

# Make the right choice

Luke Moore considers the route to financial success.

Banks are keen to lend in the dental sector right now, due to the consistency of demand for services, and therefore income. So, it's an ideal time to consider purchasing a new practice. However, choosing the right lender is just as important as buying the right practice – by ensuring that your lender is suitable for you and your situation, you'll have a higher chance for a successful loan and overall transaction.

## Ideal for you

Certain lenders and/or their representatives may not fully understand how a dental professional's finances work, such as whether you take your salary out as dividends, or how NHS contracts and goodwill work. If you find a lender who understands the nature of your business and what your income is comprised of, you will avoid being potentially refused a loan based on a misunderstanding.

Therefore, ensuring that your lender understands the industry will help you begin the process confidently, with a reduced risk of complications further down the line.

## Things to consider

There are things that you need to evaluate in order to secure a loan, such as your current financial position. To establish an upper lending limit, you need to be aware of how much cash you have available, as well as assets you have in the background. In situations where you are looking to



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secure a high loan-to-value ratio, or if a lower deposit is available, these assets may be used as collateral. Your priorities, in terms of repayment plan and business interests, also need to be established.

Your lender will require a clear picture of your professional background, so it's important that you highlight your strengths to build a strong case to secure competitive loan terms. It'll work in your favour if, for example, you've worked as an associate for a significant amount of time, and have experience with various managerial and business aspects of the practices you've worked at.

You'll need to establish whether you are the sole purchaser or are part of a partnership. Plus, you'll need to determine your immediate and long-term goals – are you looking to purchase one practice in the short-term, or are you looking to grow your business exponentially with several sites in the coming decade? Some banks may be happy to lend every year, whilst there are others who require evidence of business growth and success before lending for the next practice acquisition. By accepting a slightly higher interest rate for your initial loan, you may be able to work with a lender who will support your desired speed of investment and growth for the years to come. Likewise, some banks will favour lower loan-to-value lending than others, so you need to consider the deposit available in selecting appropriate banks.

Choosing the most suitable lender from the beginning of the purchase process may help you avoid any early repayment fines that might be due if breaking contract to change lenders within the agreement timeframe.

## Be prepared

The more cash you have, by default, the more options are available to you.



If you are relying on cash due to fewer assets in the background, your expectations and your budget may need to be carefully managed. You should also be open to various loan-to-value options – whilst a minimum of 10-20 per cent deposit is generally needed, there are other solutions available. For instance, if you are low on funds, it may be possible to offer a five per cent contribution, or even to secure 100 per cent funding in



some cases.

Also, it's important to be prepared for the stress test, as some banks will reject a loan where an increased interest would prevent you from covering your monthly repayments. You may consider employing the help of a financial broker, who will perform a financial assessment, identify your goals, determine your financial position and find a lender that suits you best.

#### **The word of an expert**

Gaining the advice and guidance from an expert is one of the best ways to ensure you can successfully navigate the complexities of securing a loan. It's vital that you choose a financial broker who has knowledge of the dental field, such as the specialists at DE Finance. A financial broker will establish what you're looking for and what your longer-term goals

are, due to their comprehensive understanding of where bank policies sit, you'll be guided towards your ideal lender.

Purchasing a practice can be a challenging process, but the end goal is what makes it all worth it. It's crucial that you make the right decisions regarding your choice of lender to reduce the potential for complications and to get the process started on the right track.