

“GOOD WILL” or “ANOTHER ONE BITES THE DUST”

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What is good will?

The word “good” means “. . . considerable; not insignificant, admirable, honorable.”

The word “will” means “. . . the power of choosing.”

So “good will” means “the power of choosing honorably.”

For the senior practitioner this means making the right decisions throughout his career. For the young associate it means being the hand-picked doctor to carry on the established practices of the senior practitioner. Can the good will of a doctor be “passed on” if he is deceased? Possibly in a small way, but basically NO.

It takes three people to pass on good will. Notice I said to pass on good will. It takes the senior practitioner introducing the junior practitioner to the patient.

True, some of your patients would be happy seeing anyone at your office. They really don't care who. Another percentage of your patients can have your good will passed on by your office staff when that type of patient calls for an appointment. Other types of patients will have to be personally introduced by you to your new associate. And the last type of patient is the one who you will personally introduce to your associate only after you have just completed his examination, spending much of the exam time talking about your great new associate who is just what he or she needs for whatever special reason.

How long must you stay around your practice to pass on your good will adequately? Well, if your practice is similar to mine, some of your patients return every three or four

years. Therefore, you have to be around three or four years to maximally pass on your good will.

Remember good will must be passed on, not bought or sold. If a practitioner dies and does not have an associate, or sells his practice and retires a month later, the purchasing O.D. does not inherit much of the good will.

Do you think Mrs. Jones, who lives forty miles away from the office and who has been your patient for the last fifteen years—because you are the only doctor who truly understands and can deal with her problem—is going to travel those forty miles to see a kid whom she has never met?

NO! If the doctor died she doesn't want to return and get depressed about her friend and meet a counterfeit. And if her doctor sells the practice and leaves the next day, Mrs. Jones is going to feel abandoned and will never want to return to that office.

But, if the junior associate has had that good will passed on to him, then when Dr. Smith dies all those Mrs. Jones' will want to return to the office to pay their respects.

Now most of the practice management books say your practice is worth one year's gross income or two years' net income.

For example, let's say you are grossing \$120,000 and netting \$50,000. You will want to sell your practice for \$110,000. At 16% interest over a five year period the yearly payment will be \$32,040. A moderate home nowadays costs \$70,000 and at 17% interest with 5% down that comes to \$11,000 in payments per year. What does the young O.D. have left over at the end of the year? He has \$70,000 and by the time he gets done with groceries, medical expenses, and taxes he's in the hole.

Now if you take in an associate four or five years before you retire he can start paying you out earlier and decrease that big chunk at the end. Besides, you will have that money to hide in your pension plan or invest in whatever you wish. It helps the both of you in the short run and in the long run he will be able to afford to buy your practice. But if you have not left any good will, due to death or abandonment, what is your practice worth? That is, if it can be sold?

I guarantee you that at least 25% of your patients will not return to your office, and usually the percentage is higher. If you deduct 25% of your gross, your practice is probably now worth \$70,000 or \$75,000, provided someone buys it soon after you die. If it takes six or eight months to sell, it really is almost worthless.

Now I know what you are thinking, “None of this applies to me because I am from a smaller city or town.” Perhaps you are even the only eye doctor in town. However, think a moment, how many of your patients come to you from across the city or from the next town up the way that has an eye doctor? They won't come anymore, not if you haven't passed on the good will. And, if you are the only eye doctor in town and you feel you have got a monopoly, why would a young graduate even want to pay you for your practice? All he has to do is open up across the street and take over the monopoly himself. This leaves your spouse holding a major portion of your estate that has just become worthless. He is in demand, and you are in the ground.

So start thinking about taking in an associate now, not when you have passed away or are ready to retire. You have put years into building

your practice. Don't let it die when you leave.

There have been four wonderful and dedicated O.D.'s who have passed away this year in Georgia. One of them had an associate and his widow is getting paid for his years of service. The other three had no associates and as of yet no one has bought their practices. As I have said, the longer that their practices sit the less that they are worth.

Get a young O.D. into your practice. Get him in on a part time basis if that's all you can comfortably handle. Let him work the periods when you are not normally there; for example, on Saturdays or in the evenings. Have him build your practice in areas of care that you don't cover or are not secure in.

For instance, it costs about \$500 to satisfactorily equip a visual therapy room. You all see at least one strabismic a month and at least one amblyope. How many of you question the parents of the children you examine to see how well their kids are doing in school? If you did, you would end up finding two children a month with perceptual motor problems. In this way within a three month period you could have twelve or fifteen training patients in your office. This would pay for an associate's salary for a day.

Notice I said a day, not a week. You don't have to have a full time associate. Get together with three or four O.D.'s in the area and find the young O.D. some work. Explain to your new associate that your practice is not large enough to support two full time people. He is going to have to beat the bushes to create his own niche and expand the practice to fit him.

If he is working in your practice even part time he is garnering your good will. Hopefully, in a few years your associate will have generated a large enough practice to be full time, especially if you are looking to cut down on the amount of time you spend at the office. At least if you have an associate in your office, even if it is only one day a week, and your health should fail, you do have

someone who has your good will. He can carry on the maintenance of your practice smoothly and possibly purchase it while it still has its full value.

Another item you are concerned about is equipment. You can furnish a lane for \$6,000-\$7,000 with good used equipment, and equipment is an investment nowadays. Considering investment tax credit, depreciation, and resale value you have made a good investment whether or not your associate works out. You can't lose. As a matter of fact, if your associate does work out you will sell the equipment to him.

The point is, don't let your practice die. There are ways to get an associate in the door. The few dollars you are going to spend is going

to put a lot more money in your pocket when the practice is sold.

Young O.D.'s have been told throughout school that it will be tough to make it out there. Therefore, most of them are willing to try to work along with you if you show you are trying to work along with them. Give the young a chance. After getting out of school with an accumulation of \$20,000 in loans it is almost impossible to borrow another \$50,000 to set up a new office and make ends meet. That only leaves them one place to go. Commercial.

If you wish to see optometry run the same course as pharmacy, die with your practice. If you want to see private practice survive, take in an associate.

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