



Am I ready to sell?

There are a lot of moving parts when selling a medical practice. In addition, each transaction is unique as the wants and needs of the current business owner are unique to their situation and so too does the buyer. To help stimulate some of the more common questions, you may find it useful to use this self-assessment in the privacy of your home/office to help determine if you are ready to sell your practice, and if your expectations will be met. Additionally, you may find value in putting pen to paper so you can go back and review your written answers at different times to help to clarify your goals and expectations.

Why am I selling?

What is your motivation for selling? Selling a practice requires significant time, effort, and emotional commitment. Ask yourself, "Am I positive I want to sell, or am I just thinking about the idea?" Does your spouse support selling now?

What will I do after I sell?

Will you retire completely? Change careers? Perform relief work? Open another practice? Teach? How will you spend your days? Is your personality one that will allow you to be idle, or do you need to keep busy? Can you let go of the "identity" of being the owner of "XYZ Medical Practice?"

What will I do with the money from the sale of my practice?

Will you need it to live on for years to come? Buy a vacation home or RV? Invest it in the stock market? Invest it in income producing real estate? I recommend you consult a fee-based financial planner.

How much money will I need?

This is dependent upon what you plan to do after the sale, and your particular financial situation. Make sure you understand the costs involved in selling, particularly your tax obligations. While tax obligations can be substantial, in some cases you can reduce or defer taxes by setting up Trusts, or accepting Owner Carry of the note, or performing an IRS-1031 exchange. Use the following formula to arrive at a *rough* estimate of how much money you can expect to realize.

Sales Price

- **Taxes** (potential range of 15%-70% of the sale profit/gain. Typically, a blended rate of about 20%-25%: Consult your tax professional for your situation)
- **Brokerage Fee** (10% of sales price, special pricing for practices over \$1+M)
- **Legal & Professional** (\$2K - \$7K for attorney & accountant)
- **Closing Costs** (.5%-2.5% of sales price)
- = **Money to you**

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Should I consider an owner carry?

This depends upon what you plan to do after the sale and your tolerance for risk. There are both advantages and risks involved with providing owner financing (either majority or partial) to a buyer. Basically, it boils down to the advantage that you can realize *much* more income over time in exchange for the risk of having to potentially take the practice back in case of a buyer loan default.

These days, many buyers can qualify for 90% -100% financing. Bear in mind that usually Seller financing terms will need to compete with financing from commercial lenders. In some cases, a lender may require the seller to carry a small second behind the buyer's commercial loan. In other cases, Seller financing may be necessary to support a higher than average sales price. Your broker can discuss options with you.

Should I sell now, or would waiting a year or two maximize the sales price?

Assuming you are ready to sell and know what you want to do afterward, you need to ask yourself, "is now best time to sell?" Frankly, the practice sales price is ultimately a function of the historical income (read profit) generated by the practice *as reported on your Federal Tax Returns*. Your practice broker can help you determine if adjustments can be made that will be acceptable to buyers and lenders. Have you spent a large amount of money in capital outlays over the last 1-3 years? Have you been slowing down, letting practice income remain level or even dropping over the last 1-3 years? Have you recently added/decreased the number of staff positions (either doctor or lay staff)? Has it been 15-20+ years since your last major remodel? Are your fees significantly below going rates? If you answer yes to any of these questions you might increase your sales price by waiting 1-2 years and focusing on increasing profits. *Often a small increase in gross revenue can result in a sizeable increase in profit, increasing sales price significantly.*