The Financial Life of a Veterinarian
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Agenda

- Personal Finance Management
- Post Education Options
- Associate vs. Owner
- Financing your Practice
- What do Banks Look For?
- Understanding Bank Services
- Controlling Finances
- Going Forward
After Graduation….

“Graduating with a total college loan debt of $120,000, Marissa Kulver… Graduating with a total debt of $107,000, James Lehman…”
Graduating Veterinarian – College Debt

According to the American Veterinary Medical Association the average educational debt of a 2013 veterinary school graduate was $162,113, which was a 6.9% increase compared to 2012, and 52.7% of the graduates had accrued debt in excess of $150,000.
Managing Personal Debt/Credit

- Balancing paying down of debt vs liquidity
- Personal Credit History
- Retirement Planning
Post-Education Career Options

- Become an Associate
- Obtain specialty training and designation
- Purchase an existing practice on your own
- Purchase a partnership interest in an existing practice
- Start a new practice
Become an Associate

- Pick a practice with growth/partnership potential
- Compensation should be base plus incentive
- Good personality fit with owner
- Discussion on non compete clauses
Starting a New Practice

- **Yes**, it’s possible!

- **Discuss plans with experts** (banker, CPA, attorney, real estate agent, etc.) 12-18 months in advance

- **Formulate business plan** – focus on numbers with justifications: demographics, patient base, marketing, competition, fee structure, payment methods, referral sources, staffing and 5-year projections

- **Be realistic** with space and equipment needs

- **Carefully review all contracts** (lease, land purchase, employee) and zoning legislation with experts
Acquiring an Existing Practice

- Purchase all or a percentage of the assets of an existing practice (from a single owner or from several owners in a multi-owner practice): Goodwill, equipment, furniture, fixtures, patient records, and accounts receivable (in some instances)

- **Understand** your long term goal: Solo Veterinarian, Sole Owner with Associate(s) or Partner

- **Ensure comfort** with location

- **Understand patient base** and market potential

- **Create personal plan** to gear up for acquisition
Acquiring an Existing Practice (continued)

- **Make sure you’re a “fit”** with existing vet
- **Leasing terms/ownership** potential of real estate
- **Review financials statements** of existing practice with trusted advisor (last 3 years of tax returns and internally prepared statements)
- **Identify trends** and understand explanations
- **Be comfortable** with the expected production level as well as the offered services/procedures
Being a Practice Owner

- Create and execute to specific goals and plans for owning your own practice
- Become a leader, manager and producer
- Balance patient time with business management …delegation
- Hire and train the right staff
- Create a business team: CPA, attorney, banker, vet supplier
Financing Your Practice

- Look for a bank that understands the unique aspects of the veterinarian industry
  - Has vet industry experts on staff to offer coaching and advice
  - Provides both conventional and SBA financing options
  - Offers range of financial services
  - Streamlines services delivery with technology
  - Offers stability and safety
Approval Process for Financing

- Clean personal credit: FICO score 700+
- Licensure and experience
- Historical production as an Associate
- Personal liquidity:* cash or securities /investments that do not contain a penalty for removal of funds
- Revenue trends
- Global cash flow

*If one is already a practice owner, Business Liquidity is also factored into the analysis in relation to the Business Operating Expenses and Business Debt.
Cash Flow Calculation

- Global Cash Flow

<table>
<thead>
<tr>
<th>CASH RESOURCES</th>
<th>DEBT</th>
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<tbody>
<tr>
<td>+ Personal Income of $100,000</td>
<td>+ Annual Business Debt Payments of $50,000</td>
</tr>
<tr>
<td>+ Net Income of $50,000</td>
<td>+ Annual Personal Debt Payments of $50,000</td>
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<tr>
<td>+ 50% of Depreciation of $25,000</td>
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<tr>
<td>+ Interest Expense of $25,000</td>
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<tr>
<td>- Living Expenses/ Income Taxes of $75,000</td>
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Total Cash Sources = $125,000

Total Debt Payments =$100,000

- Global Cash Flow Coverage = \( \frac{\text{Total Cash Resources}}{\text{Total Debt}} \)
  
  \( \frac{\$125,000}{\$100,000} = 1.25x \)

Over 1.15x – Minimum  
Over 1.25x – Good  
Over 1.35x – Very Good  
Over 1.50x - Excellent
Personal Liquidity Calculation Example

**Liquidity**

Total Liquidity = $42,000

Personal Debt = $4,000 (Monthly)

Living Needs = $2,000 (Monthly)

Liquidity Coverage = 7 months

- 3 months or less – Below Average
- 4 to 6 months – Average
- 7 to 9 months - Good
- 10 to 12 months – Very Good
- Over 12 months – Excellent

*higher liquidity expectations for start-ups and larger practice purchases*
Understand Banking

- Know bank products and their purpose
- Checking, online banking, bill pay, loans, lines of credit, credit card, merchant services, commercial real estate
- Deposit express
- Accounting software and financial statements
Control Your Finances

- Payroll
- Trust but verify
- Control debt – purchase of latest gadgets
- Hold regular reviews with your CPA and banker
- Take emotion out of running the business
Going Forward

- Decide if you want to be an associate or a practice owner
- Execute to your goals
- Create a team of veterinarian industry experts (Bank, CPA, Attorney, etc.) to help you
- Always ask questions