WEALTHCARE FINANCIALS

Specialty Lending Guide — Dental

Understanding What a Dental Practice Is Actually Worth

Before a lender will write a check — and before you sign one — a reliable valuation is the foundation of any dental practice acquisition or start-up. Unlike general commercial real estate, dental practices are valued on a blend of factors that are unique to healthcare production businesses: collections history, active patient count, payer mix, overhead ratios, equipment condition, and the transferability of the patient base after the selling doctor departs.

Most practice valuations fall into one of three methodologies: a percentage-of-collections approach, a capitalization-of-earnings model, or a discounted cash-flow analysis. In practice, dental-specific lenders and brokers often apply a weighted blend of these methods, because a single-doctor office and a multi-operatory group practice have very different risk and growth profiles. The key takeaway for a prospective buyer: obtain an independent valuation from a credentialed dental practice broker or a CPA with healthcare transaction experience before you enter letter-of-intent negotiations. The seller's stated number is a starting point, not a conclusion.

SBA Financing vs. Conventional Practice Loans — Knowing the Difference

Two primary financing paths exist for dental practice acquisitions: loans guaranteed by the U.S. Small Business Administration (SBA), and conventional loans offered directly by banks and specialty healthcare lenders without a government guarantee.

SBA Loans (Primarily SBA 7(a))

SBA-guaranteed loans are popular in dental transactions because they can cover a higher percentage of the purchase price — including goodwill — with lower initial equity injection requirements than many conventional products. Terms can extend to ten years for practice acquisition and longer for real estate components, which eases monthly cash flow during the transition period when production may dip. The trade-off is a more intensive documentation process, mandatory SBA fees (which are added to the loan balance), and restrictions on how proceeds may be used.

Conventional Healthcare Lending

Specialty healthcare lenders — banks and credit unions that focus on professional practice loans — often move faster and with less paperwork than the SBA channel. Because these lenders underwrite based on the cash-flow potential of a dental practice rather than traditional collateral-to-loan ratios, qualifying dentists with strong production histories can sometimes access competitive terms without the SBA guarantee. Conventional products may also carry greater flexibility in deal structure, particularly for partnership buy-ins or partial acquisitions where an SBA loan's guidelines become complicated.

Neither path is universally superior. The right choice depends on your down payment capacity, the

What Dental-Focused Lenders Actually Evaluate

Healthcare lenders who specialize in dentistry have a more nuanced underwriting lens than a general commercial bank. Understanding what they examine — and preparing accordingly — can meaningfully improve your approval timeline and loan terms.

- Production and collections history: Lenders want to see the practice's trailing twelve to thirty-six months of production and collections, not just the seller's gross revenue claim. The gap between what is produced and what is collected is a key profitability signal.
- Overhead ratio: A dental practice running significantly above standard overhead benchmarks for its specialty and geography may indicate inefficiency that survives ownership transfer — a risk the lender prices into the deal.
- New patient flow: Consistent new patient acquisition suggests the practice's reputation is not solely dependent on the departing dentist's personal relationships, which reduces transition risk.
- Buyer credentials and experience: A graduating resident with a clean academic record and a signed associate contract at the target practice presents differently than a buyer with no prior exposure to that patient base. Lenders weigh clinical credibility alongside financial history.
- Personal credit and debt load: Student loan obligations are factored into debt-service coverage calculations. Buyers with large existing loan balances may face tighter coverage ratios, which affects how much they can borrow for the acquisition.
- Post-close liquidity: Most specialty lenders want to see that the buyer will retain meaningful working capital reserves after closing — typically three to six months of operating expenses — rather than entering practice ownership with no financial cushion.

Why Income Protection Belongs Inside the Financing Conversation

Dental practice lenders underwrite based on one central assumption: the borrowing dentist will continue to produce. The entire repayment model depends on the buyer showing up, treating patients, and generating collections. That assumption deserves scrutiny, because the reality of professional risk is more pronounced than many new practice owners acknowledge.

According to the Social Security Administration, a working person faces roughly a one-in-four chance of experiencing a disability before reaching retirement age. For a dentist — whose income is directly tied to manual dexterity, visual acuity, and sustained physical presence — even a temporary inability to work can quickly threaten loan payments, payroll, and lease obligations simultaneously.

Yet according to the 14th Annual Guardian Workplace Benefits Study (2025), only 43% of working Americans owned disability insurance that year. That gap is particularly consequential for practice owners, who do not have an employer-sponsored plan to fall back on and whose financial obligations are larger than those of an employed peer.

Individual disability income insurance — designed specifically for high-earning professionals — can provide a monthly benefit if a covered disability prevents the insured from working, helping to bridge the

Provider Choice — An Individual DI Option Worth Understanding

Guardian's Provider Choice policy, issued through Berkshire Life Insurance Company of America (a Guardian company), is one individual disability income product designed with professional-level coverage features. Key policy characteristics include an enhanced own-occupation definition of disability, a noncancelable provision, and guaranteed renewability to age 65 or 67. Noncancelable means that as long as premiums are paid, the insurer cannot cancel the policy, raise the premium, or alter the benefits — a meaningful contractual protection for a dentist who is building a twenty-year repayment schedule around a stable income assumption.

Coverage is subject to underwriting approval and individual circumstances. Not every applicant will qualify, and benefits, exclusions, and terms vary. A licensed professional can help you evaluate whether this type of coverage is appropriate for your situation.

Guaranteed Standard Issue — An Option for Residents and Fellows

For dental residents and fellows who are still in training, Guaranteed Standard Issue (GSI) programs available at participating institutions allow eligible individuals to obtain individual disability insurance coverage with no medical underwriting. This can be a valuable window to secure coverage before any health changes occur that might otherwise affect insurability. GSI programs typically include a resident discount that stays with the policy for life, which may reduce long-term premium costs. Availability and terms depend on the specific institution and program participation.

Building a Complete Financing Plan

A well-structured dental practice acquisition plan integrates valuation, financing strategy, and risk management into a single coherent picture rather than treating each as a separate checklist item. Lenders who specialize in healthcare transactions increasingly view a borrower's risk management posture — including whether adequate disability coverage is in place — as part of the overall creditworthiness assessment. A borrower who has protected their income is, in a meaningful sense, also protecting the lender's collateral.

Working with an advisor who understands both the financial planning needs of dental professionals and the insurance products designed for their income level can help ensure that neither dimension is overlooked. Kris Schwartz founded Wealthcare Financials in 2019 specifically to serve clients navigating these intersecting decisions. With 40-plus carrier partnerships and a background that includes both the tech industry and securities registrations (Series 6 and Series 63), Kris brings a cross-disciplinary perspective to practice financing conversations.

Wealthcare Financials is an agency of The Guardian Life Insurance Company of America. If you are preparing for a dental practice acquisition — or advising a dentist who is — and want to understand how income protection fits into the broader financing picture, reaching out for a consultation is a straightforward next step.

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