean.*

## PRACTICE PURCHASE INVESTIGATION: LIFTING THE COVERS

During your search for your dream practice, you have found two practices for sale that meet your preliminary criteria. How do you determine which one is right for you? Here are some comparison pointers.

	Practice A	Practice B
Gross	\$800,000	\$800,000
Structure	Solo practice; no associate	Solo practice; no associate
Net Cash flow	\$350,000	\$350,000
Price	\$500,000	\$500,000

At first blush, these practices are created equal, so the value should be the same... right? Not so. As you investigate these practices further you note the following:

	Practice A	Practice B
Hygiene Income	\$250,000	\$150,000
Location	Practice established five years ago from scratch in new plaza	Second generation practice in older middle income neighbourhood
New Patients and demographics	50 new patients per month; computerized records; younger, affluent families	15 new patient per month; Traditional manual patient records; Patients same age as retiring dentist
Treatment Profile	Family practice with emphasis on cosmetic procedures and Invisalign	Billing 100% traditional services
Equipment	State of the art	Dated but in good working order
Practice Development	Internal marketing program	No marketing
Work Days	Dentist works 3.5 days per week	Dentist works 5 days per week

So as you can see, the Practice A is worth considerable more than Practice B. But you don't know that until you lift the covers and check the vital signs using some of the above criteria. ■

## EXPECT TAX HEADACHES WHEN SELLING TO OFFSPRING

Dr. Bill can't wait for his daughter Ann to graduate from dental school next year and join him in his practice. He figures he has two years to make sure that she will be able to manage the practice on her own, at which time he will sell the practice to her. Based on an initial discussion, they agreed that Ann would pay fair market value just as she would with any other practice in order to be fair to Bill's other children.

Bill calculated that the value of his shares in Dental Inc. is about \$600,000, mainly consisting of goodwill. He knows from his colleagues that they receive the sales proceeds tax-free by virtue of the capital gains exemption. In the wake of the huge income tax bills Bill has paid over the course of his career, he is looking forward to being on the receiving end of some tax-free money before retirement.

Unfortunately, Bill is in for some deflating news. There are specific rules in the Income Tax Act that prevent him from claiming the capital gains exemption when selling his shares to Ann's dental corporation. The rules require that the sales proceeds will be treated as a taxable dividend, rather than a tax-free capital gain. Bill certainly can gain the capital gains exemption if he sells his shares to Ann personally, but that only shifts the tax burden. In the end, the results are the same, as Ann now is forced to report the amount as dividends

she draws from her corporation in order to pay her Dad. Once it is established that the practice transfer to Ann is taxable, there are alternatives to consider to structure the practice sale as follows.

1. Dr. Bill sells his practice **assets** to Ann Inc., or
2. He sells the **shares** to Ann Inc.

When purchasing the practice assets, Ann will be able to deduct the depreciation for tax purposes based on the actual purchase of the assets in the amount of \$600,000. When purchasing the shares, she can only deduct depreciation on the current undepreciated balance of the assets in the company. On a \$600,000 purchase, the approximate lost tax benefit, which is referred to as a "tax shield", is about \$16,000. A purchase price of \$600,000 for the assets is equivalent to a purchase price of \$584,000 for shares. The after-tax proceeds of the two options are as follows:

	Assets	Shares
Proceeds	\$600,000	\$584,000
Corporate income tax	(40,000)	
Personal income tax	(85,000)	(128,000)
Net Cash	\$ 475,000	\$ 456,000

As you can see in strictly financial terms, Bill would gain about \$19,000 in after-tax proceeds when selling his assets, rather than shares, to Ann's corporation. ■

## PRACTICE OPPORTUNITIES

**Campbell River** – 4 ops, high cash flow, well established, doctor retiring

**Central Vancouver Island** – associate needed.

**Courtenay** – 4 ops, family practice, good location

**Comox** – 3 ops, general practice, with building

**Nanaimo** – associate buy-in, busy practice, low overhead

**New Westminster** – well managed, first class location, cost sharing with one dentist

**Squamish** – associate needed

**Surrey** – Gross \$660,000, 5 ops, well established, dentist retiring

**Vancouver** – periodontist associate needed.

**Whistler** – associate needed

For further information, please call Larry or Manfred at  
1-888-668-0629

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## ■ TAX FREE GIFTS TO EMPLOYEES

As the holiday season and end of the year approaches, here is some information to digest if you are considering gifting your employees.

Until December 31, 2009, employees can exclude from their employment income two non-cash gifts costing \$500 or less, or two non-cash awards also costing \$500 or less for a total annual exclusion of \$1,000. Effective 2010, an employee may receive any number of non-cash gifts and awards without having to include them in their taxable income if the total value does not exceed \$500. Any gift in excess of this amount would be fully taxable. An employee can also receive a separate non-cash award, for “long service” or an “anniversary,” of up to \$500 in addition to the non-cash gifts and awards. Any award in excess of the \$500 limit would be taxable. Performance related or cash/near-cash awards will be fully taxable. Prior to 2010, there is no special exclusion in respect to long-service or anniversary awards. ■



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