

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades, set against a clear blue sky. The buildings are arranged in a way that creates a sense of height and architectural complexity. The image is partially overlaid by an orange vertical bar on the right side.

# GUIDE TO SUCCESSION PLANNING

9 Steps to effective succession  
planning



## How do I know its time to sell or merge?

- ✓ There is perhaps one key indicator that its time for you to move on or do something else. I call it the “One factor”. Ask yourself these simple questions:
- ✓ Am I having more or less one building the practice?
- ✓ Am I still excited about getting up in the morning and going to the office?
- ✓ Am I complaining more about clients, employees and the practice in general?
- ✓ Will I mortgage my house to grow the practice?
- ✓ If you said NO two or more of the above questioned, then it’s time to start thinking about your succession planning.



## Develop a Plan

There are only so many things you can do with your practice sell it to someone internally, sell it to someone externally, merge with another firm or simply decide to shut the lights one day by getting the practice gradually dwindle down. Only you can determine which one is the best course for your practice.



# Get your personal finance together



# Form an advisory team

- ✓ You will never be able to retire until you have a solid retirement plan. Make sure you are taking full advantage of tax deferred retirement programmes and don't be afraid to do client opportunity to invest in.



- ✓ You don't want to be doing this to yourself. You will need others to bounce off ideas. Again, look to your client base, is there a business owner you admire and respect? Perhaps one of your clients has already gone through a succession event. You might want to include someone from your family, your spouse or other relative. A local attorney, financial advisor or M&A consultant can also help. Succession is as much as an emotion as it is a financial one.





## Determine the value of your Practice

- ✓ Depending on the market and geographical location, your practice may be worth from 80% to over 100% of revenue as a rule of thumb. Few buyers will pay cash up front. Most transactions are structured as an earn-out paid over 3 to 5 years. The more the practice is dependent on you, the less it is worth.



## Begin to implement the plan

- ✓ If you have decided what to do with the practice (sell #2above) you can start the implementation process. This could take as long as three years. If you think it will be an internal sale, then you need to speak with your successor and start developing the succession plan. The more you know what you want to do, the more option you will create for yourself.

# Don't wait until the practice or your health declines

Its best to sell your practice when it and you are the top of your gain. Too many sole practitioners wait until something drastic happens. There are multiple example of practice that have lost 70% or more of there value in only a few months.



## Transfer skills and clients

Make a list of your skills, top clients and referral sources. Start the process of transferring this knowledge to your successor.

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# Practice continuation



The main goal for any succession plan should be the continuation of the practice after the retirement or death of the founding owners or other key owners. Have a plan and stick with it don't want to be force to sell the practice from a position of weakness.

Practice continuation varies from firm to firm, but here are some key questions to think about

1. Does the operating agreement state a specific age when owner sell or pass on their equity?



2. Has a successor been identified? If not, what will the firm do in an emergency situation?

3. When and how will the clients be transferred to the successor?

4. What type of successor development plan does the practice have?

5. Will the retiring owners continue to work full or part at the firm?

6. How strong are your second in command? Larger firm need to have a succession plan for key department and industry leaders.

7. If you are a sole practitioner, do you have a practice continuation agreement to protect the value of your practice in case of sudden death or disability?



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