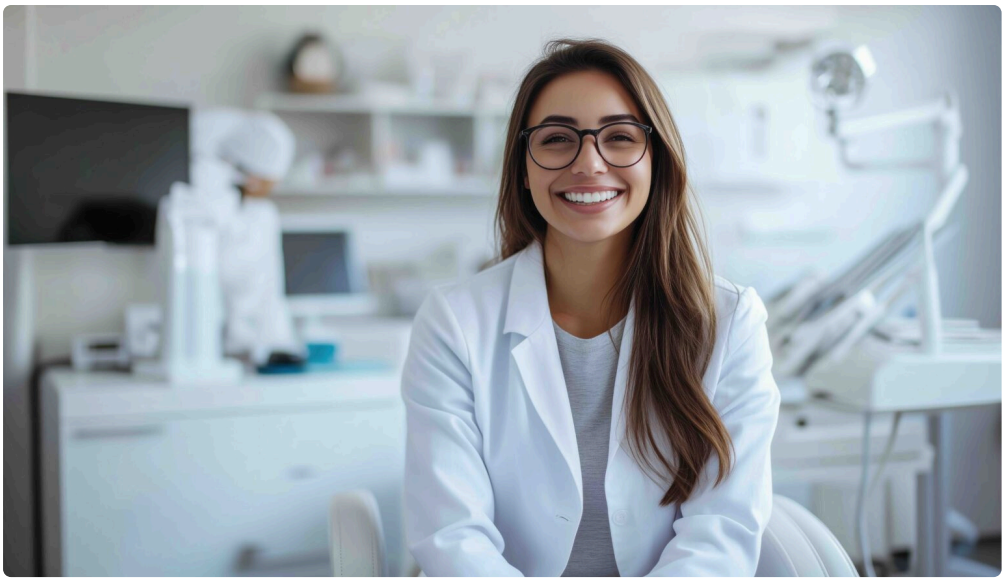

La Jolla is a distinct market for physician practice transitions. Buyers are often sophisticated, the patient base can be unusually loyal, and the economics of a small or mid-sized practice may look strong on paper while still being difficult to finance through a conventional lender. That gap is one reason seller financing comes up so often in conversations about Medical Practice Sales in La Jolla.

For many physicians, seller financing is not the first option they imagine when they think about selling. The standard expectation is simple: find a qualified buyer, agree on price, close, and receive the purchase proceeds in a lump sum. In reality, transactions rarely move in such a straight line. A promising associate may not have enough cash for a large down payment. A hospital-employed physician may want to return to private practice but need time to secure working capital. A dentist, specialist, or primary care doctor may have excellent production numbers and weak collateral. Banks notice those gaps quickly.

Seller financing can solve those problems, but only when it is structured with discipline. Used well, it expands the buyer pool, supports valuation, and creates a smoother handoff. Used poorly, it can tie a retiring physician to a stressed practice and turn a sale into years of collection anxiety.

Why La Jolla deals often need flexibility

La Jolla is not a commodity market. Rent is high, payroll is high, and expectations are high. Patients often expect premium service, experienced staff, modern systems, and continuity of care. Those features can make a practice valuable, but they also affect how lenders underwrite a transaction.

A bank typically wants comfort around three things: stable cash flow, the buyer's ability to operate the practice, and assets it can rely on if things go wrong. Medical practices can be awkward on that third point. Much of the value may sit in goodwill, referral patterns, reputation, and recurring patient demand. Exam tables and basic equipment rarely support the purchase price by themselves. If the practice includes real estate, financing can become easier. If it is an office-based specialty with a valuable lease and modest hard assets, the bank may grow cautious.

That is where seller financing earns its place. It signals that the seller believes in the durability of the practice beyond closing day. It also bridges the distance between what the buyer can fund immediately and what the seller reasonably expects to receive.

I have seen this dynamic play out most clearly in practices that are healthy but not easily explained by generic underwriting formulas. A long-established internal medicine office with consistent collections, low attrition, and deep community ties may be worth a fair multiple to the right buyer. Yet if the buyer is stepping out of employment for the first time, a lender may reduce leverage or ask for additional reserves. A seller note can keep the deal alive without forcing a price haircut that neither side really accepts.

What seller financing actually means

Seller financing, sometimes called a seller note, means the seller agrees to receive part of the purchase price over time rather than all at closing. The buyer makes a down payment, often with bank financing, personal funds, or both. The unpaid portion is documented in a promissory note that sets out the interest rate, payment schedule, maturity date, default terms, and any collateral or security arrangements.

In medical practice sales, the seller note often sits behind a senior bank loan if one exists. That means the bank gets paid first if there is trouble. This subordination is common, but sellers need to understand what it means in practical terms. You are not just extending credit. You are taking a secondary position in a business whose cash flow may dip during the transition.

That does not make seller financing a bad idea. It makes it a credit decision, not just a sale concession.

The terms can vary widely. Some notes amortize over five to seven years. Some have a shorter monthly payment period with a balloon payment at the end. Some include interest-only periods for the first several months to give the buyer breathing room while patient retention stabilizes. In stronger deals, the note may be modest, perhaps 10 to 20 percent of the purchase price. In more constrained deals, it can be larger.

A critical point often gets missed here: seller financing is not just about helping the buyer. It can also protect the seller's price. A physician who insists on all cash may find only a narrow set of buyers can compete. A physician willing to finance a portion of the price may attract stronger offers overall, especially if the practice has good fundamentals and the note terms are sensible.

The basic logic behind a seller-financed practice sale

Most medical practice transactions involve a balancing act between valuation, risk, and affordability. A seller focuses on years of work, the quality of the patient base, and the value created over time. A buyer focuses on debt service, transition risk, and whether the post-closing income will justify the purchase. The lender focuses on repayment.

Seller financing works because it addresses all three views at once. The seller preserves a deal that might otherwise stall. The buyer lowers the immediate cash burden. The lender sees a seller with ongoing confidence in the business.

That last point matters more than many realize. In the market for Medical Practice Sales, a seller note can function as a credibility tool. When a seller says, in effect, "I believe this practice will continue to perform, and I am willing to take part of my payment over time," the buyer and the bank both listen. It does not replace diligence, but it reinforces the story the numbers are telling.

Of course, confidence should be earned. If the seller is quietly aware that several key referral sources are fading, the electronic records are disorganized, or a major payor issue is about to hit collections, then a seller note becomes dangerous for everyone involved. The structure only works when the business is real, transferable, and competently run.

When seller financing makes the most sense

Not every transaction should include a seller note. Some practices are clean fits for full third-party financing, especially when the buyer is experienced and the practice has strong margins. But seller financing tends to make sense in a few recurring situations.

First, it is useful when the buyer is clinically strong but light on liquidity. This is common with younger physicians who have substantial income potential and limited accumulated capital because of student debt, high housing costs, or years spent in employed settings.

Second, it helps when the practice value rests heavily on goodwill and recurring patient relationships rather than equipment. Lenders are often more comfortable when there is a stable history, but they still may not fund the entire price.

Third, it can smooth emotionally sensitive transitions. In La Jolla, where many practices have been built over decades and the patient base identifies strongly with the founding physician, the seller's ongoing financial interest can reassure the buyer that the seller will stay engaged long enough to support retention.

Fourth, it can salvage a deal when valuation is fair but timing is difficult. If interest rates are elevated or underwriting has tightened, a moderate seller note may keep both sides from walking away from an otherwise sound transaction.

What a sensible structure looks like

The best seller-financed deals are specific, conservative, and realistic. Vague optimism is not a structure. Precision is.

A common approach is a purchase price with a meaningful down payment at closing, followed by a seller note that amortizes over several years at a market-based interest rate. The payment schedule should reflect the likely earnings of the practice after debt service, not the most flattering pro forma anyone can invent. There should be a written understanding about the seller's post-closing role, whether that means two half-days per week for ninety days, limited chart reviews, patient introductions, or no clinical involvement at all.

Security matters as well. If the seller note is unsecured, the seller is relying primarily on the buyer's character and future practice cash flow. That can work, especially with strong buyers, but sellers should not drift into unsecured lending casually. Some notes are secured by practice assets, stock or membership interests, or other defined collateral. If there is a bank loan, the intercreditor and subordination language needs careful review.

The note should also address practical problems before they happen. What if collections drop 25 percent in the first six months? What if the buyer wants to bring in a partner later? What if the seller's transition obligations are not fulfilled? What if a compliance issue tied to pre-closing operations surfaces after the sale? These are not rare hypotheticals. They are the matters that decide whether a transaction remains merely complicated or becomes litigious.

Price and terms are inseparable

One of the most common mistakes in Medical Practice Sales is treating price as if it exists separately from terms. It does not. A $1.2 million sale with 90 percent paid at closing is not economically identical to a $1.2 million sale where $400,000 is paid over five years with collection risk attached. The nominal price may match, but the seller's risk-adjusted return does not.

That is why experienced advisers negotiate both pieces together. If the seller is carrying a significant note, the interest rate should compensate for real credit risk. The down payment should be large enough to demonstrate commitment. The buyer should retain enough working capital after closing to run the practice properly, because draining every dollar into the purchase often backfires. A buyer who starts undercapitalized tends to cut too deep, too fast. Staff notices. Patients notice. Revenue notices.

I have watched otherwise promising acquisitions struggle because the parties fixated on headline value and ignored practical economics. A seller wanted a premium price based on trailing performance. The buyer agreed, but only because the seller accepted a long note with soft default terms. Six months later, the buyer was juggling payroll, deferred maintenance, and slower-than-expected collections. Everyone began renegotiating what should have been negotiated before closing.

A better approach is blunt honesty. If the practice can support a certain debt load with reasonable confidence, let the structure reflect that. If the seller wants a stronger price, the note may need stronger protections. If the buyer wants more favorable terms, the price may need to move. Mature deals acknowledge this early.

The due diligence that matters most

Seller financing does not reduce the need for due diligence. It increases it. The seller is not only transferring an asset but also becoming a creditor. That means the seller should evaluate the buyer with almost as much care as the buyer evaluates the practice.

The buyer's résumé matters, but so does temperament. Clinical skill alone does not ensure business discipline. A physician may be excellent with patients and weak with billing oversight, staff management, or payor contracting. In a seller-financed transaction, those weaknesses become the seller's problem too.

A practical review should cover several areas:

- the buyer's financial condition, including liquidity, debt load, and credit history
- the buyer's operating plan for staffing, scheduling, payor mix, and technology
- the practice's trailing financial performance, normalized for owner compensation and unusual expenses
- the transition plan for patient retention, referral relationships, and the seller's handoff role
- the legal structure of the deal, including defaults, remedies, security, and any subordination terms

That may sound formal, but it is simply prudent. In one specialty transaction I reviewed years ago, the buyer's production looked excellent, yet the buyer had never managed front-office staff, had never overseen revenue cycle functions, and planned to replace two long-tenured employees immediately after closing. That was not impossible, but it raised obvious transition risk. A seller note still could have worked there, just not on generous assumptions.

The role of patient retention in note performance

In many La Jolla practices, patient retention drives everything. A seller note gets repaid from future cash flow, and future cash flow depends heavily on whether patients stay, return, and accept the new physician. That is why transition planning deserves far more attention than it usually gets.

The best transitions are personal and deliberate. The selling physician does not vanish after signing. Patients hear directly about the handoff. Referral sources are contacted promptly and respectfully. The staff is informed in a way that reduces fear rather than fueling gossip. Scheduling remains stable. New branding, if any, happens gradually. A buyer who rushes to "put their stamp" on the practice sometimes mistakes disruption for leadership.

Specialty matters here. In primary care, continuity and bedside manner may shape retention more than anything else. In procedural specialties, patients may stay if access, outcomes, and staff reliability remain strong. In concierge or premium-fee models, communication becomes even more important because patients tend to feel they bought into a relationship, not just a service line.

Sellers should pay attention to this because their note depends on it. If there is one part of a seller-financed transaction that is regularly underplanned, it is the human transition.

Terms that deserve careful negotiation

A seller note is more than amount, rate, and maturity. Some of the most important protections sit in clauses that people skim because they are eager to close.

Prepayment rights matter. A buyer may want freedom to refinance and pay off the note early without penalty. A seller may want at least some minimum interest return if the note is paid off quickly after taking real risk.

Default definitions matter. Missing one payment should not automatically trigger a meltdown if the issue is an administrative error corrected in forty-eight hours. On the other hand, repeated late payments, tax delinquencies, license problems, or unauthorized transfers of ownership may justify strong remedies.

Reporting covenants matter too. A seller carrying a note should usually receive periodic financial information, at least enough to monitor whether the practice remains healthy. Not every seller asks for this, and many wish they had.

Here are a few clauses that often deserve extra attention:

- acceleration rights after material default
- limitations on additional debt the practice can take on
- restrictions on selling ownership interests without consent
- required maintenance of licenses, insurance, and regulatory compliance
- access to financial statements and practice performance reports

None of this ***Home page*** is about mistrust for its own sake. It is about recognizing the reality of the arrangement. Once a seller agrees to finance part of the purchase, the seller has an ongoing economic stake in the buyer's decisions.

Tax and allocation issues can change the real outcome

The purchase price allocation in a medical practice sale can materially affect both parties. Asset allocation determines how much is assigned to equipment, supplies, restrictive covenants, goodwill, and other categories. That in turn affects depreciation, amortization, and ordinary income versus capital gain treatment. The right structure depends on facts, goals, and current law, so tax advice should be specific.

What matters at a practical level is that seller financing interacts with those tax outcomes. A seller may receive payments over time, but the tax result does not always track the cash flow in a simple way. Interest on the note is separate from principal. Installment sale treatment may be available in some situations, but not for every component of the deal. Employment or consulting compensation during the transition is another separate stream entirely.

Physicians sometimes focus so intensely on price that they ignore after-tax economics. That is a mistake. A lower nominal price with cleaner tax treatment and stronger collectability can beat a higher number that creates drag,

risk, or ordinary income where none was expected.

Why buyers often prefer a seller note, and why that can be reasonable

Some sellers interpret a request for financing as a weakness signal. Sometimes it is. Sometimes it is simply rational capital management.

A buyer taking over a practice needs room for payroll, supplies, lease obligations, software subscriptions, marketing, and the inevitable surprises of the first year. Even a stable practice can have timing issues with receivables. If all available cash is spent on the purchase price, the business starts with less resilience than it should have.

A moderate seller note can make the acquired practice more stable in those early months. That stability benefits the seller too. Sellers generally get repaid from successful operations, not from buyer heroics. The goal is not to squeeze the buyer as tightly as possible at closing. The goal is to create a transaction that survives first contact with reality.

Red flags sellers should not ignore

Seller financing is attractive partly because it helps close deals that might otherwise fail. That same strength can tempt sellers to rationalize weak buyers. Experience suggests a few warning signs deserve direct attention.

A buyer who resists personal financial disclosure is a concern. A buyer who cannot explain the first-year staffing and retention plan is a concern. A buyer who wants a tiny down payment, broad default cures, no reporting, and no meaningful security is asking the seller to provide bank-level trust without bank-level protections.

The same is true if the practice itself has soft spots that nobody wants to quantify. Overdependence on one referral source, poor documentation, unresolved billing issues, and unexplained revenue swings should not be waved away because the parties like each other. Seller financing is least forgiving when optimism outruns operational truth.

The larger perspective for La Jolla physicians

In the right setting, seller financing can be one of the most effective tools in Medical Practice Sales in La Jolla. It can preserve practice legacy, expand the field of qualified buyers, and support a transition that feels measured rather than abrupt. It is especially useful where goodwill is genuine, patient relationships are durable, and the seller is willing to stay engaged long enough to help the handoff succeed.

But it is not free money and it is not passive income. It is a credit position layered into a business transition. Sellers who understand that tend to structure better deals. They ask sharper questions, insist on clear reporting, and negotiate terms that reflect actual risk rather than wishful thinking. Buyers who understand it tend to present themselves more credibly and build offers that have a real chance of closing.

That is the heart of it. Seller financing works best when both sides treat it neither as a favor nor as a workaround, but as a deliberate business tool. In a market as nuanced as La Jolla, that mindset often makes the difference between a sale that merely closes and one that truly holds together.

Aesthetic Brokers
Address: 800 Silverado St #301A, La Jolla, CA 92037

Phone number: +16197420310

FAQ About Medical Practice Sales in La Jolla

How much does a medical practice sell for?

Most medical practices sell for 3-6x EBITDA, though specialty-specific factors and market conditions can push valuations higher or lower. For example, dermatology and ophthalmology practices often command premium multiples due to favorable reimbursement models and growth potential.

Can a non-doctor own a medical practice in California?

Non-physicians cannot own a California medical practice directly, nor can they own a majority stake in a medical Professional Corporation (PC).

Is owning a medical practice profitable?

Yes, owning a medical practice can be highly profitable, but it requires navigating high startup costs, complex billing, and significant overhead. While income potential can exceed employed hospital positions, success heavily depends on patient volume, payer mix, and clinical specialty.