WEALTHCARE FINANCIALS

Partner Protection Checklist

A Practical Checklist for Practice Owners and Their Lenders

When a multi-owner medical or dental practice carries significant debt — whether from an equipment line, a real estate note, or an acquisition loan — the departure of one partner due to death or disability can create a financial crisis that the remaining owners never anticipated. This checklist is designed to help practice owners and their banking partners identify gaps before they become problems.

1. Do You Have a Funded Buy-Sell Agreement?

A buy-sell agreement is a legal contract that governs what happens to an owner's share of the practice when a triggering event occurs. Having the document is only half the equation — it must also be funded , meaning the money to execute the buyout actually exists when it is needed.

- Check: Does a signed, attorney-drafted buy-sell agreement exist for every ownership interest?
- Check: Is the agreement funded with life insurance, disability insurance, or a combination of both?
- Check: When was the agreement last reviewed? Practice values change, and an agreement funded five years ago may reflect a valuation that no longer matches current reality.

2. What Valuation Method Does the Agreement Use?

The valuation method written into the buy-sell agreement determines the purchase price when a triggering event occurs. Common approaches include a fixed agreed value, a formula tied to collections or EBITDA, or an independent third-party appraisal. Each method carries different implications for how much funding is required and whether that amount stays current over time.

- Check: Is the valuation method clearly defined in the agreement?
- Check: If a fixed value is used, is there a scheduled review process to update it?
- Check: Does the funding amount — the face value of the insurance policy or policies — match the current agreed value of each partner's interest?

3. Are Both Death and Disability Triggers Addressed?

Many practice owners insure their buy-sell agreement for death but overlook disability — even though a working person faces roughly a 1-in-4 chance of experiencing a disability before retirement, according to the Social Security Administration. A disability buyout can be more financially complex than a death buyout because the departing partner may still be alive, still have opinions, and still carry personal debt obligations tied to the practice.

- Check: Does the buy-sell agreement include a disability trigger, and is that trigger clearly defined (e.g., inability to perform material duties for a specified period)?
- Check: Is disability buyout insurance in place to fund that trigger, separate from the partners'

- Check: Is there a waiting period in the disability trigger that aligns with the elimination period on the funding policy?

4. What Happens to Loan Obligations When a Partner Exits?

Lenders have a direct stake in this question. If a partner departs and the practice loan carries personal guarantees, the remaining owners may suddenly bear a larger share of the guarantee exposure. Alternatively, the departing partner — or their estate — may seek release from guarantees as part of the buyout negotiation.

- Check: Does the buy-sell agreement address the treatment of jointly guaranteed debt?
- Check: Has the lender been made aware of the buy-sell structure, and does the loan documentation contemplate an ownership transfer?
- Check: Would the buyout proceeds be sufficient to retire or refinance the debt if the lender requires it as a condition of releasing a guarantor?

5. Is Individual Disability Coverage Sized to Today's Income?

Beyond the buy-sell, each partner should carry individual long-term disability insurance sized to protect their personal income. According to the 14th Annual Guardian Workplace Benefits Study (2025), only 43% of working Americans owned disability insurance in 2025 — a meaningful gap given the statistical likelihood of a disability occurring during a working career.

For physicians and dentists who completed residency or fellowship training at a participating institution, Guaranteed Standard Issue (GSI) programs may have offered an opportunity to obtain individual disability coverage with no medical underwriting and a resident discount that remains with the policy for life. If that window was not used, individual underwriting will apply, and health history will matter.

Guardian's individual disability product, Provider Choice (issued by Berkshire Life, a Guardian company), includes an enhanced own-occupation definition, is noncancelable, and is guaranteed renewable to age 65 or 67 — features that matter when a physician or dentist is evaluating whether a policy will remain in force and on its original terms throughout their career.

- Check: Does each partner carry individual long-term disability coverage?
- Check: Has coverage been reviewed recently to confirm it reflects current income and overhead obligations?
- Check: Is the policy's own-occupation definition strong enough to respond to a partial or specialty-specific disability?

6. A Note for the Lending Relationship

A well-structured buy-sell agreement, properly funded and regularly reviewed, can reduce uncertainty for everyone in the credit relationship — not just the practice owners. When a lender can see that ownership transitions are planned for, that debt obligations are addressed in the agreement, and that insurance funding is sized to current valuation, the practice presents a more complete risk picture.

This checklist is a starting point for that conversation, not a substitute for legal, accounting, or insurance

Wealthcare Financials was founded in 2019 and maintains partnerships with more than 40 carriers. Kris Schwartz holds Series 6 and Series 63 registrations and holds a BBA in Marketing from the University of Texas at San Antonio. All coverage is subject to underwriting approval and policy terms. This material is educational in nature and does not constitute legal, tax, or financial advice.

The content is developed from sources believed to be providing accurate information. The information in this material is not intended as tax or legal advice. Please consult legal or tax professionals for specific information regarding your individual situation. The opinions expressed and material provided are for general information, and should not be considered a solicitation for the purchase or sale of any security.

This material is intended for general use. By providing this content Park Avenue Securities LLC and your financial representative are not undertaking to provide investment advice or make a recommendation for a specific individual or situation, or to otherwise act in a fiduciary capacity.

Capitol Wealth Strategies and Wealthcare Financials is an Agency of The Guardian Life Insurance Company of America® (Guardian), New York, NY. Securities products and advisory services offered through Park Avenue Securities LLC (PAS), member FINRA , SIPC . OSJ: 901 S. Mopac Expy, Barton Oaks IV, Ste 150, Austin, TX 78746, ph# 512.651.2009 PAS is a wholly-owned subsidiary of Guardian. Capitol Wealth Strategies is not an affiliate or subsidiary of PAS or Guardian.

AR Insurance License # 15842501

Important Disclosures · Online Privacy Statement · Form CRS · Online Terms and Conditions of Use

GARI case # 9099692.1 Exp. 09/28 · © Wealthcare Financials · Capitol Wealth Strategies