The 5 Dos and Don’ts of Veterinary Practice Ownership

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If being a successful veterinary practice owner was easy, then everyone would be one! Here are some dos and don’ts to help you smooth what is often bumpy road to a financially flourishing veterinary practice.

The Dos:

1. **Do manage cash with care.** Cash is the life blood of a veterinary practice and managing it is key. Eighty percent of businesses go bankrupt because of mishandling cash flow. Make the effort and take the time necessary to understand how cash flow effects your practice. This includes learning how to prepare and use a cash flow forecast.

2. **Do make the right entity choice for your practice.** Whether a Limited Liability Company, S Corporation or other entity, choosing wisely can save you thousands of dollars in income and payroll taxes over the lifetime of your practice. Each practice is unique and what you choose should be based on your situation and the prevailing laws of your state. The most prevalent entity for small practice ownership is an S Corporation. Be sure to check with a tax adviser before finalizing your choice.

3. **Do hire professionals when you need them.** For example, if you don’t have the time to manage cash flow yourself, hire someone who can, such as an experienced office or practice manager. Always use attorneys to review contracts. Hire an HR specialist to prepare an employee manual and ensure you are following all employment laws. Seek advice from a veterinary specific CPA to guide you to profitability and manage your finances. The industry knowledge is invaluable no matter what stage you are, in your practice. You can’t know it all, or do it all, so don’t be afraid to spend money on good professionals when you need them.

4. **Do hire quality staff, train, engage and motivate them.** Take the time needed and make the extra effort to hire and retain the best team possible. Use working interviews and involve staff in the hiring process. Maintain a culture of continual learning, invite vendors for lunch and learns, promote and base raises on additional training and certifications. Make it a point to get to know your staff and what they find important. This will allow you to manage and motivate them by understanding what they value most.

5. **Do pay yourself.** The IRS requires business owners to pay themselves a "reasonable" salary. They do not define what reasonable is, but it's commonly suggested that the amount be similar to what you would pay someone else to perform the same work. If the IRS determines you have not paid a reasonable salary, especially if your practice is set up as an S Corporation, they will assess payroll and income tax on what they deem is reasonable, which can add up quickly to a substantial amount.

The Don'ts:

1. **Don't let your technology lag.** There are unfortunate consequences when you allow technology to fall behind. It costs you productivity (time), employees and practice value. Yes, updating may be time intensive up front, but in the long run, you will save. Hiring may be hindered because the best and the brightest will only work for practices that are forward thinking and technologically advanced. And, if your equipment is old, this will have a detrimental effect on the value of your practice. Those interested in buying will be required to spend more, above and beyond the purchase price, to bring the practice current.

2. **Don't spend major money without analyzing return on investment.** Make sure you don't just buy toys on a whim! It's important to analyze the expected income from the new equipment, compared to its cost, to ensure there is a suitable return. Your CPA can assist you with the timing of equipment purchases to minimize tax and maximize the return to your bottom line.

3. **Don't just wing it!** If you don't know where you're going, you won't know when you get there, or if you ever do. Strategic planning is a must! Whether you go through the process yourself, or hire a professional, it's imperative to make the effort and spend the time, so that you can achieve the success you deserve. With a

mission and vision, you can develop goals, and track and share them with your team so that everyone is on board to move your practice forward. You will reach your objectives much faster than if you were just wandering down the road, without a map.

4. **Don't ignore risk!** Disaster can strike any time, and you need to be prepared. Whether a natural disaster, such as flood or fire, or an internal disaster, such as server failure, you should have a well- documented disaster recovery plan. You and your team should review and practice it on a regular basis. Collaborate with another veterinarian in the area so if either of your facilities are destroyed, you share the other to minimize disruption of service to your clients. You also can agree that if one or the other of you become incapacitated that you will assist the families in winding up the practice's affairs expediently and assist in selling before the practice value deteriorates. Lastly, do not forget to insure yourself for disability insurance and always carry life insurance for the sake of your family.

5. **Don't go it alone.** Seek out a mentor or a coach, preferably someone with veterinary practice experience. Gather fellow practice owners and form your own board of advisers to discuss best practices and common problems amongst yourselves. There are groups such as this in the business world, Vistage is one, and in the veterinary world, the Veterinary Manage Groups (VMGs) are one. It really is true that two (or more) heads are better than one.

Although challenging, there are innumerable benefits to self-employment; financial independence, choose your own path, be your own boss, work with who you like, and build a legacy, are but just a few.

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