

Death, taxes, & dental practices:

The power of diversification



Chip Fichtner, Cofounder and Principal of Large Practice Sales

The October 15 tax bill is paid, which means the tax agony is over—for now, anyway. It is time to think about making money instead of giving it to our bloated bureaucracy. The spend-happy politicians just delivered a record \$1.83 trillion US federal deficit for 2024's fiscal year. Undoubtedly, there will be repercussions for this.

Federal spending will be cut or taxes will go up—and governments never cut spending. Ever. Although the election has since concluded, neither Harris nor Trump mentioned anything about deficit reduction, much less paying down the government debt. Instead, they promised to spend more, pandering to buy votes with your money to cement their power.

Who will pay for this?

The top 10% of all individual taxpayers pay 76% of all personal income taxes and over 40% of all Americans pay NO income taxes. President Biden proposed a 44.6% federal tax rate on gains from selling your dental practice in his 2025 tax proposal, and Kamala Harris endorsed this same policy.¹

Harris has also made various statements about more taxes on the rich; in this instance, the definition of “rich” refers to those making more than \$400,000 annually, an income which would apply to all Large Practice Sales (LPS) clients. President Elect Trump's future tax plans are also undefined.

But no matter what Trump plans

to do, the target is still on your back—it's just a matter of when, not if.

IDSOs and EBITDA

Though not quite matching the performance of gold and the S&P in 2024, in just Q3 of 2024, LPS completed over \$175 million of invisible dental support organization (IDSO) partnerships for clients from Vermont to Oregon.

Over \$110 million LPS clients partnered with IDSOs in Q3 2024 at over 9 times EBITDA. Over \$50 million in the quarter was completed at 11 times EBITDA. Practices with declining collections are losing value. With rising costs but stagnant reimbursement rates, profit margins are shrinking, and EBITDA is dropping for many practices. Now, growth in collections and EBITDA is crucial for maintaining value.

Choosing wisely



CHIP FICHTNER, COFOUNDER AND PRINCIPAL OF LARGE PRACTICE SALES, completed more than \$1 billion of practice transactions in the last 24 months with 38 IDSOs for clients in 31 states. He has built, bought, and sold companies in a variety of industries—and has been featured in numerous media outlets. His tolerant wife of 33 years allows him to live on airplanes visiting clients every week. Learn more at largepracticesales.com.

Your practice is probably your largest asset, but cash is king in troubled times.

Does this mean you should have monetized a part of your practice in 2023 and invested in gold or equities? Even though the answer is yes, practice ownership is not something you trade regularly; most doctors will do it once in a lifetime.

But the doctor's timing and choice of IDSO partner is critical. Some IDSOs will succeed spectacularly, and others will fail. With more than 1,000 IDSOs in the US today, you must choose wisely. LPS considers less than 100 of them qualified to bid on our clients for a variety of reasons. Insider knowledge is power. You know teeth. Do you know which IDSOs will fail?

One of the largest IDSOs just completed its third recapitalization, which was valued in the billions. More than 700 partner doctors

achieved returns that far surpass gold or the S&P 500 over the past decade. Dozens of LPS clients smiled all the way to the bank!

Any qualified financial advisor (and most are not) will advise an investor to diversify their portfolio for safety purposes. While many investors have short memories, older folks might recall that the S&P 500 dropped by 60%+ from March 2000 to February of 2009. Gold declined by 61% between 1980 and 1999. For the “buy and hold equities forever” crowd, remember that the Dow Jones Industrial Average was below its high for over 25 years.

Cash now, equity gains later

An IDSO partnership allows doctors of all ages to monetize 51% to 80% of their practice value for cash at today’s low tax rates. They retain ownership and continue to lead their practice as an owner with full autonomy for years. The potential increase in value in their retained ownership could far exceed the value of independent ownership over time.

And the most surprising statistic to clinicians in 2024? In LPS’s billion dollars of IDSO partnerships completed in the last 24 months, over \$150 million has been for clinicians in their 30s! IDSO partnership is not a short-term transition or retirement; it is a diversification strategy for safety.

To learn more about IDSOs and discover the value of your practice in an IDSO partnership, contact LPS to schedule a call with me. I promise you will learn something new and possibly embark on a path to liquidity and diversification. **DE**



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REFERENCE

1. Rubin R. Kamala Harris’s tax increases and cuts take shape. The Wall Street Journal. Updated August 2024. <https://www.wsj.com/politics/policy/kamala-harris-tax-plan-2024-election-10f95d18>