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Is Educational Debt A Barrier To Buying A Practice?

We often read and hear that rising educational debt means that no recent graduate can buy a practice. The S&A experience finds that this is rarely true!

Educational debt is regarded by most lenders as “good debt” on a par with home mortgage borrowing. “Bad debt”, such as credit card debt and retail charge cards, is more likely to be a red flag for lenders.

Buyers need work experience, typically no more than 2 years, “clean” credit, and little or no cash to buy nearly any practice that has healthy cash flow. “Clean” credit does not necessarily refer to the size of (educational and mortgage) debt, but rather is a reflection of making timely payments on debt that exists. Most credit scoring agencies render a numerical score that is often referred to as a FICO score. If this score is between 650 and 700 or higher, the borrower is usually able to borrow for a practice acquisition.

Educational debt’s only effect on a loan application is the size of the monthly payment and its effect on cash flow. The lender looks at practice cash flow, subtracts the salary needed to support the buyer’s current lifestyle and personal debt service, subtracts a modest safety margin amount, and then subtracts the amount required to service the practice loan. If the remaining amount is a positive number, the loan is likely to be approved.

Educational debt is rarely a barrier to buying a practice. In fact, buying a practice can accelerate the retirement of educational debt!

*By Dick Goebel, DVM, Simmons & Associates Great Lakes.
For further information, contact Dr. Goebel at (888) 746-3717.*



Visit us at www.simmonsinc.com or call (800) 333-1984



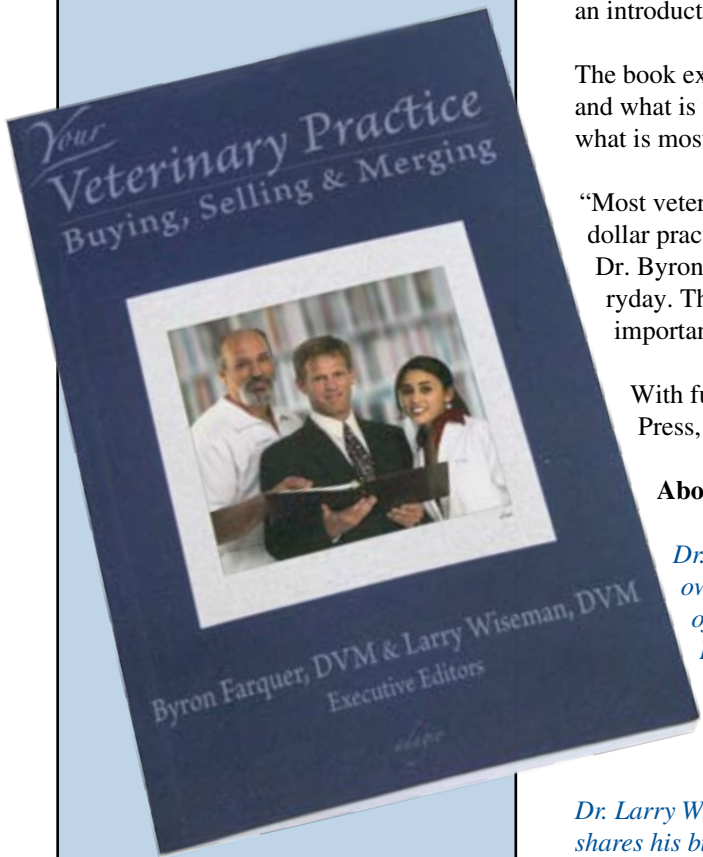
Simmons & Associates is dedicated to improving the veterinary profession. In addition to connecting leading veterinarians and practices together in the nation, Simmons & Associates is committed to helping grow the next generation of veterinarians. The Simmons Educational Fund (SEF) was created to educate practitioners about the business aspects of the veterinary profession. To get the word out, the SEF reaches veterinarians through its various speaking engagements, seminars, newsletters, and other communication programs.

**For information on the SEF, please contact Dave Gerber, DVM, at 800-846-0062 or David King, DVM, at 800-982-8033.
Visit us at www.SimmonsEdFund.com**

Connecting Veterinarians and Practices Since 1977

Simmons & Associates prides itself in providing superior customer care and business counsel for veterinarians looking to buy or sell a practice. Since 1977, Simmons & Associates has been connecting veterinarians and practices to help advance the veterinary industry into the 21st century.

Through our years of successfully matching more than 250 practices with leading veterinarians, we have developed a proven methodology combining smart thinking and local business experts that understand the way you practice.



NEW BOOK HELPING VETERINARIANS WITH BUYING OR SELLING A PRACTICE LAUNCHES AT WESTERN VETERINARY CONFERENCE

“Your Veterinary Practice. Buying, Selling and Merging”
Edited by Dr. Byron Farquer and Dr. Larry Wiseman

Dr. Farquer and Dr. Wiseman with Simmons & Associates, a company specializing in providing customer care and business counsel in veterinary real estate, announced the release of their new book entitled, “Your Veterinary Practice. Buying, Selling and Merging”. Aimed at helping veterinarians with buying or selling a practice, the book was written and edited by two veterinary practice experts at Simmons & Associates who have gathered and documented many issues facing veterinarians today. With collected case studies from 29 years in the making, these experts have collected comprehensive information to veterinary practice sales, purchases and mergers.

For decades, veterinarians have been buying and selling practices without a comprehensive guide. Veterinarians have often relied on friends and outside professionals with critical choices in business. With this new book, veterinarians can rely on proven information and helpful tips when looking to sell to an associate, buy a new practice or simply retire. The book also goes in-depth on how to start up a practice, buy a pre-existing practice and an introduction to mergers and acquisitions.

The book explores important questions like, “What type of practice do you want to buy and what is your current financial situation?” and “What is your management style and what is most important to you when selling your practice?”

“Most veterinarians are engrained with myths such as only corporations can buy million dollar practices and that you need a large down payment to buy a practice,” says editor Dr. Byron Farquer. “We know the common misperceptions and deal with them everyday. That’s why Dr. Wiseman and myself, with Simmons & Associates, felt it was important to document and create a guide to help veterinarians nationwide.”

With funding help from the Simmons Educational Fund and published by Adagio Press, the book is currently available for \$36.95.

About the Executive Editors

Dr. Byron Farquer with a portfolio of experience that includes hospital ownership, business and real-estate education, and academic honors offers insightful advice to clients who are buying or selling practices. He has received training in accounting, business practices, appraisals, business assessment, and corporate management. Dr. Farquer holds veterinary licenses in California, Montana, Colorado, and Wyoming, as well as real-estate licensing.

Dr. Larry Wiseman with 20 years experience as an owner of a small animal practice shares his business knowledge with many veterinarians. A past president of the Colorado Veterinary Medical Association, Dr. Wiseman also serves as editor of the award-winning CVMA Voice Newsletter. He is a charter member of the Association of Veterinary Practice Management Consultants & Advisors. Dr. Wiseman earned his doctorate in veterinary medicine from Washington State University. He is a licensed real-estate broker in Colorado and Montana.



Order online at www.simmonsinc.com

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