Five Key Decisions to Make Five Years Before You Buy a Veterinary Practice

Article by Sean Coyle, Regional Sales Manager, Bank of America Practice Solutions

You've just graduated from veterinary school. Congratulations! After the celebrations are over, you sit down and ask yourself, "How am I going to pay off these loans?"

According to a recent survey by the American Veterinary Medical Association (AVMA), the average graduate has $162,113 in student loan debt. A recent graduate can expect to make a salary of between $60,000 and $80,000 a year. That seems like a good living for someone just out of school, until you take into account all of your costs (a roof over your head, food on the table and oh, yes, those student loans).

So, unless you are fortunate enough to have a wealthy benefactor, you'll need to go on an income-based repayment plan and, with any luck, in 20 years your loan will be forgiven. But, remember—making timely payments is important due to possible late fees, penalties and for maintaining a good credit rating. When you're first starting out in your career, debt can seem overwhelming, but don't give up hope.

Owning a practice can be your answer to spending much less time in the red. When you become the owner of a

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practice, there might be a dramatic change with your income. The two most common situations:

- First, you might have an opportunity to produce anywhere from $600,000 to $800,000 in revenue. As the owner of a practice you might be able to earn at a rate of 21 percent on production, which can mean a probable salary of $120,000 to $160,000 a year.
- Second, you can now factor in the hospital profits. For example, if your practice produces $1.2 million and your profit margin is 15 percent, you could be taking home another $180,000 in income.

It's clear that owning a practice can help you pay off your loans much sooner than an income-based repayment over 20 years.

Here are five key decisions that you can make now to help you become a practice owner sooner:

I. Pay attention to non-compete agreements

Your friend comes running into the lab room three days before graduation. She just landed a job at a large practice that will produce $500,000 to $600,000 in production right away, which translates into a salary of $100,000 to $120,000 a year. You are working for a small clinic that is privately owned and are going to be lucky to make $85,000 a year between production and bonus. Did you make the wrong career decision?

Take a closer look at your friend's offer. Chances are, it includes something like a three-year and 20-mile non-compete agreement versus your two-year, eight-mile non-compete. Now imagine a 20-mile circumference (about 125 miles) compared to an eight-mile circumference (about 50 miles). And think about how many associates stay at one clinic their entire career. How many hospitals will be blocked from your friend when she goes to buy a practice? When you are presented with an offer, there's a lot to factor into your decision and consider. Take into account the terms of the non-compete and how it could affect your goal of opening a practice of your own down the road.

II. Consider home ownership and proximity to available practices

Imagine that you've landed a well-paying job at a great clinic. You're building your savings, settling down, even thinking about starting a family. You are setting yourself up to buy a practice in the next year or two—and you're thinking now is the time to look to buy your dream home.

You may have pressure from peers and family members to buy a home and start setting down roots. However, once you buy your home, you can limit the area where you might buy a practice.

For example, let's say you live south of a major city. You begin looking at practices and find the right one, but it's just north of the city. Though that clinic may only be 15 miles from your house, it could be an hour or more commute each way. Are you willing to commit to a grueling commute each day? Do you want to walk away from your dream home or complicate matters by having to sell your home at the same time you're trying to establish a new practice? By not being tied geographically to a certain area before you purchase your practice, you can expand your search and increase the possibility of finding the perfect practice.

III. Jobs, continuing education and relief work

Most veterinary associates who end up buying a practice do so within five to 10 years of graduation. Seven years can seem like a long time, but it can go by in a heartbeat—think about when you were a freshman in college and where you are today.

Job candidates often make decisions on what's convenient and what pays the most —but this can be very shortsighted. The jobs you accept as an associate should be geared toward what can make you a better doctor. Ask yourself if the owner can teach you their specialty? Will you see many emergencies? How much surgery are you going to do? These are all things to consider as you build your experience.

Gear your continuing education requirements to learning a new skill or procedure.

Pick up relief work and shifts at emergency clinics to grow your experience while you supplement your salary. You can see a lot of varied cases in one weekend shift a month at an emergency clinic. The extra time commitment can be hard to justify, especially if you're already working lots of hours during your regular workweek. It's a tradeoff—take the opportunities that can increase your knowledge now, and could be seen as a good experience for payoffs in the future.

IV. Find a good mentor

Very few people become successful without some help and guidance. That's why it's wise to seek out a mentor; someone who can help you grow as a doctor and a person. Find someone who can be both your cheerleader and your coach. Your mentor needs to have time for you and be committed to providing guidance, feedback and support. Finding a mentor outside of your employer can give you a fresh perspective on daily situations; that person can also stay with you as you move forward to another clinic and eventually open your own.

V. Make smart financial decisions

At the beginning of your career, it's important to make financial decisions that will pay off in the long run. You can do everything else right, but if you can't finance it, you can't purchase or open a practice.

Start a rainy day fund—short-term savings that can also fund emergencies—if you haven't already. This shouldn't be a retirement account; while it is also important to build retirement funds for your future, your "rainy day" money should be held in a non-retirement account. That way, you'll have access to cash that can help you qualify for a loan when the time comes to buy your practice.

It may seem alarming to put less in your retirement fund or other investments now, but the sooner you can buy a practice, the sooner you can increase your savings and the greater your savings balance will be in the long run.

You've graduated from veterinary school—and as your commencement speaker said, in some form, "You've got your whole life ahead of you; make something of it."

Building your future as a veterinarian will require hard work and sacrifices (unless you have a secret benefactor). If you want to own your own practice, you can start laying the foundation now. Take the right measures and make good decisions now to fulfill your dream for the future. Best of luck to you.

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