

Ask the Broker

November 2011

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Here's some advice for you Doctors selling your practice currently or contemplating selling in the upcoming year.

Many doctors take some time

off during the holidays which results in the office being closed at year-end, possibly leaving some undeposited collections for several weeks until the new year. Other doctors prepay bills and may hold back several weeks' worth of revenue at their accountant's suggestion to facilitate in their yearly tax planning. If you are trying to sell your practice currently or are thinking of selling in the next year, I strongly suggest that you finish off the year strong and make **ALL of your deposits** so that they are posted by your bank in *this* calendar year.

The sales price of any practice is essentially determined from the previous year's tax return or Profit & Loss Statement. In the past, averages of a year or two may have been used to determine value, but in this declining economy, it's all about "what have you done for me lately"!!! Banks and buyers are only interested in what is happening *right now*. Even if you missed work due to illness, surgery or an accident, this economy has banks and buyers very wary (leary??) of any practice with *declining revenues*, no matter what the reason.

"It's the economy" is the last excuse the bank wants to hear as the reason to why your practice revenues are declining. Not only will the bank decrease the amount of funds they are willing to loan, they will either require a *seller carry-back* or may not even agree to loan money unless the revenues have stabilized or start to increase again. Essentially, if the average practice multiple in your region is selling at 68% of gross receipts, (the national average at this time), your practice will still sell at 68% of your current revenues. If your practice shows a decline of more than 15-20 % of the usual revenues, the bank may have problems with normal financing.

Do not confuse this information and assume it is a bad time to sell your practice.

The good news is: if you make your deposits this year and your practice has not declined more than 15-20 %, it is actually a "seller's" market currently and 100% financing is the norm. The loan rates are at historic lows in the 5 - 6 % range. If you have finally decided it is time to sell and transition into the next exciting phase of your life, finish strong and make the gross receipts on your last tax return look their best!!!

Your timing could not be better!

Just let the numbers do the talking for you!

Questions? E-mail wps@succeed.net

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