



Late Medical Career Legal Info: Protecting Your Business and Preparing To Wind Back Or Sell

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Toward the end of your professional career, you have likely built a significant private practice and may want to start positioning yourself to take a step back from the very heavy hours of full private practice work and prepare the business for succession.

There are some questions you should ask yourself now that you have established your business to ensure that you secure your practice, reputation and business moving forward:

1. Is the structure of your business effective both from an asset protection viewpoint and is it also tax effective?
2. How long since you have looked at your management of cash flow and liabilities?
3. Do you have employment or independent contractor/locum agreements which provide sufficient protections and clarity?
4. Have you protected your brand and your intellectual property?
5. Is your structure easy for potential buyers/incoming doctors to undertake Due Diligence? Are there proper agreements in place? Is entry and exit easy?
6. Do you need to normalise your figures?
7. Do you want to sell or transition into a new role?

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Structure and Asset Protection

A strong business structure can protect you and support the long-term success of your practice, but it involves more than simply incorporating a company or establishing a trust.

For example, what asset protection do you have? Are you sure your family home is protected under the current business structure? Is that structure also the most tax effective for you?

What is your cash flow and where is your exposure?

It's worth taking the time to consider how service fees are paid, who is obligated to provide which services and how you distribute costs and profits among unitholders, shareholders or beneficiaries under your trust(s).

Normalising your figures is also important and it takes time. Many business owners put certain expenses particular to them through their business. When you want to bring in business partners or sell shares or your entire business, those expenses may devalue your business.

If you want to wind those expenses out and normalise figures it may take an entire financial year or two, so you need to identify and plan for that well before you want to invite people into the business or sell share/the entire business to third parties.

Remember, the processes you put in place during the early days of the practice may now be outdated. For instance, medical companies were common trading entities a decade ago, but many doctors now trade as sole-traders. Service entities were commonly trusts but company structures are now on the rise.

What are your employee/contractor roles and expectations?

Another key area to consider within your practice is the need for clearly defined roles, expectations and agreements with your employees and contractors.

Once again, the agreements you put in place during the early days may now be outdated - especially with changes to workplace legislation.

Are your policies and procedures adequate for things such as dealing with employee leave, discrimination and sexual harassment, bullying, IT and security, Workplace Health and Safety, performance management and handling of complaints?

Have you considered your IP?

This is one of the main things that sets your brand apart from your competitors and failing to protect it can leave your business vulnerable to a competitor using your business name or logos.

It is also important to know your website and patient data are protected. Generally, this is an inexpensive process, especially compared with the risks of a competitor dispute or patient data being compromised.

Do you want to sell or transition into a new role?

If you have built a private practice and own the premises, or even the building that your practice occupies, you will need to consider your options in relation to the sale or transition of your business/role.

Some of your options include:

- 1. the sale of your practice and the building/premises; or**
- 2. transitioning the building/premises into a sessional room/managed services provider.**

While the sale of your practice and premises can be an appealing option for the immediate influx of cash, this will likely have significant tax ramifications.

One of the most appealing options for doctors who are looking to wind back their work whilst keeping a steady income is using their practice and building to operate sessional rooms or managed services.

Of course, you can operate this business yourself, or you can look at service providers/practice management businesses. This potentially allows you to wind back whilst having your business and your income continue at a higher level than the decline it would otherwise incur as you reduce your personal input. This can be an understandably appealing option.

Matters to consider if you are selling - regardless of whether you are selling to a third party or someone internal to the organisation:

1. Are all your agreements with staff, suppliers and providers properly documented in writing?
2. Are your accounts in a form that are readily understood by a third-party accountant?
3. What will be your sale structure (e.g. sale of shares in the company or control of a relevant trust)?
4. Will the buyer be funding the purchase, or would you consider vendor finance?
5. What is the buyer asking for? Sellers can be blinded by high offers for their business but in many instances, a seller may be better off taking a slightly lower price but with drastically reduced warranty risk and little or no earn-out requirements.

Ultimately, well-performed practice succession requires you to take a holistic approach to the process and consider all the relevant issues.

By sitting down in the first instance with all your advisors to properly understand your current legal and tax position and align that with your financial and life goals, you stand a much better chance of a successful transition.

Going into private practice is not a 'set and forget' decision. Having a good team of lawyers, accountants, IT providers and financiers will enable you to focus on what you do best and make growing/operating your business a more financially and personally rewarding process.

Please don't hesitate to [reach out to us](#) so that we can assist and help you to ensure a smooth and cost-effective practice succession.