



# ONWARD

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WEALTH

## Understanding Medical Practice Transitions:

A COMPREHENSIVE GUIDE  
TO MAXIMIZING VALUE AND  
ENSURING A SUCCESSFUL  
TRANSITION

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## THE PRE-OP: DIAGNOSING YOUR READINESS TO SELL

Selling a medical practice is a monumental decision that requires careful planning beyond just achieving a favorable financial deal. Effective presale preparation — covering operational, financial, legal, and personal aspects — can make the difference between a smooth transition and an unsatisfactory outcome. Whether you're planning a sale or just considering it, expert guidance is crucial to ensure a successful outcome.

At NewEdge Wealth, we help physicians navigate this complex transition by addressing both the technical and emotional aspects of a practice sale. From evaluating buyers to managing post-sale financial considerations and finding new opportunities for personal fulfillment, our approach ensures that your sale aligns with your long-term goals. Through our Onward program, we provide personalized support to help you transition smoothly and create a meaningful next chapter.

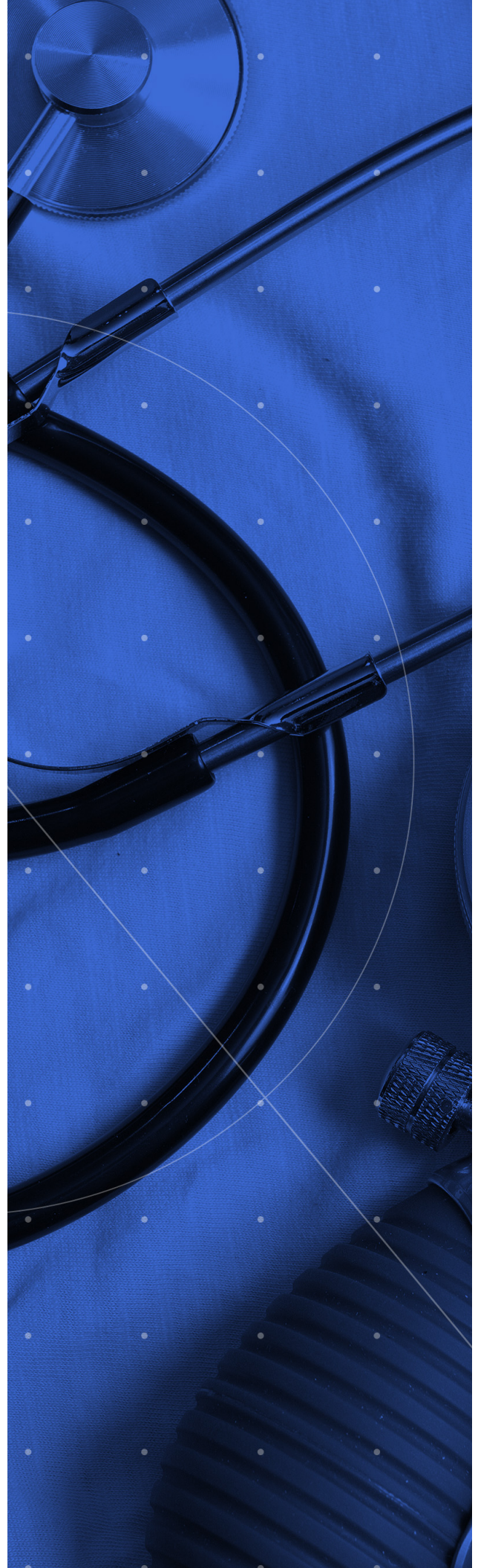
### Beyond Financial Success: Key Elements of a Rewarding Transition

While strong financial outcomes are important, they don't guarantee personal fulfillment. According to *The Exit Planning Institute*, 75% of business owners regret selling their business within a year — even with target valuations.

Through our Onward series — designed to guide business owners through significant transitions — we've found that satisfaction stems from integrating personal and professional planning well before negotiations begin. This guide draws on real-world experience to help you:

- Navigate the technical aspects of selling a practice
- Prepare for the personal transitions that follow
- Build a life of purpose after the sale

With thoughtful planning and expert guidance, your transition can be not only financially successful but personally rewarding as well.



## The Importance of Early Planning

For physicians, selling a practice is both a culmination of years of service and the start of a new chapter. Like preparing for surgery, this transition requires careful forethought — not just about valuations and terms, but about emotional readiness and lifestyle changes. Comprehensive planning must account for both the deal and the life that follows it.

## Understanding the Decision to Sell

Selling a medical or dental practice is one of the most significant transitions in a physician's life. While physicians are trained to deliver care and manage operations, most are not prepared for the complexities of selling the business they've built.

Today's healthcare environment is rapidly evolving, with buyers ranging from hospital systems to private equity firms. These organizations come equipped with transaction teams and experience, making expert preparation crucial to leveling the playing field. Understanding the market and your own goals is key to a successful transition.

## Timing Considerations

Deciding when to sell involves weighing personal goals, practice performance, and market trends. While a strong patient base and financials may indicate it's a good time, factors like regulatory changes or personal health can also influence the decision.

### Action Steps:

- Assess your practice's financial health
- Identify key personal and professional milestones
- Consult advisors to evaluate current market conditions

## Market Conditions

Healthcare industry consolidation continues to create opportunities for practice sales, but timing matters. Buyer interest, valuation multiples, and deal structures are influenced by both macroeconomic trends and specialty-specific factors like reimbursement models and technology demands.

### Action Steps:

- Monitor recent transactions in your field
- Stay current on regulatory and reimbursement trends
- Work with an advisor to assess market positioning





## Personal Readiness

Perhaps the most critical element of a successful transition is your own personal readiness. Understanding your motivations, financial goals, and post-sale lifestyle aspirations help avoid regret and enhance satisfaction.

### Action Steps:

- Define your post-sale goals — professionally and personally
- Discuss expectations with family and advisors
- Consult with others who have made similar transitions

## Valuation Methodologies

Understanding how your practice is valued is essential for setting expectations and negotiating confidently. Buyers may use several approaches such as:

- **Market Approach:** Compares your practice to similar transactions. Limited industry data and unique practice factors require expert interpretation.
- **Income Approach:** Focuses on future earnings, adjusted for sustainability under new ownership. Distinguishes between personal and practice goodwill.
- **Asset Approach:** Values tangible and intangible assets including EMR systems, trained staff, and operational efficiencies — not just equipment.

## Factors That Make It Harder to Sell a Medical Practice

Buyers will be on the lookout for any risks to their investments, so it's crucial to review and address the following issues if they exist:



Are there any ongoing or recent legal issues related to the practice?



Could someone else invest the amount that you are asking for your practice (or even less) and establish a successful new practice nearby?



Do you lease or own the space you occupy? If leasing, is it a long-term lease, and is it transferable to a new owner? Are you certain of this?



Have you been operating at a loss, or do you have debts for equipment or other expenses that a buyer would need to assume?



Is your practice located in a less desirable neighborhood, or is the office in need of repairs?



Has your profit margin been declining over the past year or more?

## Factors That Make It Easier to Sell a Medical Practice

Here are factors that can enhance a practice's appeal, therefore making it easier to sell. Do any of these apply to your practice?



A long-standing presence at a single location, as well as ownership of the building or a long-term, transferable lease



Expertise in a specialty that you are recognized for, where others can learn from you or have received prior training in



Long-term, satisfied, and well-trained employees



Additional sources of income beyond procedures, such as selling supplements or medical equipment in addition to providing treatments



Minimal or no history of legal disputes



A strong online reputation on platforms like Yelp and Google

## SCRUBBING IN FOR A SUCCESSFUL SALE: TRANSACTION PREPAREDNESS

### Presale Preparation for Your Practice

“Failing to plan is planning to fail” rings true in medical practice sales. Effective preparation, typically starting 18-24 months before sale, can help increase valuation and streamline the process.

### Getting Your Affairs in Order

A detailed self-assessment of your operations, financials, and market position is crucial. Identifying areas for improvement early allows you to strengthen your practice before negotiations. External consultants may offer valuable insights as well.

- **Business Plan Documentation:** A modern business plan should go beyond financials to include market analysis, growth strategies, and operational systems. A solid plan frames your practice to appeal to buyers and supports your valuation.
- **Profitability Analysis:** A comprehensive profitability review is key. Buyers focus on sustainable earnings, payor relationships, and revenue mix, so professional guidance ensures your financials present a strong value proposition.
- **Management Succession:** A clear succession plan demonstrates stability and helps ensure smooth operations under new ownership. This plan should include leadership development and documentation of critical processes.
- **Financial Reporting:** Invest in professional financial reporting to meet buyers' expectations and enhance your valuation. Accurate statements, including detailed revenue streams and payor mix, ensure a smooth due diligence process.



## The Pre-Sale Checklist

### Accounting Tasks:

- ☐ Compile Profit & Loss statements, tax returns, and financials from the last three years.
- ☐ Highlight discrepancies between tax returns and adjusted P&Ls and be prepared to explain them.
- ☐ Address outstanding receivables and debt.

### Corporate Tasks:

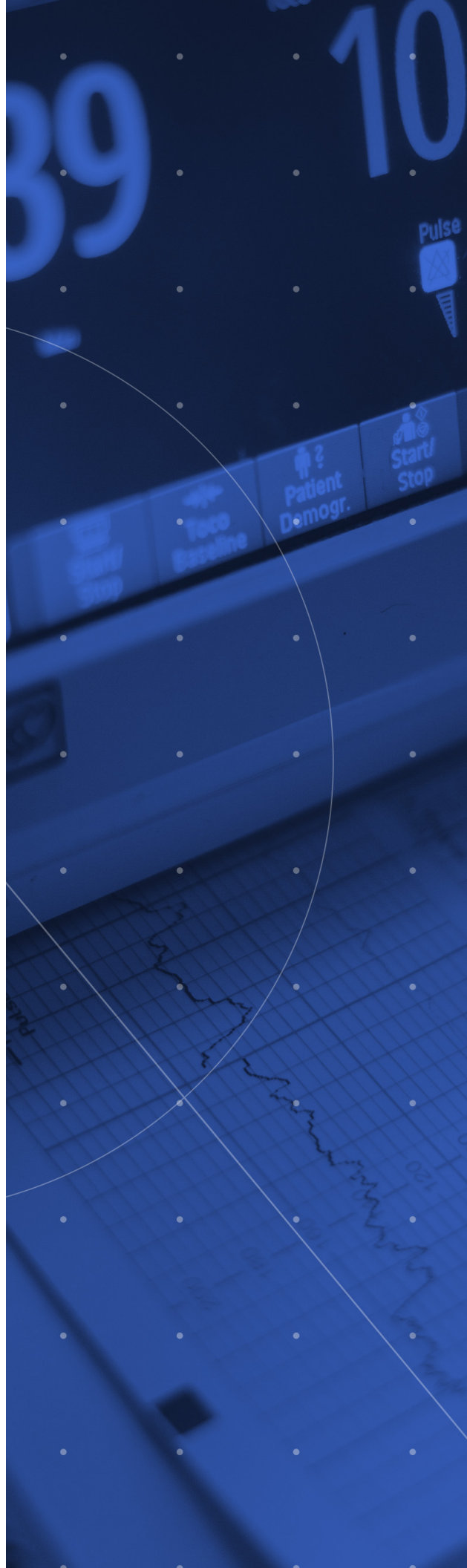
- ☐ Gather incorporation documents, real estate agreements, and licenses.
- ☐ Ensure ownership proof for intangible assets like domain names or trademarks.

### Legal Tasks:

- ☐ Resolve any pending legal issues (e.g., malpractice or employee disputes).
- ☐ Prepare non-disclosure agreements for potential buyers.

### Miscellaneous Tasks:

- ☐ Collect awards and recognition for your practice.
- ☐ Confirm lease transferability if leasing property.
- ☐ Update office equipment and inventory.
- ☐ Create a one- to two-page Executive Summary for potential buyers.





## Assembling Your Deal Team

Today's institutional buyers (private equity, hospital systems, etc.) have more transaction experience than individual physicians. To level the playing field, it's essential to assemble a skilled team:

- **Investment Banker/M&A Advisor:** Manages the entire sale process, from valuation to closing.
- **Transaction Attorney:** Specializes in healthcare M&A and ensures legal compliance.
- **Certified Public Accountant (CPA):** Structures the deal to maximize after-tax proceeds.
- **Financial Advisory Team:** Aligns the transaction with your financial goals, including after-tax considerations.

## Personal Pre-Sale Preparation

Beyond assembling the right deal team, physicians should engage in estate and wealth transfer planning well before the sale.

- **Personal Cash Flow Planning:** Plan for immediate and future financial needs post-sale.
- **Tax Considerations:** Work with tax professionals to optimize after-tax proceeds.
- **Lifestyle Requirements:** Ensure the transaction aligns with your post-sale lifestyle expenses.
- **Pre-sale Estate Planning:** Implement strategies to reduce estate tax liabilities.
- **Trust Planning and Asset Protection:** Use trusts to protect assets and ensure they are passed on as intended.
- **Charitable Giving Strategies:** Plan for philanthropy to create a legacy and optimize tax advantages.



# THE POST-OP: FROM CLOSING TO RECOVERY (LIFE AFTER THE SALE)

## The Transaction Process

Executing a practice sale involves coordinating multiple workstreams, with each member of the deal team managing specific aspects to maximize value and protect your interests. Understanding the key phases will help guide your decision-making.

## Evaluating Potential Buyers

**Remember: As the seller, you control who the buyer is.** The healthcare marketplace features various buyers, each with distinct motivations and strategies.

- Strategic buyers, like hospital systems or larger medical groups, may offer higher valuations due to synergies.
- Private equity firms often involve ongoing equity participation and management expertise.
- Understanding buyer profiles helps shape preparation and negotiation strategies.
- Professional representation ensures proper positioning of value drivers and addresses buyer concerns.

## Due Diligence Management

Due diligence is a critical process that requires careful management to protect sensitive information and maintain momentum. Buyers use detailed checklists covering everything from financial performance to regulatory compliance. Managing this process through a well-organized data room ensures confidentiality while preserving the deal's value. A seasoned deal team anticipates information requests and presents practice data to support valuation and avoid potential pitfalls.

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## Negotiation Strategy

Effective negotiations require an understanding of both practice value drivers and buyer motivations. While physicians excel at patient care, the buyers' negotiators bring specialized skills. Your deal team's role includes maintaining competitive tension among buyers, optimizing both price and terms, and ensuring your interests are met.



## Deal Structure Considerations

The structure of the deal impacts after-tax proceeds and ongoing obligations. Modern sale agreements often contain provisions for payment timing, performance requirements, and post-closing responsibilities. The deal team collaborates to assess these elements from multiple perspectives — financial, legal, and tax — to ensure the structure aligns with both immediate and long-term objectives.

## Letter of Intent

A letter of intent (LOI) outlines the terms of the deal and serves as an agreement between the two parties. Once an LOI has been signed, the seller is typically unable to negotiate with other buyers.

### Before signing an LOI, you should:

- Evaluate whether the sale price meets your future financial goals.
- Optimize lifetime gifting by transferring business interests out of your estate to reduce future tax liabilities.
- Consider philanthropic goals, like donating to a Donor Advised Fund (DAF), which offers tax efficiency and immediate charitable deductions.
- Decide on the optimal tax year to realize gains from the sale.

## Post-Transaction Financial Considerations

The period following the sale of a practice can be more challenging than expected. While the transaction is the focal point, managing new financial and personal considerations requires professional guidance, just as it did during the transaction phase.

## Investment Management

The shift from ownership to managing liquid wealth presents new challenges. Physicians, skilled in complex medical decisions, may find investment management daunting. Pre-sale planning ensures readiness to deploy sale proceeds





effectively. Professional guidance prevents common pitfalls, such as holding too much cash or taking excessive risks in pursuit of practice-like returns. A well-designed investment strategy aligns with long-term goals and offers a disciplined approach to wealth management.

### Wealth Preservation

Managing wealth across generations requires careful planning around investment strategy, tax efficiency, and family dynamics. Transitioning to liquid wealth raises questions about wealth transfer and preservation, which is where professional guidance becomes essential. A comprehensive approach helps ensure wealth sustainability, balancing personal, financial, and family goals.

### Family Governance

The liquidity event of a practice sale often requires new approaches to family decision-making and communication. Establishing governance structures and protocols through regular meetings, clear decision-making processes, and aligned values helps maintain family harmony while protecting wealth. Advisors can guide these discussions based on experiences with other families navigating similar transitions.

### Professional Network Maintenance

Although a practice sale may end daily professional activities, maintaining connections offers personal satisfaction and new opportunities. Ongoing engagement with professional organizations and networks allows physicians to stay connected to the medical community and explore post-sale possibilities. Advisors can help identify and evaluate these opportunities in line with evolving personal goals.



The transition from practice ownership offers more than a change in professional status – it provides a chance to build a new chapter based on achievement and financial security.

### Life After the Sale

Transitioning from practice ownership also presents emotional and psychological challenges. Maintaining purpose and identity beyond practice ownership is crucial, especially for physicians who have closely linked their personal identity to their role. The transition from practice ownership offers more than a change in professional status — it provides a chance to build a new chapter based on achievement and financial security.

- **Maintaining Purpose and Identity:** Selling a practice can leave physicians feeling a loss of purpose as they step away from a defining role. Proactive planning helps explore new avenues for impact, fulfillment, and personal alignment in this next phase.
- **Professional Engagement Options:** Post-sale opportunities such as teaching, consulting, board service, or healthcare innovation, allow physicians to stay intellectually engaged and continue contributing meaningfully to the industry.
- **Philanthropic Opportunities:** With greater financial flexibility, many physicians channel their energy into philanthropy — supporting causes like medical research or community outreach — while gaining personal fulfillment and tax-efficient giving strategies.
- **Personal Development:** The transition provides time to pursue personal interests — such as business, the arts, or humanities — through education or self-study, fostering growth and satisfaction outside of clinical practice.
- **New Venture Opportunities:** Physicians often leverage their experience and capital into new businesses, inside or outside healthcare, creating ventures that align with their interests and preferred level of involvement.
- **Advisory Roles:** Physicians' expertise makes them valuable advisors to healthcare organizations, boards, and startups. These roles offer challenge, income, and lifestyle flexibility.
- **Educational Pursuits:** Freed from the demands of practice, physicians may pursue further education in business, law, or public health, gaining new skills or transitioning into teaching and leadership roles.
- **Legacy Planning:** Creating a lasting impact through foundations, family giving, or wealth transfer can become a fulfilling focus. Advisors can align legacy goals with values while ensuring tax-efficient structures.



## The Bottom Line

Selling a medical practice requires careful planning, strategic preparation, and the right team of experts. Addressing all aspects — from operational improvements to personal financial planning — ensures the transition meets your financial goals and supports your future aspirations. Viewing the sale as a gateway to new opportunities, rather than an endpoint, can lead to a more satisfying transition.

These transitions are complex, requiring professional guidance and early engagement with experienced advisors. At NewEdge Wealth, we offer a comprehensive approach combining transaction preparation, financial planning, wealth management, and post-sale support.

To start preparing for a successful transition, contact us today, and let our team help you build a strong foundation for the next chapter.

## Let's talk.

For more information, call [855-949-5855](tel:855-949-5855) or email [newedgewealth@newedgecg.com](mailto:newedgewealth@newedgecg.com).

## About Onward

ONWARD is NewEdge Wealth's specialized wealth management solution designed to support entrepreneurs through every stage of their business. From business building, to a liquidity event, plus succession planning and beyond, we create a wealth architecture that transforms your business success into sustainable wealth for your family, philanthropic vision, and legacy, as well as other long-term personal wealth goals. For more information, visit [www.newedgewealth.com/onward](http://www.newedgewealth.com/onward).



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