

Preparing For Your Associate in 2016

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Many folks wait too long to consider an associate transition. The doctors who put off the investment of a properly designed transition plan, don't realize that they ARE making a transition; what I call a "transition by default". This occurs when a doctor's schedule and new patient growth begins to slow and the practice wealth gradually declines over time.

By the time this doctor is ready to think about bringing an associate aboard, there is very little practice wealth to transition; or for the owner doctor to sell. This is why I encourage folks to start early.

This doesn't mean that everyone should bring an associate aboard now. It simply means that we should start the *planning* now!

I have many clients who are preparing for an associate by doing the practice financial planning for their practice now. The reason for this is: that in order for us to know whether the practice can support an associate we need to know the current value of the practice and how the practice would be affected (positively or negatively) by the entry of an associate and ultimately his/her transition into partnership/ownership.

I am a firm believer that the difference between successful and unsuccessful partnership transitions is *planning*. When doctors are attempting to transition in an associate as a partner, or as the ultimate owner, the relationship should be viewed as a business "marriage" and this marriage should be permanent.

The best way to guarantee the permanency and success of this relationship is to have done the necessary counseling and planning at the front end. In this way, both parties know the numbers and also know the reasonable expectations of each other.

This front-end planning is not just about numbers; but also about the various business structure options, partial vs. complete buy out; choice of entity, tax ramifications, etc.

Many doctors have had the "bad associate experience". In the vast majority of these cases, the failure was in not doing the necessary spade work at the front end.

Also, keep in mind that the best associate doctors are at the best practices. The best practices have done their homework and this is obvious to potential candidates. It allows you to show the practice opportunity in a clear, transparent and powerful way.