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## Build Your Brand

## How to Sell Your Private Practice

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In my career, I have started and grown several businesses – two of which I have sold. One was a private nutrition practice, the other a comprehensive eating disorders treatment center. Consider how you can nurture, grow, shape and mold your business so you can sell it for a profit.

Planning for the sale of your practice starts from inception. It is important to establish and run your business as an asset.

- Establish a legal entity for your business (Corp., PC, LLC, LLP, etc.).
- Choose a transferable name vs. Sally Jones, RD, PC.
- Have excellent computerized financial and operational records.
- Make your contracts for service assignable.
- Have non-compete contracts with your employees so the buyer is assured they won't leave and take your clients.
- Have assignable office leases.
- Maintain detailed corporate records of all tangible assets including date of purchase, price and description.
- Maintain presentable and functional offices.

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*The sale of a practice can provide an excellent exit strategy for retirement or a mid-career change of direction.*

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### VALUE OF YOUR BUSINESS

There are no “rules of thumb” for determining the worth of your business. In various industries, a multiple of EBITA (earnings before interest and taxes) is used. A professional valuation of your business is needed to establish a

price that is supported by interested buyers. The valuation should answer the questions a potential buyer has about what he/she is buying and why the asking price is appropriate. The valuation consists of:

#### Tangible Value:

- Real estate
- Leasehold value and improvements
- Furniture, fixtures, equipment, supplies
- Receivables
- Cash

#### Intangible Value

- Goodwill (ongoing business value)
- Value of intellectual property assets (patent, trademarks, copyrights, client lists, contracts for service, startup convenience, trained staff in place).
- Brand selection, registration, development, usage, and history of establishment of recognition in community

In the sale of both of my businesses, I had a professional valuation completed, and hired a consultant to negotiate the sale. This was well worth the cost as it resulted in a payment in full, for both of my businesses, versus payment or earn-out over a period.

#### DURING THE SALE OF YOUR BUSINESS

- Maintain complete confidentiality of your plans to sell. Premature disclosure to staff or others can cause competitive damage. If your clients learn you are about to sell, they may feel more secure with a known competitor.
- Require a confidentiality agreement from potential purchasers that requires them not to discuss their interest and due diligence knowledge.
- Continue building your business. Present to potential buyers as a successful, growing business to get optimal results.
- Be patient – a sale may take some time.

#### MARKETING

Marketing the availability of your practice to the appropriate audience is important, and negotiation is involved in the sale process. Identify potentials in your industry. In selling my private nutrition practice, a new dietitian opened a practice down the street. She was struggling to get clients. The timing for my sale and her purchase were perfect. When selling my eating disorders treatment center, I caught the wave of larger facilities purchasing smaller ones.

#### THE SALE

Know that purchasers will require you to sign a non-compete clause. They may retain you for a specific time during the transition process, negotiate a remaining business interest to ensure further growth, or keep you on as a consultant. Rebecca Bitzer, MS, RDN, LDN, CEDRD, was ready to retire and had two employees who were interested and ready to take her private practice to the next level. Rebecca was retained in an advisory role as needed and earned profits on certain aspects of the business.

An experienced attorney should draw up the sale contract, which involves additional negotiation. From a tax standpoint, an asset purchase is taxed at a higher rate compared to a covenant not to compete. These particulars are best discussed with your CPA (certified public accountant).

The sale of a practice, if done properly, can provide an excellent exit strategy for retirement or a mid-career change of direction, along with the financial rewards from the sale.



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