Review of Optometric Business

Vision One CREDIT UNION

2015

Best Practices OF FINANCIAL MANAGEMENT

A How-To Guide for Owners of Independent Optometric Practices

Best Practices
OF FINANCIAL MANAGEMENT

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Review of Optometric Business

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Introduction

Planning and Managing the Three Phases of Practice Ownership

Bob Schultz, President & CEO
Vision One Credit Union

Welcome to Best Practices of Financial Management.

Improving practice performance is essential to your personal financial health and crucial to the future of independent practice optometry. With the support of the editors of Review of Optometric Business, we have created this "how to guide" to help you, the independent optometrist succeed.

Vision One Credit Union is a non-profit banking organization founded by optometrists for optometrists. Our mission is to serve the financial needs of independent optometric practices, which we have been doing for over 60 years. We are unrivaled in our support of and relationships with practice owners. Our experience has provided a unique view of "best practices" used to maximize practice value and achieve personal financial objectives during the three phases of your career:

Phase 1: Entering practice ownership
Phase 2: Growing the practice and building wealth
Phase 3: Exiting practice ownership

Ownership of an independent optometric practice is the stated goal of most optometrists from the time of optometry school forward. This is for good reason.

Owning an independent practice allows an OD to realize a personal vision to provide patients with outstanding eyecare while building a staff steeped in a culture of professionalism and excellence. A well-managed practice can provide an owner a nice living while building value in a growing business. The practice can also be used as a basis for related investments to build wealth toward a comfortable retirement.

In that regard, practice ownership should be viewed as a means to an end.

Reaching the end goal requires having a plan, sustained dedication to mission and solid financial management skills. Periodic capital infusions will be required from a financial institution, such as Vision One Credit Union, that understands how independent optometric practices build wealth. In addition, such an institution can provide critical guidance through all career phases, including the sale of the practice.

This handbook for practice owners is designed to identify and provide a broad range of financial management skills and resources that will contribute to your success at all phases of optometric practice ownership.

We hope that you will find Best Practices of Financial Management to be a vital tool in building your career!

Bob Schultz
President & CEO
Vision One Credit Union

Methodology: Much of the information in this handbook is derived from the experience of Vision One Credit Union (www.visionone.org), which for over 60 years has served the financial needs of thousands of independent optometric practices across the country. This handbook also sites industry standard metrics from the aggregate financial data from more than 1,900 independent optometric practices that have contributed to the database of the Management & Business Academy (www.mba-ce.com).

PHASE 1 OF PRACTICE OWNERSHIP

Entering Practice Ownership

Most optometrists, at the start of their careers, visualize themselves as practice owners. In reality, an optometric career often takes twists and turns on the way to realizing that goal.

Very commonly, newly graduated ODs find employment so they can produce a dependable paycheck. A majority have accumulated student debt of more than $100,000 and need immediate income to service the debt and to cover personal living expenses. Often, they initially work for other ODs or in a commercial or institutional setting.

Working as associates in one or more practices can be time well spent. This allows new ODs to observe in context the practice management techniques they learned in college or afterward. They are exposed to "best and worst practices," as applied by practice owners. This can help a new OD to avoid mistakes when it's their turn to buy a practice. Fewer management mistakes will mean more money in a new owner's pocket. Associate experience also allows a new OD to evaluate what type of practice setting, community, patient demographic and style of practice provides the best fit for them.

Typically, new ODs take steps to owning a practice after five-seven years as an employed OD. Generally, two-three years of experience in an independent OD practice is sufficient if an OD associate pays attention not only to patients, but also to the overall management of a practice.

Some ODs with prior business management or practice experience and a good game plan, are ready to become owners immediately after graduation from optometry school.

Compare Start-Up vs. Acquisition

There are two principal ways young ODs become practice owners – by starting-up from scratch or by acquiring part or all of an existing practice. Roughly equal numbers choose either path. Some young ODs enter partnerships with well-established OD owners, often leading to eventual full ownership. Others make an immediate buyout and transfer of management responsibility. Before choosing a path, a prospective owner must assess their personal financial situation, risk tolerance, and preferences.

Start-Up Costs

The following table shows the range in costs to start a practice from scratch. It's clear that a large upfront investment of roughly $200,000 to over $400,000 is required. Most new owners will experience practice expenses and debt service during their early years of ownership that often exceed practice revenues, eliminating or severely limiting the owner's personal draw until the practice ramps up.

Economic Comparison: Start-Up vs. Acquisition

For the average $350,000 cost of a start-up, an OD could acquire a practice with roughly $450,000 collected revenue and net cash flow of $150,000 before acquisition loan debt service and owner salary. After debt service, the cash to the owner/buyer should be around $103,000 for a practice that requires an onsite OD only three to four days per week.

Advantages and Disadvantages:

Advantages of:

Start-Up

- Control over design of all office processes
- Lower investment if breakeven is less than 1 year
- Control over staff hiring

Acquisition

- Immediate cash flow from patient base
- Performance track record enabling trend analysis and more accurate forecasting
- Systems / processes in place
- Established vendor relationships
- Experienced staff

Average Range of Practice Start-Up Costs*		
Project Budget Line Item	**Cost**	**Best Practices**
Build-out / decorating / displays	$25,000-$100,000	Request a build-out allowance from the landlord. Negotiate allowance payments based on progress, not pay at completion.
Furnishings	$8,000-$15,000	
Instruments	$75,000-$120,000	Basics plus what is needed for targeted patient base. Avoid costly purchases that can be made later when patient flow supports the return on investment
Office equipment/software	$15,000-$25,000	Include EHR
Frames inventory	$30,000-$40,000	Select based on patient age, styling and economic capabilities
Professional consulting	$2,000-$30,000	Recommended for help with site selection, accounting, systems setup and marketing. A good consultant will make you more money than they cost.
Working Capital	$50,000-$100,000	Helps cover negative cash flow until the practice revenue covers expenses, debt service and personal draw
Total	**$205,000-$430,000**	Request an interest only period for year 1

*The range of costs varies based on the size and location of the practice building (build-out), the quality of finish, the cost and amount of inventory, number of lanes, type and amount of instrumentation.

Evaluating Practices for Acquisition

The key criteria for any buyer is to purchase a practice that provides enough net cash flow to pay acquisition debt service and student debt payments while providing a reasonable living.

When considering purchase of an existing practice, an OD will normally want to review several candidates and conduct a thorough due diligence process to evaluate each. Further, an OD should assemble a support team that includes a reputable optometric practice consultant to assist in the evaluation. As the list of viable practice candidates is narrowed, another support team member—a financial institution knowledgeable about the optometric industry—should review the financial health of acquisition candidates.

Other support team members include an accountant, attorney and appraiser. The attorney should review any non-disclosure, brokerage, letter of intent and purchase contracts included but not limited to contingency provisions and non-compete/solicitation clauses. Once in contract, an appraiser and accountant can be used to complete the due diligence process. The lender may pay for the appraisal once in contract.

The order of use of support team members proposed here should save money for a practice buyer. It is non-economic to perform all of these functions on each candidate prior to making an offer.

The following checklist presents major criteria for buyers to evaluate the health of practice acquisition candidates. The same list can inform sellers on what potential buyers are looking for.

Start-Up vs. Acquisition

Disadvantages of:

Start-Up

- No existing patient base
- Negative cash flow for 1-3 years; can't make a living for 2-5 years
- Need to cover living expenses from outside sources
- Higher risk
- Little vendor support
- Lengthy management learning curve
- Large number of priorities
- Higher marketing costs

Acquisition

- Inherit process deficiencies of prior owner
- Dated facilities, instrumentation, technology
- Risk of patient defection during transition
- Business continuity transition risk
- Staff resistant to change

Buyers’ Due Diligence Checklist: Practice Acquisition

Collected revenue trend: 3-years
- Average practices grow 4 percent annually; healthy practices grow by 8 percent or more in a stable or growing economy.
- Declining revenue may indicate aging patient base, low patient retention/mediocre service performance, insufficient marketing investment, new competition, owner decrease in hours, etc.
- Turnaround of a persistent revenue decline can be difficult.

Practice cash flow trend: 3-years
- Practice cash flow of healthy practices is 27 percent or more of gross revenue, exclusive of OD expenses and debt service.
- Declining practice cash flow often relates to revenue declines or inadequate expense control.
- Considering only the latest year practice cash flow can be misleading because it is easy to distort this value in the short run by postponing inventory replenishment, repairs, equipment purchases or marketing investments.

Revenue mix trend: 3-years
- Practice revenue mix should be analyzed to determine the percentage of gross revenue derived from exam fees, medical eyecare, eyewear sales, contact lens sales and other sources for each of the prior three years. Longer if not stable.
- Revenue derived from eyewear of less than 35 percent of total may indicate an undeveloped revenue source and/or low capture rate.
- Revenue derived from contact lenses of less than 12 percent may indicate an undeveloped revenue source.
- Revenue derived from medical eyecare of less than 12 percent may indicate an undeveloped revenue source or may be related to the inability to become a provider on local medical insurance panels.

Revenue per patient exam trend: 3-years
- Revenue per exam less than $275 may indicate a lack of attention to product mix management or heavy dependence on third-party reimbursement.
- Revenue per exam over $350 indicates above average sales of high performance products, which can be maintained with minimal process change.
- A positive trend in revenue per exam indicates management attention to sales mix.

Third-party reimbursement percentage of gross revenue
- The average OD practice receives two-thirds of revenue from third-party payers.
- A high third-party ratio with low reimbursements may indicate reduced ability to set prices and fees which could affect profitability.
- Confirm that an OD buyer can join the panel of all third-party payers of the practice.

Practice positioning/differentiation/reputation
- Most practices are undifferentiated and lack a unique positioning. Absence of differentiation should not exclude a candidate from possible acquisition.
- A few practices have strong reputations in the community for competence, service, or community involvement.
- As the value of a practice’s current reputation is considered, assess the probability that the reputation is transferable to a new owner. This will help preserve the level of market penetration and revenues.
- If a practice has a specialization, consider its compatibility with new owner interests and expertise.

Patient base demographics (age, socioeconomic status)
- Some 61 percent of the U.S. vision correction population is 45 years of age or older, and 40 percent is 55 or older. Average annual household income is $62,000.
- If a practice’s ratio of patients 55 or older is greater than 50 percent, there is risk of a stagnant or declining existing patient base.
- Practices located in areas with above average household income are likely to experience above average revenue per patient exam and somewhat more frequent patient visits.
- Practices located in areas with below-average household income are likely to experience below-average revenue per patient exam and less frequent patient visits.

New patient ratio
- Typical new patient ratio for independent ODs is 20-25 percent.
- A new patient ratio below 15 percent may indicate a stagnant or declining patient base.
- A new patient ratio above 30 percent can indicate low patient retention, heavy competition or heavy marketing investment.

Practice debt

- Practice assets should be purchased free and clear of any debt. Only acquisition debt will be placed on the practice at closing. Beware of practice acquisitions that require some debt assumption (this is rarely seen but is generally due to poorly structured or recently acquired equipment leases with a seller reluctance to pay the hidden prepayment cost). Agreement to assume debt may hurt your ability to obtain acquisition financing as the debt service amount on the lease may be inordinately high, diminishing overall net cash flow. Practice pricing must be reduced by the amount of any assumed financing.

Inventory

- The practice being acquired should have adequate inventory levels of current frames that can be sold to existing patients. If inventory is low or unsalable, an adjustment to sale price may be made. An accounting of the inventory should be made on the eve of sale.
- Value of frames inventory typically accounts for 4-8 percent of practice gross revenue. Ratio above 8 percent may indicate excess inventory. Ratio below 4 percent may indicate need to invest in additional inventory.

Dispensary size, design sophistication

- The layout and design of the optical dispensary is a key driver of patient demand with a large impact on capture rate.
- Major remodeling of a deficient dispensary may cost $25,000 or much more.
- The average optical dispensary is 25 percent of the entire office square footage.

Instrumentation

- A fully equipped office presents greater revenue potential, aids patient retention and requires less immediate investment in new instruments.
- Essential instruments should be expected to remain functional for at least five years from the date of practice sale.
- Identify the equipment early on in the acquisition process and make sure all equipment used to generate the collected revenue is included in the sale. If not, then practice revenue, cash flow and value are compromised.

Information technology

- EHR adoption will soon be mandatory and essential to assure managed care patient access.
- If EHR have not been implemented, an immediate investment of $8,000-$20,000 may be needed. The hidden cost of EHR implementation is the loss of productivity during and after the installation. If the practice has already converted and has eliminated the bugs, you will save yourself time, aggravation and money. Currently practice values do not account for EHR.

Facilities state of repair

- Major remodeling of an office (excluding dispensary) may cost $25,000 or more.
- Facilities that require significant updating immediately after acquisition may warrant a price reduction as available cash flow will generally not support concurrent acquisition and remodel debt.

Occupancy cost as percent of gross revenue

- Mature OD practices typically spend 6-8 percent of gross revenue for occupancy costs.
- An occupancy cost ratio above 10 percent may indicate excessive square footage or low exam production ratios. High occupancy expense can be difficult to reduce.

Accounts receivables

- Typical OD offices have accounts receivables totaling 17-25 days of revenue.
- A ratio of 30 or more days outstanding may indicate inadequate management attention to receivables and a high level of uncollectible receivables.

Trend in staff turnover: 3-years

- Fifteen to 20 percent annual staff turnover is typical in OD offices.
- Turnover consistently above 30 percent may indicate weak employee engagement/morale or poor hiring practices. This will be a disruptive issue during ownership transfer.

Current owner willingness to work in practice during transition

- Practice transition risk includes business continuity and patient retention.
- If the current owner is not available to work during transition and the buyer has not worked in the practice, gross revenue may be reduced by as much as 20 percent and net cash flow by as much as 50 percent.
- Knowledgeable practice purchase lenders may suggest a new owner with little or no management experience be monitored by the seller for up to a year (one day per week) or contract with a reputable industry consultant to shore up management skills, allow for a good start and help mitigate transition risk.

Understanding and Calculating Flow

Prospective buyers of an optometric practice are looking for a stable revenue stream. They want to buy more than facilities and a patient base – they want an operational system that can function independent of the owner. They want to minimize their immediate outlay to re-configure and update the practice they purchase.

Cash flow is essential to the health of any business. Knowledgeable optometric practice lenders, consultants and appraisers define this crucial metric in various forms depending on the use: practice comparisons, valuation or debt service underwriting. It is measured over a one-year period. The variations of the "cash flow" metric are defined below and are used throughout this document.

Calculating Net Cash Flow

Net cash flow is derived from the practice income statement (also known as the profit and loss statement or "P&L"). The first step is to calculate EBITDA (earnings before interest, taxes, depreciation and amortization). Add back equipment financial lease or loan payments, owner OD compensation and expenses not material to the operation of the practice such as auto expense. Deduct rent if under market and deduct the cost to replace a spouse working in the practice without payment. The following is an example of a net cash flow calculation for a sole proprietor that requires one full time OD but does not contain owner compensation.

Defining Net Cash Flow

Net cash flow (exclusive of owner compensation): Collected revenue minus cost of goods sold and operating expenses excluding OD owner(s) compensation and debt service. The metric is used to determine how much cash flow is available to service debt with the remainder going to the owner(s). Used for buyer evaluation, debt service validation and loan underwriting.

Practice cash flow: Collected revenue minus cost of goods sold and operating expenses excluding all OD owner and associate OD compensation and debt service. This term is used by Vision One Credit Union in its articles and COPE-approved presentations. MBA refers to the metric as "Net Income." The metric is used for industry average comparisons and practice efficiency.

Practice net cash flow inclusive of all OD compensation expense: Collected revenue minus cost of goods sold and operating expenses including OD owner compensation adjusted to market and associate OD compensation, excluding debt service. This metric is a component of practice valuations and industry average comparisons, particularly with multiple OD practices.

Calculating Net Cash Flow from Tax Return

Tax Return Item	$	Comment
Net Profit	**$38,000**	
Adjustments:		
Car and Truck Expense	$22,000	
Contract Labor (associate)	$75,000	Add back if practice requires 5 OD days per week or less
Depreciation	$52,000	
Interest	$6,000	All bank debt and financial leases will be paid off upon sale by the seller
Pension and Profit Sharing	$15,000	Add back seller benefit only
Rent or Lease	($15,000)	Adjust + or – depending on a material change to buyer
Travel	$3,000	
Entertainment	$3,000	
Total Adjustments	**$161,000**	
Net Cash Flow	**$199,000**	Sum of Net Profit and Total Adjustments
Collected Revenue	**$750,000**	
Net Cash Flow	**27%**	of colllected revenue

Computing Practice Valuation

It is imperative to practice buyers, sellers and lenders to understand the realistic value of a practice. An overvalued practice is detrimental to:

Sellers: Obstructs a practice sale and fosters reliance on unrealistic values to fund retirement.

Buyers: Reduces personal income; impedes timely debt reduction; limits equity buildup, and delays practice investment which affects wealth creation.

Lenders: Increases borrower failure rates.

It is difficult to find a simple valuation method that can be applied across the board to all shapes and sizes of independent optometric practice. Practices vary in size and number of required ODs, some in ownership, some as associates. There is much conjecture amongst ODs regarding practice valuations. "Two-thirds of gross" is a popular method that does not provide reliable values as it completely disregards practice cash flow. "Two times net" is a method that can provide a ballpark value for single OD practices but is unreliable for larger practices with multiple ODs. A credentialed appraiser, experienced with independent optometric practices is the best bet to determine practice value. The following provides insight into the appraisal process.

All credible practice valuations are based on the cash flow the practice generates. Other key factors to a reliable appraisal: inclusion of all costs of production such as the cost of all ODs required in the practice; average expected capital expenditure and a scalable means of adjustment for changes in market return rates (determined by U.S. government bond rates known as the "risk free rate of return").

Appraisal methodologies fall into three main categories:

- Asset based
- Market based
- Income based

Asset based approaches start with practice assets utilizing either book value or a market-based return on assets. Given the high value of a practice relative to tangible asset values, this approach is rarely used and is generally eliminated in a final correlation of value.

Market based approaches include comparable sales valuation methods, which generally express practice value as a percentage of practice revenues for comparable sales. This includes two-thirds of gross. If used properly, practice valuations should be adjusted for specific practice performance up or down when compared to industry standard performance for similar sized practices. Generally, two-thirds of gross when unadjusted, undervalues well performing practices and overvalues poor performers. It is even less reliable in larger, multi-OD practices.

Income based approaches include net present value (NPV), internal rate of return (IRR) and Capitalization of Cash Flow. These are the most reliable methods of practice valuation when based on historic free cash flow. Adjustments may be made if current operations are not reasonably indicative of future results.

Capitalization of Cash Flow seems to be a preferred method used by the appraisal community. "Free Cash Flow" is calculated as follows: starting with Practice Cash Flow (described in the Defining Net Cash Flow portion of this handbook) then deducting actual associate costs, market cost of owner ODs and industry average capital expenditures (generally 2 percent of revenues). A corporate income tax expense is often deducted, resulting in the Free Cash Flow to a potential investor.

The capitalization rate is derived by using prevailing risk free rates, ownership and industry risk premiums, and may be further adjusted for practice stability factors (margin stability, longevity, size, trending, etc.).

Free Cash Flow is divided by the capitalization rate to determine value. It is helpful to know that the inverse of a capitalization rate is a multiple (also known as a multiplier). For example, if the capitalization rate is 20 percent, the inverse would be a multiplier of 5 times (100/20). In this example, an equivalent value could be attained by multiplying the Free Cash Flow by 5. Practice valuations are affected by Capitalization Rates and Multipliers that change as interest rates go up or down in the market.

Validation of a derived practice value usually involves the Debt Service Method. Typical debt amounts, rates and terms are applied to a hypothetical buyer to determine if there is adequate cash flow coverage to make loan payments after owner compensation.

Given the complexity of a proper practice valuation and the important decisions dependent on the outcome, practice valuations are best left to appraisers experienced with independent optometric practices.

Ownership: Setting Up Entity Type

A practice may be owned in one of many entity types:

Corporation: One or multiple owners. Owners have limited liability.
This is the most common form of ownership. C, S or PC (professional corporation).

Partnership: Two or more partners. Owners have full or limited liability, depending on setup.

Sole proprietor: This is used for an individual owner only. Owner has full liability.

Limited Liability Company (LLC): This is a hybrid business entity having certain characteristics of both a corporation and a partnership or sole proprietorship. Owner(s) have limited liability.

Overhead share: In this case, two or more practices share a facility, equipment and/or staffing for operating efficiency reasons. These can be dangerous without the proper agreements. For example, if the one party signed on the premises lease dies, the landlord may force the non-lessee to vacate, requiring a costly relocation. If one party chooses to withdraw and relocates outside the group it can adversely affect the economics for the remaining participants. Estate attorneys have also been known to be a significant source of disruption. A poorly structured overhead share can affect practice value and financing. Overhead shares are implied partnerships and should be documented accordingly.

Vision One Credit Union has financed each entity type and is particularly careful with overhead shares.

Your Business Plan: A Prerequisite for Financing

A written business plan is useful for any optometric practice because it focuses the owner and staff on quantifiable goals, competitive strengths to be capitalized on and tactics to achieve goals.

For a new practice owner, developing a business plan is mandatory to obtain financing. In addition to the basic history and sponsorship, a business plan for a practice acquisition should focus on identifying and overcoming transition risk, maintaining and growing the practice and contingency plans. A business plan for a startup must be more complete due to the market / marketing component that is crucial to develop patient volume and positive cash flow.

A business plan presents essential facts to convince a prospective new practice owner and lender that business goals are realistic, an organization and strategy is in place to achieve goals and that the investment is secure. There is no standard format for a business plan, and various outlines are available from Business Aspects of Optometry from the Association of Practice Management Educators or through an Internet search.

Business Plan Outline

Narrative Plan

Executive Summary

Company mission and services, brief history, staffing, owner background, growth record, future plans and opportunities

Company Description

Brief description of nature of the business, goals, guiding principles, patient populations served, basis for competitive success, reimbursements sources and patterns

Market Analysis

Industry overview and outlook, patient characteristics, buying habits and needs, market segmentation, competition

Organization

Ownership structure, management profiles and compensation, staffing, unique skills, professional and advisor relationships, owner plans for outside work to supplement income, if needed

Services and Positioning

Description of services offered, differentiation from competition, ability for new owner to become empanelled on the insurances the patients of the practice utilize

Marketing

Strategies used to attract and retain patients.

Practice Transition Plan for Acquisitions

Business continuity and patient retention.

Contingency Plans

Brief description of what actions will be taken if projections are not met.

Financial Plan

Project Capital Budget

Acquisition cost or for startups cost of build out/frame displays/inventory/equipment
Cost of equipment or improvements (if any) for acquisitions
Working capital required

Financial Projections

Startups: Three-year income, expense, cash flow and balance sheet summaries, performance ratios, planning assumptions, financial forecasts, breakeven analysis.
Acquisitions: One-year income, expense, cash flow and balance sheet summaries, performance ratios, planning assumptions.

Other resources include Vision One Credit Union's "Income and Expense Cash Flow Projection Tool," a spreadsheet specifically set up for an optometric practice to determine financial projections. For a more detailed discussion of considerations, also refer to Vision One's "Practice Acquisition and Start-up Guidelines," (http://www.visionone.org/home/tool-box/publications).

Setting Up the Books

Leading optometric consultants advise ODs to create an accounting "chart of accounts" with revenues and expenses categorized in a simple framework. It is easier to set-up and makes analysis less complex.

Once the basic chart of accounts is established, a second step is to aggregate ("roll-up" in accounting jargon) revenues and expenses related to various departments of the practice (such as dispensary, medical, contact lenses) sometimes called "profit centers." This allows quantification of each department's performance and contribution to overall cash flow. Often, there is a manager of each department. Department profit center results can be reviewed with each manager, which encourages accountability, collaboration when establishing performance goals and allocating incentives for department managers and employees.

Profit centers can be set up in practice accounting programs such as QuickBooks by assigning identifiers (called categories) for each account, which correspond to departments within the practice. For instance, all dispensary revenue and direct expense including COGS and compensation could be set as a category "Dispensary." The user can select a profit and loss statement view by category/department.

The following is a basic and effective chart of accounts.

Balance Sheet

Assets:	
Cash	
	• Cash on hand
	• Practice Interest Checking account
	• Practice Money Market account
Inventory*	
	• Frames
	• Lenses
	• Contacts
	• Other materials
Fixed Assets	
	• Equipment
	• Improvements
	• Technology
Goodwill (if the practice was acquired)	
Total Assets	
Liabilities:	
Accounts payable (for inventory)**	
Short term maturities of debt	
Long term debt (greater than 1 year)	
Total Liability	
Equity: (must = assets less liabilities)	
Contributed capital	
Accumulated earnings / loss	
Less dividends	
Total Equity	

Practice books are generally maintained on a cash basis which is consistent with tax returns. Work with your accountant or practice consultant to further customize the chart of accounts.

*Inventory & Cost of Goods Sold – Many practices book inventory into COGS, letting their accountant separate inventory from COGS based on an inventory count at year end. This method is expedient but limits the use of ongoing metrics for inventory control, COGS as a percentage of revenue, etc. The correct method: book new inventory into "inventory" then move inventory items when sold into COGS. Physical inventory should be counted at least quarterly and compared to the "perpetual" inventory reported by the accounting system. The difference, if any, is called shrinkage which is theft or breakage. Vision One has seen improper dispensary management / accounting which cost practices $25,000 to $300,000 in one year.

**Accounts payable and receivable on cash basis statements are generally reported outside the Balance Sheet. The exception: when inventory is received it should be immediately entered into the accounting system. If the inventory vendor has not been paid, the offsetting entry in the accounting system is accounts payable.

Profit & Loss Statement

Revenues:
Services
Materials
Total Revenues
Cost of Goods Sold (COGS):*
Lab fees
Frames
Contacts
Other material costs
Finishing (lenses, direct staff costs, etc.)
Total Cost of Goods Sold (COGS)
Gross Profit (Revenue less COGS)
Operating Expenses:
Advertising
Bank and Credit Card Charges
Business Meals
Collection Charges
Compensation Expense
• Staff (breakout wages, tax, benefits)
• ODs (breakout wages, tax, benefits, owner, professional liability, continuing education) • Seller salary (if short term for transition, if seller is in ongoing associate position, include above)
Delivery
Donations
Dues and Subscriptions
General Overhead
Insurance – property, liability, business interruption, etc.
Janitor
Legal and Accounting
Occupancy • Rent • Common Area Maintenance (CAM) • % rent, if any • Utilities
Office Expense
Postage
Repairs and Maintenance
Taxes and Licenses
Telephone
Uniforms and Laundry
Miscellaneous
Total Operating Expenses
Financial Expense:
Lease payments
Loan payments
Net Income

The major expense categories for optometric practices are shown in the following table. Included is normative data on the percentage of gross revenue each category represents in the median OD practice and the range in the middle 60 percent of practices.

Independent OD Practice Expense Categories

Expense category	Description	% of gross revenue Median	Range
Cost-of-goods sold	Product purchases, in-office lab costs	28.8%	23.9 - 34.2%
Staff	Non-OD salaries, benefits, payroll taxes	19.7%	15.5 - 24.2%
Associate OD	Associate OD salary and benefits	14%	11 - 17%
General overhead	Office equipment, display cases, telephone, Postage, legal and accounting fees, dues and subscriptions, office supplies	7.1%	3.3 - 10.3%
Occupancy	Rent (or mortgage payments), property taxes, utilities, maintenance, insurance	6.9%	4.4 - 8.9%
Capital costs	Capital expenditures, equipment leases and loans, depreciation, service contracts, maintenance	2%	0.2 - 3.4%
Marketing/promotion	Media, agency fees, newsletters, Internet site, coupons, custom signage and displays	1%	0 - 1.4%

Source: Management & Business Academy

PHASE 2 OF PRACTICE OWNERSHIP

Growing the Practice and Building Wealth

Maximizing practice value needs to be a front-and-center goal from the very beginning of ownership. Every owner needs the proper mindset and a long-term plan to maximize practice growth and value, a cornerstone to wealth building

Many OD owners begin to consider practice value and personal wealth only as they approach retirement. Once an OD's income is sufficient to fund a comfortable lifestyle, it's only human nature to relax, become self-satisfied and pay less attention to practice finances. This "complacency factor" must be avoided in wealth building plans and actions. When serious thoughts about practice valuation and wealth is postponed until the days immediately before retirement, it may be too late to recover. Late short-term investments made to shore-up an inadequate retirement fund may be futile.

Three-Fold Wealth-Building Plan

A successful career plan includes three elements that, in combination, should meet or exceed living expenses in retirement:

1. **Business ownership.** Your practice is one business, but you may need to buy other practices to achieve your goals.
2. **Retirement plans.** This includes qualified and unqualified retirement plans and Social Security, all funded by the practice. Plan assets might include investments in stocks, bonds and annuities.
3. **Real estate ownership.** An OD's primary residence is a real estate investment. In addition, owning the practice real estate may be an effective wealth building investment. Both are indirectly funded by the practice.

Building a large, profitable practice organically or through the acquisition of additional practices can be used to build wealth in lieu of acquiring the practice real estate. A large multi-OD practice enjoys many benefits over a solo practitioner: higher practice net cash flow as a percentage of revenue, multiple specialties, more efficient utilization of equipment and facilities. Multiple-OD practices with extended and weekend hours can provide more services and attract more patients, enabling them to more successfully compete with commercial optometry.

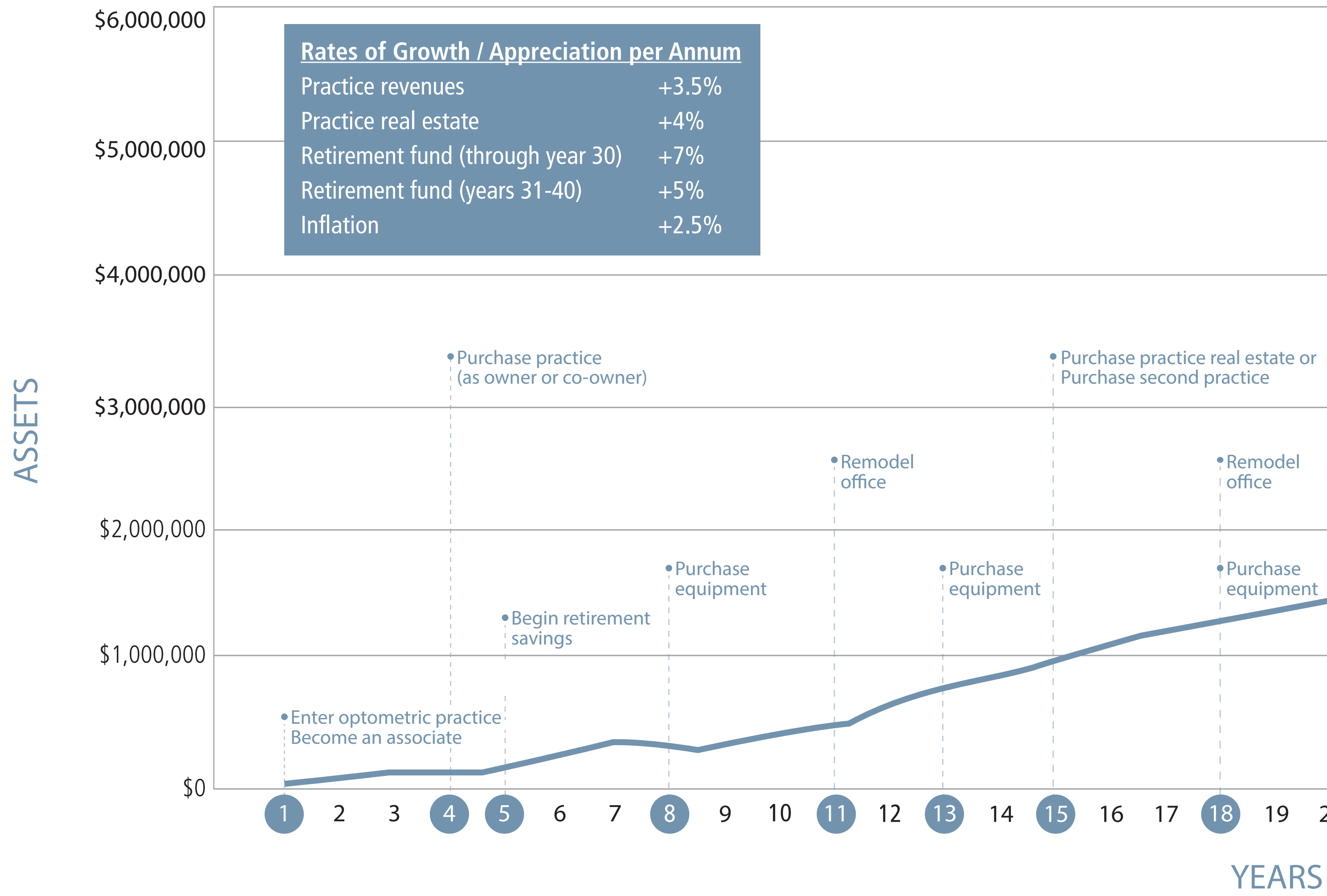
Wealth-Building Timeline

The following timeline provides an overview of the steps to be followed in the course of a 40-year career.

Regardless of when an OD buys their first practice, value creation to build wealth should be a primary goal. Individual experiences vary, but it is helps to establish practice ownership early in one's career to allow more time to build wealth. However it is inadvisable for most ODs to start a practice immediately after graduation because of lack of business experience and insufficient financial resources. Most ODs will make fewer mistakes when buying a practice after learning how to operate a private practice as an associate from an experienced owner for a few years. Even if an associate's employer is not an effective manager, a new OD can learn what not to do.

Early in the practice life cycle, a practice owner should engage the services of a financial planner to calculate the assets that will be needed to fund retirement. This will set a goal and provide context for practice investment decisions. See the "Exit Strategies" section for more information on this process. It's never too late to meet with a financial planner.

The sequencing, timing and funding of practice investments is critical to equity growth and wealth building. Each step in the following chart is timed to balance the net cash flow use between personal income and debt service, while avoiding too much debt which can limit continued borrowing for investment and create undue risk in the practice. Rapid equity and wealth creation will occur if an asset (such as a practice) appreciates coupled with an accelerated debt reduction program. It also saves interest expense.



Set a strategy to borrow cash, manage debt as part of your practice investment plan.

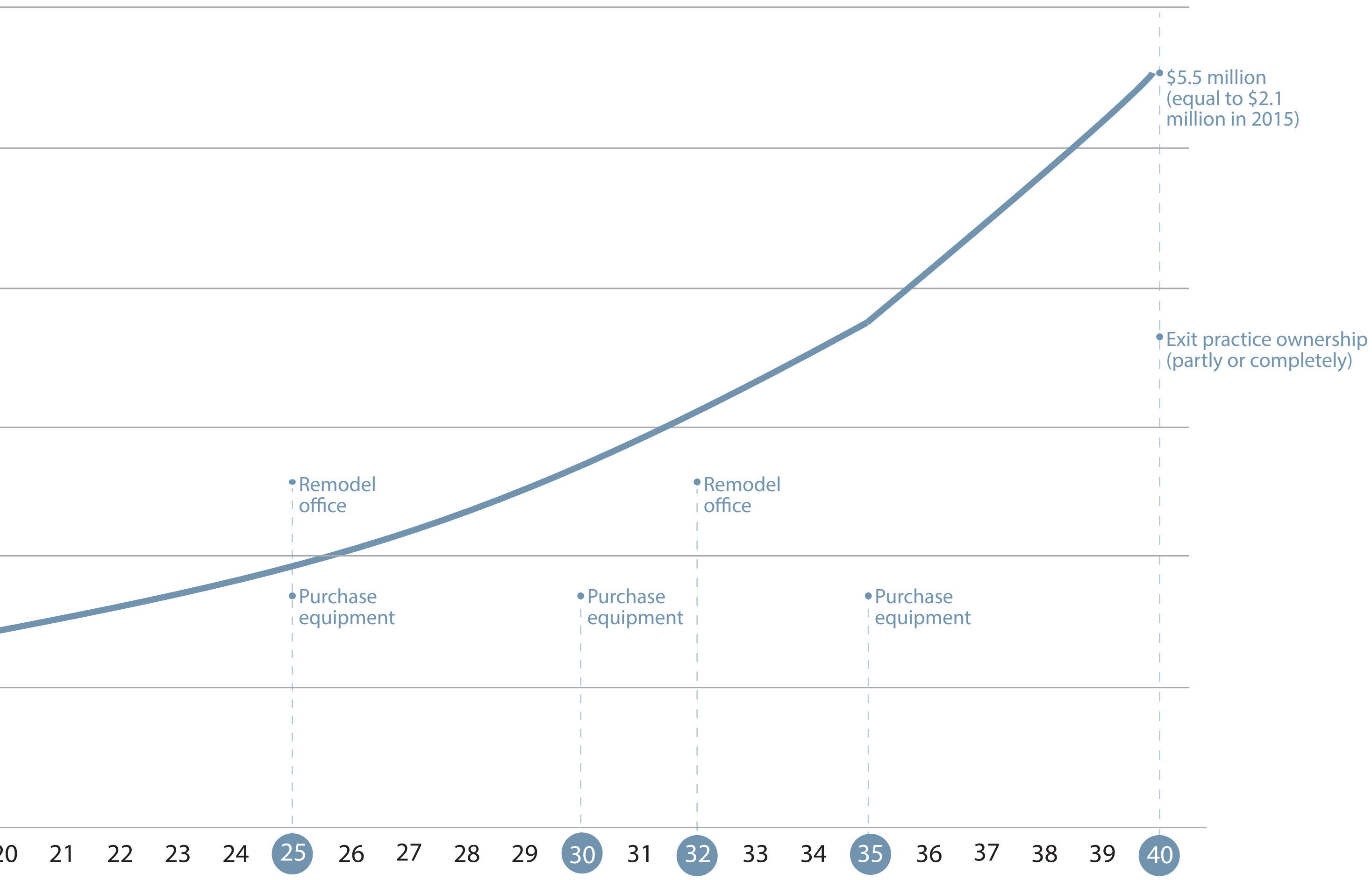
Each step in the Wealth-Building Timeline requires substantial cash resources. Said another way: An OD will carry debt until able to afford to pay cash. Managing and minimizing debt, while making strategic practice investments, is critical to wealth-building.

A financial institution that is deeply knowledgeable about the optometric business and willing to fund practice investments and share their insights is an invaluable resource. Such relationships are rare in the optometric world because most financial institutions view the industry as too small to devote resources to develop the needed expertise. Vision One Credit Union specializes in helping ODs reach financial goals

Practice Investment and Debt Planner

The following table presents practice investment costs and hold times to allow for increased practice value. Minimum hold time is: 1) for depreciating assets such as equipment and tenant improvements, a reasonable time frame to realize possible increased practice cash flow which could influence an appraisal and change practice value; 2) for assets that should be of stable value or appreciating, such as the practice or practice real estate, the time needed to allow for wealth creation through the potential increase in value and significant debt reduction, both of which create equity, a wealth contributor.

(Over a 40- Year Career in Optometry)



IN PRACTICE

Title			
Investment	**Cost Range / Average**	**Investment Timing**	**Minimum Hold Time**
Student debt	$100,000-$200,000 / $135,000	Consolidate and term out after graduation. Defer if needed until personal income enables payments.	Pay over contract term 20-30 years
Practice purchase 100% Ownership	$250,000-$1.25 mil / $700,000	3-5 yrs. after graduation; sooner with business experience	7 years
Practice purchase Less than 100% ownership: Partnership or Corporate Shares	$100,000-$1 mil / $350,000	0-5 years after graduation. Validate compatibility. Provides mentorship and lowers risk.	7 years
Practice start-up 1st practice	$300,000-$450,000 / $350,000	3-5 years after graduation. Consider breakeven timing: < 18 mos. is good. > 18 mos. risky and costly	10 years
Second practice purchase or start up	$300,000-$1 mil / $600,000	7-10 years after 1st practice; might replace real estate investment	7-10 years
Office renovation	$50,000-$250,000 / $150,000	Each 7-10 years; shorter cycle in high traffic practices	3 years
Office relocation	$150,000-$350,000 / $250,000	Relocate if outgrow space, lose lease or purchase building. Avoid business closure when moving. Stay within your project budget!	3-5 years
Equipment / Instrument upgrade	$30,000-$85,000 / $50,000	3-5 years after practice acquisition or with breakeven or positive return on investment. Replace as needed.	2-3 years
Practice Real Estate	$250,000-$1.25 mil / $600,000	10-15 years. Allows time for practice acquisition loan payoff and increased practice cash flow to cover mortgage payments which are generally more than rent. If payments are equal or less than rent, purchase anytime.	20 year loan or longer to reduce payments. Payoff prior to retirement

Financial Management Planner: Success Points

Optometric consultants concur that many independent ODs devote too little attention to financial management. In addition, ODs lack an understanding of essential finance concepts and of critical administrative processes to analyze business results, control expenses and maximize profits. Therefore, most ODs are not clear about how financial management impacts retirement planning and personal wealth accumulation.

Many ODs do not employ standard business practices considered routine and fundamental by owners of most other small companies. The following are action steps to avoid the common break-down points:

Have a budget. Less than one-third of independent ODs have a written practice budget.

Review performance. Nearly one-third of independent ODs have no written quantitative revenue or profit goals for the current year.

Raise fees as warranted. Despite steadily rising wages and other costs, a majority of independent ODs raise fees less often than once a year.

Base decisions on facts. More than four-in ten ODs base investment decisions on intuition and anecdotal information, rather than on detailed return-on-investment analyses.

Be realistic about retirement needs. Many ODs view their practice as their primary source of wealth to fund retirement, but they lack a realistic view of practice valuation or the amount needed for a fully funded retirement plan.

Track key metrics and analyze performance. Many ODs do not track key metrics to identify root causes of changes in revenue or expenses and lack information needed to analyze business results quickly and objectively.

Improving financial management processes has important short- and long-term benefits. In the short term, attention to finances can increase income and produce a surplus to invest to stimulate growth. Over the longer term, effective financial management will increase practice equity and value and allow financial independence to a practice owner. Beyond assuring a comfortable retirement, it can enable an owner to adjust the personal work schedule to devote more hours to other activities.

Achieving success as a financial manager may require a mindset shift by an OD owner. Most ODs conceive of their practice as their job, a place to apply their hard earned technical skills and generate an income sufficient for a comfortable living. They consider the practice an extension of themselves.

A more useful mindset is to view the practice as a financial asset to be actively managed continuously to increase its value. The asset becomes a foundation to engage in other wealth-building activities (retirement accounts, real estate investments, etc.). Continuous management of the practice asset assures its maximum value will be realized when the asset is sold, which can sometimes occur unexpectedly. With this mindset, an OD achieves a conceptual detachment from the practice and sees it as a means to an end, which can lead to objective, fact-based decision making.

Maximizing Practice Cash Flow

The primary concern of most financial managers is maximizing cash flow, the amount of collected income left over after all the bills are paid. In an optometric practice, maximizing practice cash flow provides the owner with more take-home pay and increases the value of the practice.

The Management & Business Academy (MBA), publishes normative data on OD practice profitability, which it defines as "net income" (referred to herein as "Practice Cash Flow"). The MBA calculates net income (or practice cash flow) as gross revenue, less cost-of-goods and operating expenses, excluding all OD compensation expenses. For all practices in its database, MBA reports a median net income ratio of 30 percent of collected gross revenue.

MBA data show that net income percentage is correlated with practice size. Larger practices are able to spread occupancy, equipment and general overhead costs across a larger revenue base. They also have greater buying power to achieve a lower cost-of-goods sold.

The economies of scale that larger practices enjoy have an important implication for practices seeking to build equity and value. It means that practice equity and value will be maximized by steadily increasing practice revenue and net income. This assumes average OD production results in at least $600,000 in collected revenue from all sources (exams, dispensary, medical, etc.). The higher the average

OD production, the more efficient the practice is, assuming all other expense ratios are in line. At Vision One we have seen OD production of up to $1 million in larger practices, with $4 million to $7 million in gross revenues. This varies with doctor efficiency and mix of medical services/optical sales.

Practice net cash flow (*inclusive* of all OD compensation expenses) is a useful measure of cash flow in multiple OD practices. A typical practice net cash flow ratio is lower than the net income ratio, as measured by the MBA. Depending on the number of ODs, practice net cash flow is typically 15-19 percent of gross revenue.

Practice Net Income by Performance Decile

Practice net income (practice cash flow before OD expenses) as a percent of gross revenue:

Improvement Opportunity					Median					High Performance
8%	**20%**	**24%**	**26%**	**29%**	**30%**	**32%**	**37%**	**42%**	**47%**	**50%**
5th	15th	25th	35th	45th	50th	55th	65th	75th	85th	95th

Percentile Ranking

Practice Net Income by Practice Size (average within practice size group)

30.7%	**26.6%**	**29.6%**	**27.6%**	**30.7%**	**31.8%**	**30.3%**	**32.2%**	**32.0%**	**33.2%**	**35.0%**
MBA Average	$356	$580	$698	$823	$947	$1,106	$1,300	$1,532	$1,852	$2,950

Annual Gross Revenue ($000)

Source: Management & Business Academy

Management Processes to Maximize Practice Cash Flow

Budgeting and Forecasting

Many ODs treat practice budgeting like many households do: They hope enough money comes in each month to pay the bills and allow for the owner's draw. This leaves them with no clear idea where the money goes or whether it will suffice.

The solution to such rudderless management:

Budget: Create a budget annually, by month, for a one-year period.

Track: Analyze for variances, compare actual performance to budget expectations.

Evaluate: Compare actual results to reliable normative industry data.

Correct: Identify underperformance, and take corrective action before it becomes a problem.

This process will allow a practice owner to pinpoint problems quickly, as well as identify areas that exceed profit expectations. It may be too late to help if you identify a performance issue when cash in the bank has been depleted and accounts payable are backing up. When a borrower calls Vision One Credit Union with the problem of "depleted cash," it is clear that the OD does not have a system to identify underperformance and make timely corrections.

Without a monthly budget detailing projections of revenue and spending, it's impossible for an owner to make informed mid-course corrections to achieve annual financial goals. Without a written budget, practice cash flow becomes an accidental result of uncontrolled events, not a planned outcome. When practice cash flow is unpredictable, bank accounts may be empty when bills come due and there will be a reluctance to invest in growth initiatives. This leads to a short-term focus, postponement of needed investments and often times, increased debt.

The practice chart of accounts line items should be used for budgeting. At the end of each fiscal year, a new budget should be developed based on prior year experience, growth expectations, plans for the new year and seasonality of the business. The MBA monograph "Creating a Practice Budget" discusses budgeting in more detail. It can be downloaded at www.mba-ce.com under MBA Monograph Series.

Maintaining Working Capital Level

Another metric related to budgeting is working capital level. This is the amount of funds available in practice bank accounts to cover operating expenses, recognizing practice seasonality and the normal lag between invoicing and collections. An optometric knowledgeable banker or your accountant can help you determine the proper amounts required.

Tracking Key Metrics

Another essential financial management activity to maximize practice cash flow is key metrics tracking. Just as doctors routinely monitor patients' weight, blood pressure, pulse rate and cholesterol count, every business needs to continuously monitor a small number of quantitative performance indicators, beyond revenue and expenses, which reveal the health of the business.

Usually, the key metrics that businesses track show performance in activities with the greatest impact on long-term success. These might include customer satisfaction ratings, sales or profit per transaction, defect rate, return rate, average annual visits per customer and so on. The benefit of on-going tracking is that it provides an objective picture of a performance trend, which would otherwise be invisible. This can lead to more rapid corrective action to turn around negative trends. Key metrics can be shared with staff members who impact results and become a form of scorekeeping that can motivate behavior change. Quantitative performance measurement facilitates goal setting.

Each practice must determine its own most relevant key metrics. The metrics listed below have been found useful in many practice settings.

Independent OD Key Metrics to Track

Key Metric	How to Calculate	Independent OD Median
Gross collected revenue (aka gross revenue)	Add all payments received for goods and services	$50,000 per month / $600,000 per year
Gross revenue per exam	Divide collected gross revenue by complete eye exams performed	$306
Revenue per eyewear sale	Divide eyewear gross revenue by eyewear Rxes dispensed	$227
Contact lens sales per contact lens exam	Divide annual contact lens sales by contact lens exams performed	$152
Complete eye exams per OD hour worked	Divide number of complete eye exams performed by OD hours	1.10
Gross revenue per staff hour	Divide gross collected revenue by total number of staff hours worked	$83
Gross revenue per OD hour	Divide gross collected revenue by total number of OD hours worked	$330
New patient ratio	Divide new patient eye exams by total eye exams performed	25%
Eyewear walkout rate	Percent of patients who take Rx to another provider 100 percent minus walkout rate = capture rate	30%
Accounts receivables days outstanding	Uncollected invoice amounts divided by average daily gross revenue	17 days
Frame unit turnover	Number of times frames sold and replenished in a year	1.8

Source: Management & Business Academy

Other useful key metrics: product dispensing ratios (percent of dispensed Rxes of different product categories or price points), average elapsed months between patient exams, recall success ratio (percent of patients receiving recall notice who have exams within three months).

Managing Product Mix

Typically, 60 percent or more of practice revenue is derived from optical product sales. As retailers, it's vital to an OD's success to actively manage the mix of product sales to maximize net cash flow.

ODs often go wrong by paying too little attention to the products they sell. Many delegate retail management tasks to staff and never examine in detail what is being sold. Some ODs fear patient price resistance and end up prescribing mature technologies that cost less and satisfy patients less, rather than newer, high-tech lenses. Inattention to product mix almost always results in sub-par revenue-per-patient served and reduced practice cash flow.

In reality, ODs can have a much greater influence on the composition of their sales mix than most other retailers. For many other retailers, it's necessary to stock mainly the best-selling national brands and let customers choose their favorites without any guidance from the retailer. By contrast, OD patients expect to receive and highly value product recommendations.

Patients seldom reject the doctor's recommendation when they are linked to a diagnosis and unique lifestyle needs. Patients' brand preferences are much less influential in this setting. In category after category, how ODs present products is the decisive determinant of product mix. One practice will sell 25 percent of spectacle lenses with AR treatments, another will sell 85 percent. One practice will prescribe daily disposable lenses to 2 percent of contact lens patients, another 60 percent. The performance differences between practices usually have nothing to do with patient preferences and everything to do with product presentation, especially in the examination room.

Every practice needs to conduct a quarterly review of its distribution of product sales. For frames, include the mix of sales by price point and major brand. For ophthalmic and contact lenses, include sales by product category and brand. The analysis will enable comparisons to industry norms, reveal usage trends and aid in goal-setting.

Setting Retail Pricing and Professional Fees

Effective fee and retail price strategies continue to have a large impact on practice cash flow, even with most managed care plans.

One common mistake ODs make is to become obsessed with the low prices offered by the big box retailers. The reality is that independents offer a higher level of personalized service, valued by the largest segment of consumers and incompatible with low fees and prices.

Optometric consultants concur in recommending that modest fee and price increases should never result in patient defection sufficient to offset the revenue and profit gain of the price increase.

Best practices to manage pricing and fees include:

Calculate gross profit margin. Every six months calculate the gross profit margin percentage derived from sales of spectacle lenses, frames and contact lenses in total and for major brands. Compare the category gross margin percentages to industry norms. The analysis is likely to suggest pricing adjustments to improve profit margins.

Set prices and margins consistently. Adopt a consistent approach to setting retail prices to yield gross profit margin goals. Following sales rep pricing recommendations will likely produce inconsistent pricing and reduce margins.

Increase fees. Implement professional fee increases annually to offset business cost inflation.

Monitor costs and adjust. Monitor manufacturer, laboratory and distributor price increases and immediately adjust product pricing as increases occur.

Optimizing Office Efficiency

It's obvious that serving more patients per hour without increasing the number of hours worked will dramatically improve practice cash flow. Yet few ODs manage patient flow to reduce the amount of time spent with each patient during stages of the office visit that add no value to the total experience. ODs usually book appointments on a relaxed schedule that keeps inefficiency invisible and is comfortable for the doctor and staff. The result is that there are many idle moments during the day which get filled with activities that make no contribution to patient care or revenue.

Most OD offices have excess capacity, but few measure it. Many conclude that their office is too busy to accommodate more patients, so they pay little attention to recall. MBA and AOA surveys indicate that the median OD performs just 1.1 eye exams per hour worked. Highly productive offices routinely conduct 1.5 or more exams per OD hour. Costs rise little as hourly productivity rises, so most of the efficiency gain drops to the bottom line. Each office must examine its work process to eliminate work-in-process downtimes and to eliminate unnecessary steps to increase patients served per hour.

Other areas of efficiency include higher utilization of ophthalmic equipment and the practice facility (building). Both are predicated on more patient exams/appointments per day without increasing the amount of equipment or leasing more space. Greater utilization will have a dramatic impact on the practice cash flow.

Implementing Effective Patient Recall

There are just a few strategies a business can pursue to grow revenue and improve practice cash flow: attract new patients, sell more per transaction and get patients to return more often. In the short term, attracting new patients can be expensive with an uncertain return on investment. Some ways to increase revenue and profit per transaction were discussed in the preceding section on product mix management. Pursuing the third strategy can have the largest impact of all on practice cash flow – increasing the frequency of patient visits through more effective recall.

Most ODs do not know the average number of months that elapse between patient exams, and they tend to underestimate it. Industry data suggest that, on average, 25 months elapse between patient eye exams, even as most ODs recommend yearly exams to most patients.

Devoting human resources to patient recall pays large dividends. Some recall best practices:

Pre-appoint. Highest recall success ratio is achieved with pre-appointment and personal confirmation of pre-scheduled appointments.

Assign the task of recall. Responsibility for recall should be assigned to an individual and hours blocked out to execute a consistent recall process.

Monitor recall rates. Recall success should be monitored and the recall administrator should be held accountable for achieving a quantitatively defined success ratio.

Utilize electronic recall systems. Highly efficient electronic systems are available today to assist in both patient recall and patient reactivation.

Employing an Associate OD

The typical fulltime OD in independent practice performs about 2,000 eye exams and generates about $600,000 in gross revenue annually. That means that for a practice with a single OD grossing about $600,000, a significant increase in practice revenue is likely to occur only by adding an associate OD if backlog is more than two weeks or if new patients can be developed.

Apart from the immediate potential benefit of increasing practice revenue, employing an associate can create a potential buyer of the practice at the owner's retirement.

Key Financial Management Terms and Concepts

Equity: The book value of an asset (such as a practice) less any debt.

Value: The market price of an asset that would be paid by an able, independent buyer.

Wealth: The sum of the value of all assets held (by an OD) less any outstanding debt.

Cash flow (multiple variations): Net Cash Flow, Practice Cash Flow and Practice Net Cash Flow: Previously defined.

Gross profit: Gross revenue minus cost of goods sold (COGS).

Gross profit margin: Gross profit divided by gross revenue.

Cost-of-goods sold: Wholesale cost paid to manufacturers, labs or distributors for products (less discounts); for in-house labs includes cost of materials, labor cost, equipment and occupancy cost allocation. The metric can be expressed as a dollar value or as a ratio of gross revenue in total, or for a category of goods or an individual transaction.

Working capital: The popular definition is the available cash in the practice (e.g. business checking account). For an established practice, 1.5 – 2 months of operating expenses should be available as working capital depending on specific practice characteristics such as seasonality, volatility of cash flow, etc. The formal definition of working capital (the difference between short term assets and liabilities) is generally not used in optometric practices.

Operating expenses: Operating expenses are the costs associated with keeping a practice open for business including occupancy, maintenance, labor, general overhead and taxes.

Breakeven analysis: The dollar value at which revenue generated by an activity or investment is equal to the sum of fixed and variable costs. This analysis can be useful in establishing pricing and fees, as a means to determine the activity level necessary to cover costs or as the means to determine the probable elapsed time to recover the cost of an investment.

Chair cost: The average operating expense to serve a patient. This is usually calculated by adding all fixed expenses (staff, occupancy, general overhead, etc.), excluding doctor compensation and cost-of-goods, and dividing this number by the number of complete eye exams performed during any time period. Another method is to divide operating expenses by the total number of hours an office is open to provide clinical care, yielding chair cost per hour.

Accounts receivables days outstanding: Total receivables divided by average daily revenue (gross revenue divided by 365).

Growing Long-Term Practice Value

Many ODs are so absorbed in the daily grind of patient care and managing operational details that they lose sight of the important long-term goal of building an enterprise of high value to a potential buyer. Most ODs hope to build the practice into a large financial asset that can fund a significant portion of a comfortable retirement. But they sometimes assume that practice value will grow automatically as years pass and the patient base grows. That assumption is often flawed. There is never assurance that market value of a practice will grow if the practice is not actively managed with value in mind. At a bare minimum, a practice should be worth the market value of its hard assets: furnishings, equipment and inventories. But hard asset value is usually far less than an owner anticipates and places no value on intangible assets, like goodwill, which is often the most valuable component of practice valuation. The value of goodwill is frequently over-estimated by practice owners.

To obtain an actual value of an optometric practice, an appraisal from a qualified, industry knowledgeable appraiser is required. The most important determinant of practice value is net cash flow. See Practice Valuation section in Entering Practice Ownership.

The previous section discussing maximizing practice cash flow outlined major short-term strategies and techniques to increase practice value. There are also many ongoing management philosophies and methods, outlined below, that if consistently pursued, should steadily build value.

Continually Increase Net Cash Flow

If net cash flow is the most important factor in practice valuation, then continual growth of net cash flow will produce increasing practice value. It is surprising how many ODs don't understand this principle and allow the practice cash flow to stagnate or decline.

Develop an Annual Business Plan, Setting Goals

It is highly unlikely that consistent growth in practice equity will occur without formal business planning every year. The plan should include specifying annual revenue and net cash flow objectives, articulating strategies and tactics to achieve objectives, and detailing spending plans for facilities investment, marketing and staff additions. Goal-setting is a particularly important aspect of an annual plan because it focuses an organization on a concrete finish line and invites continuous tracking of progress.

As part of the annual planning process, it's useful to review performance over the prior year and identify major deficiencies, threats and opportunities that the annual plan must address. To the extent that spending plans are not defined, then decision making becomes ad hoc, and spending often gets postponed to solve short-term cash flow issues.

Practice at the Leading Edge of Technology Adoption

Eyecare technology evolves rapidly both in vision correction devices and diagnostic instruments. Today's best solutions quickly can become commoditized -- outdated or obsolete and no longer able to generate adequate returns. Effective practice CEOs are often early adopters of the latest technology, recognizing the favorable impact of this approach on exam quality, practice reputation and generation of higher profit margins. Be sure to calculate the return on investment before investing in new technology.

Maintain Facilities

Successful mature practices sometimes become self-satisfied and suspend investment to upgrade facilities. Perhaps they reason that the return on investment will never be realized. But such a conclusion ignores the positive impact of facilities upgrades on patient traffic. Effective owners keep their offices perpetually in a high state of repair and cleanliness and plan regular re-models to avoid a dated appearance. As a rule of thumb, an office should be remodeled every 5-7 years.

Delegate Tasks

An hour of an OD's time is worth at least four times what an hour of staff time is worth. Yet, to contain staff expense, many ODs avoid hiring and continue to perform testing and administrative tasks that staff could complete adequately. Failure to delegate usually means less time is set aside for planning and management.

Devote Resources to Building Staff Engagement

A high level of staff engagement can be one of the most valuable intangible assets of a practice, because it usually translates to a high level of patient engagement and loyalty. Effective CEOs devote resources to develop staff skills, retain focus on the corporate mission and motivate staff with intrinsic and extrinsic rewards.

Document the Service Process

Well run businesses have precisely detailed, documented processes to serve customers, which assure a consistent service experience is delivered every time, regardless of employee turnover. This is an important strength of companies like McDonalds or Chipotle. When a documented process is in place, opening new locations is less difficult. Potential buyers recognize the value of documented processes.

Calculating Return on Investment

To steadily build value during the practice lifecycle, an OD must continue to make investments to increase net cash flow. Each investment must be objectively evaluated to assure an adequate return on investment.

Calculation of return on investment (ROI) is a standard financial management tool, often overlooked by ODs as they consider investments. A simplified ROI is calculated by dividing the net profit from an investment for a period of time (revenue generated or expenses saved less the variable costs of producing revenue/savings and less the cost of investment) divided by the amount of the investment. For example, if a business invests $10,000 in a media campaign and generates a net profit of $800 (incremental sales of $15,000 less cost-of-goods and other variable costs of $4,200 and less the $10,000 media cost), the ROI is 8 percent ($800 divided by $10,000). This ratio can be compared to rates of return on other financial investments to evaluate the desirability of making an investment.

A related concept is break-even point. This analysis calculates the amount of time likely to elapse until the net profit from an investment equals the amount invested. For example, if an investment of $10,000 produces an average monthly net profit of $500, then the break-even point occurs in 20 months.

The benefit of performing a ROI analysis before investments are made is that it forces objective consideration of assumptions used to project revenue and profit and makes the investment decision process less dependent on subjective, emotional criteria.

Below is a discussion of considerations for the major investment decisions ODs face.

Upgrade Instruments

Typical OD practices spend about 2 percent of gross revenue annually for patient care equipment.

A simplified example of a ROI calculation for an instrument purchase is outlined below. Assume a new retinal camera will cost $27,000 if paid for in cash, or for a monthly five-year loan or lease cost of $600. Revenue forecast is based on assumptions that 20 percent of patients will receive fundus photography and will pay $30 per imaging procedure. The variable cost of staff time per imaging procedure is estimated to be $2.70.

Compute ROI: Retinal Camera

Monthly revenue forecast

Total monthly patient visits	250
Percent of patients receiving fundus photography	20%
Monthly imaging procedures (250 x 20%)	50
Revenue per procedure	$30
Monthly gross revenue (50 x $30)	$1,500

Variable Costs

Staff cost per procedure	$2.70
Monthly imaging procedures	$50
Monthly staff cost	$135

Return on investment calculation

$1,500 monthly revenue less $135 variable cost = $1,365 monthly profit before debt

$1,365 monthly gross profit less $600 monthly loan or lease cost = $765 net return

$765 net monthly return divided by $600 monthly loan or lease cost = **127.5% ROI**

Breakeven point calculation

$36,000 60-month cost divided by $1,365 monthly profit = **26.4 month break-even point**

The example investment has a very favorable ROI. Of course, the ROI calculation is only as good as the assumptions used in the revenue and profit forecast. To assure the accuracy of assumptions it is useful to learn from peers and instrument manufacturers what other ODs produce from comparable instrument purchases and who reimburses for the procedure. It can be useful to re-calculate the ROI and breakeven point under worst cast assumptions. In this example, breakeven (zero ROI) would occur if only 22 procedures were performed monthly.

If replacement equipment needs to be purchased a ROI analysis is not needed as the equipment must be purchased to provide the same standard of care. It's just a cost of doing business.

As equipment is purchased, it is important not to consume the practice's needed working capital. If the practice has cash over a realistic minimum required working capital level it can be used to purchase the equipment. If the practice is at or below its minimum working capital level, it is better to get a loan. An equipment lease may also be used but generally charge more interest (undisclosed to the lessee) with onerous prepayment terms compared to a loan.

Investing in IT

Every office needs a management software system to keep track of revenue and expenses, inventory and patient data. The information that the system houses is essential to business analysis. Being fully engaged with EHR is critical to maintaining access to patients enrolled in insurance plans.

Investment in IT technology can be more difficult to evaluate because it is difficult to calculate the ROI. A new computer system does not generate additional revenue directly or immediately, although it may assist in reducing receivables, improving recall success and in target marketing to the patient base. It can also be difficult to estimate the impact of a new IT system on practice efficiency.

Adding Staff to Increase Revenues

It is perhaps counterintuitive that an investment which raises operating costs and does not immediately and directly increase revenue could have a positive ROI. But many ODs observe that needed staff additions result in increased revenue and profit exceeding the added cost. This occurs because timely staff additions enable an office to increase the number of patients served and provide a higher level of service. This is most easily measured with the addition of an associate for one or more days per week to absorb patient backlog.

Among the useful indicators of the need to add staff are two production metrics derived from the MBA database. The first is gross revenue per staff hour ($83), derived from gross revenue divided by staff hours worked. The second is annual gross revenue per staff member ($135,000), derived from gross revenue divided by staff members, including full-time and part-time employees. These ratios are weakly correlated with practice size.

Hourly staff production of $125 or more, or annual staff member production of $175,000 or more are indicators that staff additions may be needed. Such high ratios are often observed in busy offices with low staff morale and high staff turnover, unattended administrative tasks and frequent waits of five minutes or more between stages of patient visits, all symptoms of understaffing.

Adding a Location to Broaden Revenue Base

Adding an additional practice location can increase your revenue base and net cash flow by casting a wider net in the community to attract patients from a broader geographic area. Risk is reduced if the practice has an effective, documented service process that can be easily migrated in a new location.

If acquiring an existing practice: In this case the same evaluation criteria apply which were discussed in the section on Practice Due Diligence Checklist. The major benefit of an acquisition versus a start-up is immediate cash flow and less management time spent in coordinating construction and hiring. Also, economies of scale should be achieved immediately through volume discounts on materials, better equipment utilization such as specialty procedures. The procedures requiring more expensive equipment can be performed at just one of the two locations.

If starting a new location from scratch: This is inherently riskier with a greater number of unknowns impacting results. The initial investment is likely to be greater with this approach and the breakeven point further down the line. But this approach provides total flexibility to create a modern location to desired specifications, unencumbered with the baggage of a prior owner.

The ROI calculation for a second location whether purchased or start up indicates a diminished return when compared to the first practice (one). This assumes the owner of practice one is working five days per week in practice one which means practice two will have a higher wage expense for associates than practice one. Even if the OD owner will work two days in practice two, an associate three days per week is still required plus two days per week in practice one.

This is why Practice Net Cash Flow (with all OD compensation) should be reviewed. For more information: Vision One Credit Union articles "Purchasing a Second Practice" and "Financing a Second Practice" can be downloaded from Review of Optometric Business (www.ReviewOB.com) under Finances channel.

Remodeling to Increase Value

Remodel vendors say remodeling can increase practice revenue from up to 20 percent. Vision One Credit Union's experience indicates increases, particularly in a competitive environment. The effects occur over several years. A remodel that adds capacity to see more patients if the practice is constrained is more likely to produce new revenue, as is one that improves the attractiveness and accessibility of frames displays. Periodic cosmetic upgrades are necessary to maintain the image of a practice as an up-to-date provider and remain attractive to potential buyers of the practice. A remodel with the lowest potential ROI is one making expensive cosmetic upgrades that are largely invisible to patients and add little value to the patient experience.

Managing Frames Inventory to Maximize Optical Sales

Although the quantity of frames in inventory correlates with practice size, a practice with $600,000 annual gross revenue typically carries 650 frames in inventory with a wholesale value of $38,000--$42,000. Optometric consultants advise that a minimum of 650 frames be on display to convey to patients that an adequate selection is available; making it likely they will find an ideal frame to complement their appearance.

Some practices over invest in frames, tying up working capital. Among flawed inventory management processes:

- Stock similar product lines from several manufacturers. This adds to inventory investment without expanding the range of choice for patients.
- Stock multiple frames of individual stock-keeping units (brand/style/color/size combinations).
- Very few frames in inventory have a turnover higher than one unit a month.
- Stock every variation of style/color/size within a product line, without regard to the turnover of individual items.
- Allow frames sales reps to manage inventory.
- Keep a significant amount of inventory in storage, out of patients' sight.

Frames Inventory Guidelines by Practice Size (for single-location practices)

	Annual Gross Revenue				
	$500,000	$800,000	$1.1 million	$1.4 million	$2 million+
Median annual frames inventory turnover	1.2-1.4	1.6-1.8	1.8-2.0	2.2-2.4	2.5-2.7
Ideal frames inventory	700-800	750-850	900-1,050	950-1,050	1,250-1,400
Excessive inventory	1,000+	1,100+	1,400+	1,600+	2,000+
Insufficient inventory	<600	<675	<800	<900	<1,100

Recommended Frame Inventory by Practice Size

650	**725**	**800**	**850**	**900**	**950**	**1,000**	**1,050**	**1,200**	**1,400**
$356	$580	$698	$823	$947	$1,106	$1,300	$1,532	$1,852	$2,950

Annual Gross Revenue ($000)

Source: Management & Business Academy

Obtaining Financing to Invest in a Practice

A well-developed project budget is critical to the success of any large investment in the practice whether a practice purchase, start up, relocation or remodel.

Obtaining financing for practice investments can be challenging. OD practice lending is unique because OD practices combine medical and retail elements, often with little collateral. Large lending institutions often do not understand such a business model and may provide insufficient or inappropriate funding. They are also unlikely to have sufficient understanding to add value to investment decisions.

The bankers at Vision One Credit Union are dedicated to and specialize in lending to independent optometrists. Vision One Credit Union assigns you a "Private Practice Banker" who can underwrite your loan and help you determine the cash flow impact of your practice investment and financing decisions. Vision One Credit Union Private Practice Bankers have often pointed out gaps in the project budget before it was realized by the practice owner.

Key considerations when financing any practice investment:

Get the loan payment right. The right payment balances practice cash flow needs against rapid debt reduction to build equity and value.

Term impacts total cost. Loan term has more impact on the loan payment amount than interest rate. Loan terms that are too long significantly increase interest expense and limit timely debt reduction and equity buildup in the practice.

Be aware of penalties. Loan terms must accommodate expected treatment of the debt, including prepayment penalties. Vision One recommends a 10 year loan for practice purchases with terms allowing for an accelerated payoff over seven years as cash flow ramps up. Many lenders have prepayment restrictions or penalties.

Compare equipment leases to loans. The medical community has been led to believe leases are superior to loans. Consider the facts:

> **Lease rates** are not required by law to be disclosed to the borrower. As a result, Vision One has calculated lease rates that were 1-2 percent higher than just Vision One standard loan rates. A quick way to calculate which is cheaper is to sum all contractual payments of the loan then the lease. Compare. Make sure to add to the lease all tax payments that will also be due monthly and any contractual residual payment required at the end of the lease (often as much as 10 percent). Vision One has a lease rate calculator on its website (www.visionone.org)
>
> **Prepayment fees -** Loans are simple interest (unless otherwise stated) meaning the interest stops at the point of payoff. Many leases do not have "prepayment penalties" per se but require the "sum of the remaining payments" to payoff. It's a big surprise to many ODs when they realize the full interest charge is collected, even when the lease is paid off early. This is a sore point for practice sellers who have to pay off any practice asset debt when conveying the practice to a buyer. Sometimes they owe almost as much on the lease payoff as the amount originally financed, even after making payments for a year or more.
>
> **Tax deductions** are substantially similar except certain higher residual leases do not qualify for Section 179 deductions. See your accounting professional for specific advice regarding tax deductions.

Practice Investment Financing Planner

Practice Investment	Optimal – Loan Term	Comment
Practice purchase or startup	10 years	Seven years too short, payments are too high. Fifteen years is too long, excessive interest paid, debt reduction is slow. Hard to get out of debt and build equity / value with ongoing practice investment financing needs. Ten years optimal. Try and payoff in 7 years with ramp up in practice net cash flow.
Remodel or relocation	5 – 10 years	Term depends on the amount financed and optimal payment, relative to practice net cash flow capabilities.
Equipment	3 – 5 years	Stay within useful life of the equipment including obsolescence.
Practice real estate	20 – 25 years	Try to payoff prior to or upon retirement.

Understanding Real Estate Basics

Over the past several decades, a major component of many ODs' asset accumulation plan has been to purchase the real estate in which their practice is located and enjoy the appreciation of real estate value over the long term and cost containment. Many ODs invested in practice real estate after 7-10 years in operation, when practice cash flow had become more predictable and was growing. Practice start-up or acquisition debt had been substantially paid down.

Since the 2007 crash in real estate values, the climate for real estate investment has changed. On a national basis since 2007, the value of commercial office space in some areas has suffered the same collapse as did other commercial and residential real estate. Prices in 2013 remained well below 2007 levels in most areas, even as prices recovered somewhat in 2013. Office space occupancy rates remain below 2007 levels.

Market interest rates remain historically low. This coupled with commercial real estate value reductions in many areas has made owning practice real estate more affordable. According to Vision One Credit Union, the rule of thumb is if the mortgage payments are equal to or less than rent, a purchase will not require cash contributions except for periodic capital improvements. If mortgage payments are more than rent, then you will need to make cash contributions from practice cash flow or personal income. In most cases it is not advisable to purchase the practice real estate concurrently with the practice as rent usually is less than mortgage payments and there is little excess cash flow from the practice to absorb the negative cash flow from the real estate acquisition.

The return on real estate investments can only be evaluated meaningfully at the local level, because valuations and trends vary by state, city and neighborhood. It is unclear how real estate values will trend in the future, making it riskier to count on appreciation to fund retirement.

In most major metropolitan areas, there are published data on current office and retail real estate prices and rents. Review this data before beginning a search. A commercial realtor can advise a prospective buyer about local real estate costs, rents and trends, usually for a fee less than $500.

The checklist below lists major considerations, apart from cost, as real estate is purchased.

Checklist: Evaluating Location

- Is the practice within the same market area as the current practice location?
- Are there zoning restrictions?
- Is square footage of the facility adequate for the size of business in 15 years? This could include expansion into contiguous space. Excess space can be rented out initially, if purchasing the commercial real estate.
- Does the facility meet office layout requirements without major demolition and build-out expense?
- What is the condition of the facility and mechanical systems? Are major repairs needed?
- Is the location within easy commuting distance for the owner and staff?
- What are the demographics and trends of the population within a five and ten mile radius? Are these likely to be profitable patients?
- Who are the major employers in the area? Do these pose barriers to success or represent opportunities?
- Is the location easy to find?
- Is there a significant traffic count?
- Is the location visible to street traffic? Foot traffic?
- Is the location accessible to elderly patients or patients with disabilities?
- Is the neighborhood consistent with the image the practice wishes to project?
- What is the crime rate in the neighborhood?
- Is the parking sufficient for employees and patients?
- Are there many competitors in the immediate vicinity?
- Is the area served by public transportation?
- What is the reputation of the landlord?
- Is there a reasonable probability the real estate value will increase? Review longer term area trending with your commercial real estate agent.

PHASE 3 OF PRACTICE OWNERSHIP

Strategies to Exit Practice Ownership

The ideal time to sell a practice is when its value is peaking. If the practice is properly managed, value should continually increase. In many cases, valuation declines during an OD's final years in practice. Regardless, most ODs do not track the fair market value of their practice and could not recognize peaks or valleys. Most ODs only give serious thought to practice transition when they face an imminent need to take action. When exit planning is postponed to the last moment, many owners face the stark reality that their practice will not bring what they hoped would fund their retirement. Then it is too late to take remedial action to increase practice value. So the owner now faces an unpleasant set of choices.

Actively managing and growing practice value has never been more important.

It's human nature for sellers to overestimate the value of their property and for buyers to underestimate. The true value is only what a buyer, with his or her own set of needs, will pay. If an OD has allowed the practice to stagnate as retirement approaches, the stark reality is that the practice may be unsalable. That happens when the net cash flow is too low to support the prospective owner's income needs and pay the acquisition debt service. That often occurs when cash flow margins are thin, particularly when gross revenue slips below $350,000 annually with low margins and minimal adjusted cash flow.

Selling to a competitor for consolidation (rollup) is a way these practices can be sold.

Vision One Credit Union has seen cases where practice valuation slowly eroded through owner neglect as retirement looms. As ODs approaching retirement grow complacent, they do little to assure continued growth in net cash flow. They spend less time in the practice or reduce investment in equipment, remodeling, staff addition or marketing. The signs of neglect are often invisible to the owner, but highly apparent to the prospective buyer and practice appraiser. It's difficult to finance a new practice owner with minimal management skills into a turnaround situation with need of significant capital investment.

Again, active management of practice value should start when practice ownership begins and never abate.

Planning the Exit Steps

Determine retirement income goals and resources. Develop a realistic retirement plan with funding targets that will meet retirement income needs. Optimally, the targets should be established early in an OD's career with periodic updates and milestones. This allows an OD to start their career with the end goal in sight. It's never too late to establish a plan. Seek financial planners that cater to medical professionals. Generally, they are willing to review your retirement plan at no charge.

Calculate the funding gap. Review the assets available for retirement based on current value. Project future value at the targeted retirement date. Subtract the expected future value from the funding goals. This will quantify the funding gap that needs to be earned out prior to retirement. A financial planner can help with this process. A qualified optometric practice appraiser should be sought, who that will develop a value range of the practice.

Plan to earn out the gap. Using the funding gap amount and the desired time to retirement, a wealth development plan can be formulated. This should be performed with a reputable practice consultant and financial planner. If performed five to 10 years prior to retirement, investments may be made in the practice to upgrade and enhance practice cash flow, increase practice value with adequate time to pay off any related debt.

This process should drive the validation or perhaps reset of the retirement date and the type of exit strategy that will provide a fully funded retirement plan. Vision One Credit Union is staffed to facilitate the process with financial planners and qualified practice appraisers, much at no charge

A first step in exit planning is to establish a realistic, current fair market value of your practice. That is best done by a certified appraiser with experience valuing optometric practices. That might cost in the $2,000 range or you can utilize the Vision One program to obtain a free valuation range. The appraiser can also be retained to evaluate the condition of the hard assets of the practice and the key performance metrics of the practice. This can lead to an action plan to improve facilities and performance to raise final practice value at upon sale. If the plan is developed five years ahead of final sale, it is possible to recoup investments in this timeframe as well as increase value.

Practice brokers are occasionally used to connect buyer and seller with some degree of efficiency. A more efficient and cost effective program is currently in development through the Practice Management Center at SCCO. Reputable practice consultants are another cost efficient approach to practice transitions.

Buyers beware since practice brokers are paid by sellers, and some have been known to take advantage of unrepresented buyers.

Brokers will earn up to 10 percent commission paid by the seller on a practice sale. They can assist in locating and screening potential buyers, conduct valuations, create contracts and assist in price and lease negotiations. When selecting a broker, the most important considerations:

- Reputation for integrity
- Number of optometric practice transactions previously brokered
- Absence of conflicts of interest with potential buyers (e.g., broker taking payments from lenders to steer the buyer to a particular lender, often undisclosed to the buyer or seller)
- Appraisal methodology
- Marketing plans
- Compensation structure

An experienced consultant or broker should establish a realistic asking price for the practice. A practice priced too high may not attract buyers and will not qualify for appropriate financing or will be forced into an extended term loan which will limit career wealth building and overall debt reduction for a buyer. A practice that remains on the market for an extended period may decline in value and may force postponement of retirement.

As a practice is put on the market, it's also useful to obtain the services of an accountant and an attorney experienced with sales of medical practices. Vision One Credit Union, at no charge, will pre-screen your practice to determine potential finance ability.

It is often desirable that an OD seller agree to work part-time in the practice for six months to one year after the sale to ease the transition risk. This will help reduce the risk to the buyer of a sharp decline in net cash flow and make the practice a more attractive acquisition candidate.

Exit Strategies

Type	Use
100 percent sale of the practice	• Retirement is or will be fully funded upon sale of the practice. • Retirement not fully funded - Stay on as associate / mentor.
Sell a portion of the practice. Fractional sale (less than 100 percent) – partnership share or corporate stock	• Retirement not fully funded: Continue to grow the practice with agreement to sell the remainder to the buyer at a future date and valuation.
Defer sale - Hire associate	• Retirement not fully funded: Continue to grow the practice and value. Owner may reduce days seeing patients if income permits.
Small practices – Gross revenues $400,000 or less. Not a full time practice	• Highest buyer demand will be to an in market competitor for consolidation. • Seller may contract to stay on as associate if needed to delay use of retirement fund.

About Vision One Credit Union

Dedicated to the financial success of independent optometrists

In 1951, a group of optometrists from the California Optometric Association, an AOA affiliate, envisioned a banking institution dedicated to the specialized needs of independent optometrists. They founded the California Optometric Credit Union. Upon request, services were expanded into other states and the name was changed to Vision One Credit Union.

Today, Vision One continues to operate as a non-profit financial institution with an all OD, all volunteer Board of Directors.

As a financial institution by optometrists for optometrists, Vision One provides solutions for industry wide problems such as reducing roadblocks to entering practice ownership and helping senior doctors achieve a timely, lucrative exit. Practice buyers and sellers rely on Vision One to clarify the practice transition process, help assemble an appropriate transition team and customize financing structures to help reduce risk.

By providing these services, Vision One seeks to enhance the economic viability of independent practice optometry. As an optometric industry resource, Vision One goes far beyond conventional banking and financing sources to help you realize your practice dream.

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VisionOne
CREDIT UNION

Board of Directors
A. Nick Gutierrez, OD, Chairman
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Tom Wing, OD, Treasurer
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The Vision One Mission: To advance independent optometry through innovative financial solutions

Vision One's in depth knowledge of practice complexities and our ability to use deposits from all areas of independent optometry to provide practice loans, makes us a unique resource. We deliver the high level of personal service and understanding you expect.

Loan Services:

- Practice purchase and startup loans:
  - One hundred percent or fractional ownership interests (partnership share or stock purchase)
  - First time buyer program – Vision One developed Vision Loans with VSP and Essilor to provide favorable financing to help reduce barriers and risks when buying or starting a first practice
  - Second and subsequent practice purchase and startup
- Practice remodel and relocation loans
- Ophthalmic equipment loans
- Practice real estate acquisition loans (coming soon)

Deposit Services:

- 20 /20 Practice checking accounts (interest bearing)
- Investment deposit accounts: Money Market, CD, IRA, SEP IRA

Resources:

- Financial planning and investments
- Complimentary financial education:
  - Nationally published practice management articles
  - COPE approved CE developed and presented by Vision One staff members