GROW YOUR PRACTICE TO SELL IT: A SUCCESSION PLANNING GUIDE





• Are considering retiring in the next 5 years



- Are considering retiring in the next 5 years
- Aren't sure when to sell or how to get started



- Are considering retiring in the next 5 years
- Aren't sure when to sell or how to get started
- Want to get the highest price for your practice



• Timing Your Exit



- Timing Your Exit
- Value of Your Practice



- Timing Your Exit
- Value of Your Practice
- Valuation Exercise



- Timing Your Exit
- Value of Your Practice
- Valuation Exercise
- Selling on our Own



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- Value of Your Practice
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• The "Earn Out" Formula



- Timing Your Exit
- Value of Your Practice Using an Intermediary
- Valuation Exercise
- Selling on our Own

- The "Earn Out" Formula



- Timing Your Exit
- Value of Your Practice
- Valuation Exercise
- Selling on our Own

- The "Earn Out" Formula
- Using an Intermediary
- Selling Mindset

HOW DO YOU KNOW WHEN IT'S THE RIGHT TIME TO SELL?





• How You Want to Spend Your Time



- How You Want to Spend Your Time
- Financial Planning for Lifestyle/Retirement



- How You Want to Spend Your Time
- Financial Planning for Lifestyle/Retirement
- The Length of the Sales Process



- How You Want to Spend Your Time
- Financial Planning for Lifestyle/Retirement
- The Length of the Sales Process
- The Health of Your Practice

KEY PRACTICE VALUATION FACTORS





• Location



- Location
- Size



- Location
- Size
- Mix of Services



- Location
- Size
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- Profitability



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- Location
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- Profitability

- Curb Appeal
- Buyer Fit



- Location
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- Terms



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- Marketing



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From our experience, the majority of practices sell in the range of 0.9 to 1.3 times gross fees – most on a cash basis.

PRACTICE VALUATION EXERCISE



CPA Firm – Valuation Example



CPA Firm – Valuation Example Location: Major metro area



CPA Firm – Valuation Example Location: Major metro area Gross Revenue: \$585,000 / \$552,000 / \$532,000



CPA Firm – Valuation Example Location: Major metro area Gross Revenue: \$585,000 / \$552,000 / \$532,000 Cash Flow to Owner: \$295,000 = 50%



CPA Firm – Valuation Example Location: Major metro area Gross Revenue: \$585,000 / \$552,000 / \$532,000 Cash Flow to Owner: \$295,000 = 50% Owner Hours: 2100



CPA Firm – Valuation Example Location: Major metro area Gross Revenue: \$585,000 / \$552,000 / \$532,000 Cash Flow to Owner: \$295,000 = 50%Owner Hours: 2100 Billing Rates: 250 / 160 / 85



CPA Firm – Valuation Example Location: Major metro area Gross Revenue: \$585,000 / \$552,000 / \$532,000 Cash Flow to Owner: \$295,000 = 50%Owner Hours: 2100 Billing Rates: 250 / 160 / 85 Office space: leased, recently renovated



CPA Firm – Valuation Example

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CPA Firm – As Listed

Annual Revenue: \$585,000



CPA Firm – As Listed

Annual Revenue: \$585,000 Asking Price: \$698,000



CPA Firm – Selling Results

Selling Price: \$698,000



CPA Firm – Selling Results

Selling Price: \$698,000 Terms: Cash



CPA Firm – Selling Results

Selling Price: \$698,000 Terms: Cash Transition: 90 days, 12 months availability for short communications.

SELLING ON YOUR OWN



The biggest misconception firm owners have is that is that selling your practice on your own will save you money. The likelihood is excellent that an intermediary will get you more for your practice.

Even after the success fee.



Selling without an intermediary leaves you vulnerable to:





INVESTING VALUABLE TIME AND ENERGY





Selling without an intermediary leaves you vulnerable to:

Misinformation and Assumptions



Selling without an intermediary often results in:

AN UNCERTAIN TRANSITION







Delayed Payment

THE "EARN OUT" FORMULA



Delayed Payment

"Cherry Picking"



Delayed Payment

"Cherry Picking"

Transition Time



Delayed Payment

"Cherry Picking"

Transition Time

Retention Issues



Acquisition Strategy

VS

Risk Mitigation Strategy

USING AN INTERMEDIARY

A Clear Process

A Clear Process

The Right Match

A Clear Process

The Right Match

Fair Market Value

A Clear Process

Favorable Terms

The Right Match

Fair Market Value

A Clear Process

Favorable Terms

The Right Match

Experienced Advice

Fair Market Value

A Clear Process

Favorable Terms

The Right Match

Experienced Advice

Fair Market Value

Transition Strategy

MINDSET: GROW YOUR PRACTICE TO SELL IT

• Begin with the end in mind

- Begin with the end in mind
- Assess your firm (and yourself)

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- If you can say it, document it

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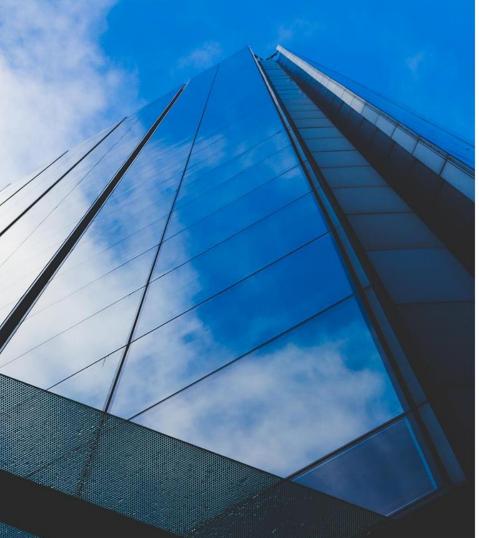
 Modernize (futurefirm.co)

- Begin with the end in mind
- Assess your firm (and yourself)

- Modernize (futurefirm.co)
- Create firm stories
- If you can say it, document it

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 Strategize it





• Timing Your Exit

- Value of Your Practice
- Valuation Exercise
- Selling on our Own
- The "Earn Out"
 - Formula
- Using an Intermediary
- Selling Mindset

Questions?



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