

CREATING A PROFITABLE SUCCESSION PLAN



THE 4 SUCCESSION PLANS



**DIE AT YOUR
DESK**



**CLOSE
DOWN**



**INTERNAL
TRANSFER**



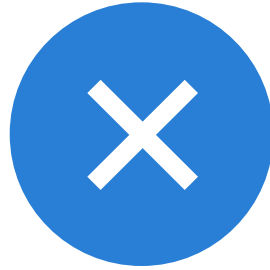
**EXTERNAL
SALE**



THE 4 SUCCESSION PLANS



DIE AT YOUR
DESK



CLOSE
DOWN



INTERNAL
TRANSFER



EXTERNAL
SALE


Profitable





**FUNDAMENTAL
ASSUMPTION #1**

- Your practice is a *business* that provides tax services



**FUNDAMENTAL
ASSUMPTION #2**

- **Consistently profitable and properly operated businesses are salable, if their owners have an exit strategy in place.**



**FUNDAMENTAL
ASSUMPTION #2**

- Consistently profitable and properly operated businesses are salable, if their owners have an exit strategy in place.

BUT only 15% of businesses listed for sale *ACTUALLY* sell.

GETTING INTO THE “SWEET 15”

What are the assets of a “business that provides tax services”?



Who would buy your practice?



What drives or kills a practice’s value?



What does the actual sale look like?



How can starting succession planning early let you turn your practice into a salable asset?



WHAT IS A TAX SERVICES BUSINESS?

- An organization of people, systems, and tools that engages clients, creates value for them, and pays the owners a *profit* for their *risks*.

ASSETS OF YOUR TAX SERVICES BUSINESS



TANGIBLE ASSETS



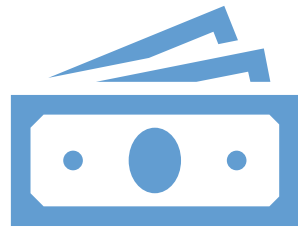
**INTANGIBLE
ASSETS**



HUMAN CAPITAL



IT'S ALL ABOUT THE INTANGIBLES



\$15.7 Billion

How much Salesforce paid to
acquire Tableau Software



-\$208 Million

Tableau's net income for 2018-
2019 *combined*



ASSETS OF YOUR TAX SERVICES BUSINESS



Furniture, Fixtures & Equipment

Desks
Computers
Dusty Tax Books



Office Leasehold



Intellectual Property

Systems
Trade Name
Know How



Marketing Operation

Mailing list



Goodwill

Clients
Referral Sources
Community Trust



TWO TYPES OF BUYERS



Investment Buyer

Future income

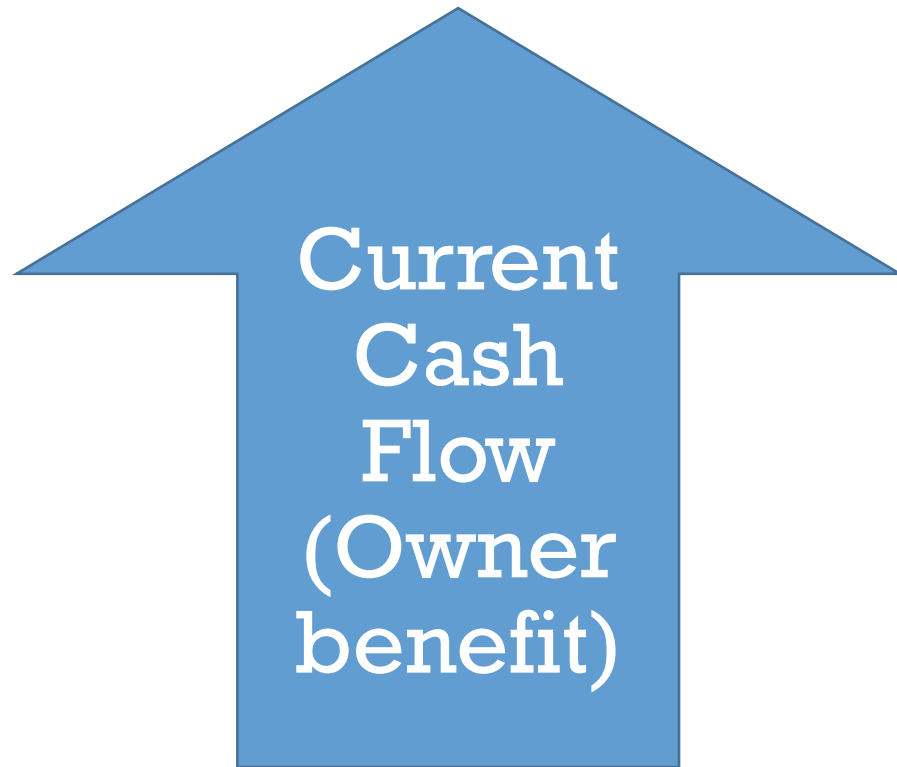


Strategic Buyer

Leverage seller's assets in existing business



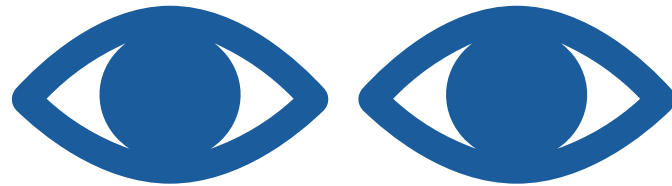
WHAT DETERMINES “SALABILITY”?



VS.



WHAT DETERMINES “SALABILITY”?



**Always take the
buyer's perspective**



WHAT MAKES A PRACTICE “SALABLE”?

- A buyer can step into your practice and continue to generate the income you would have received if you remained the owner.

KEY PRACTICE VALUE DRIVERS



**Consistent Net
Cash Flow**



**Excellent Financial
Records**



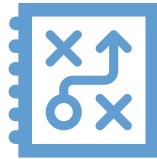
**Seller's Willingness
or Ability to Work to
Transition**



Tradenname

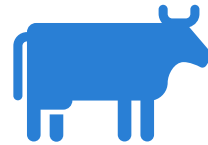


KEY PRACTICE VALUE DRIVERS



Written Systems

Operations
Marketing
Intake
Client management



The Herd

Database of current and previous clients, referral sources, community leaders
E-newsletters and printed newsletters



Team Approach

Focus on tasks that *only you* can do
Hire and train the *right* people



TOP 4 VALUE DESTROYERS



Undocumented Systems

One person knows everything, everything dies with one person



Unreliable Financial Performance



Playing the Hero

Don't be the only thing that keeps your practice alive
Have *owner* mindset

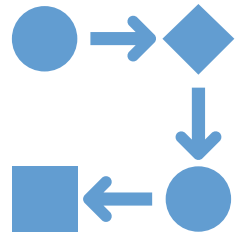


Getting Burnt Out

Failure to plan is planning to fail



INTERNAL TRANSFER



Multi-stage buy-in process

Small amount of equity (2%-5%)

Additional equity (under 50%)

Remainder of equity (100%)



Contracts

Partnership agreement

Employment agreement

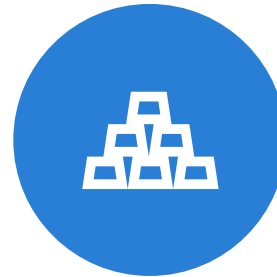
Note



WHAT AN EXTERNAL SALE LOOKS LIKE



Stock (equity) Sale



Asset Sale



STOCK (EQUITY) SALE STRUCTURE

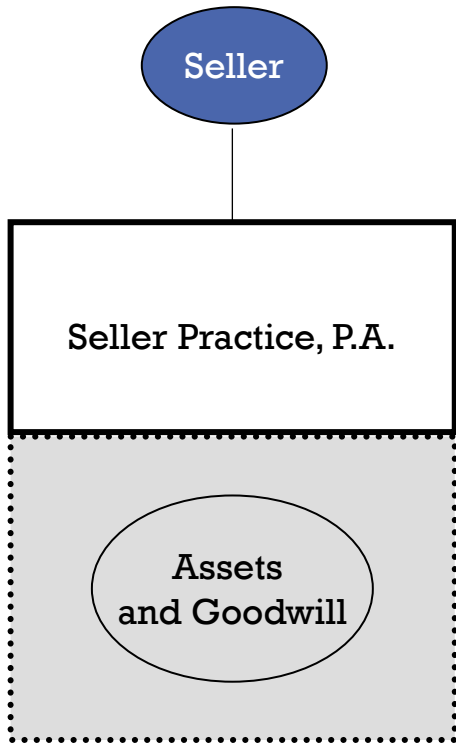


Fig. 1

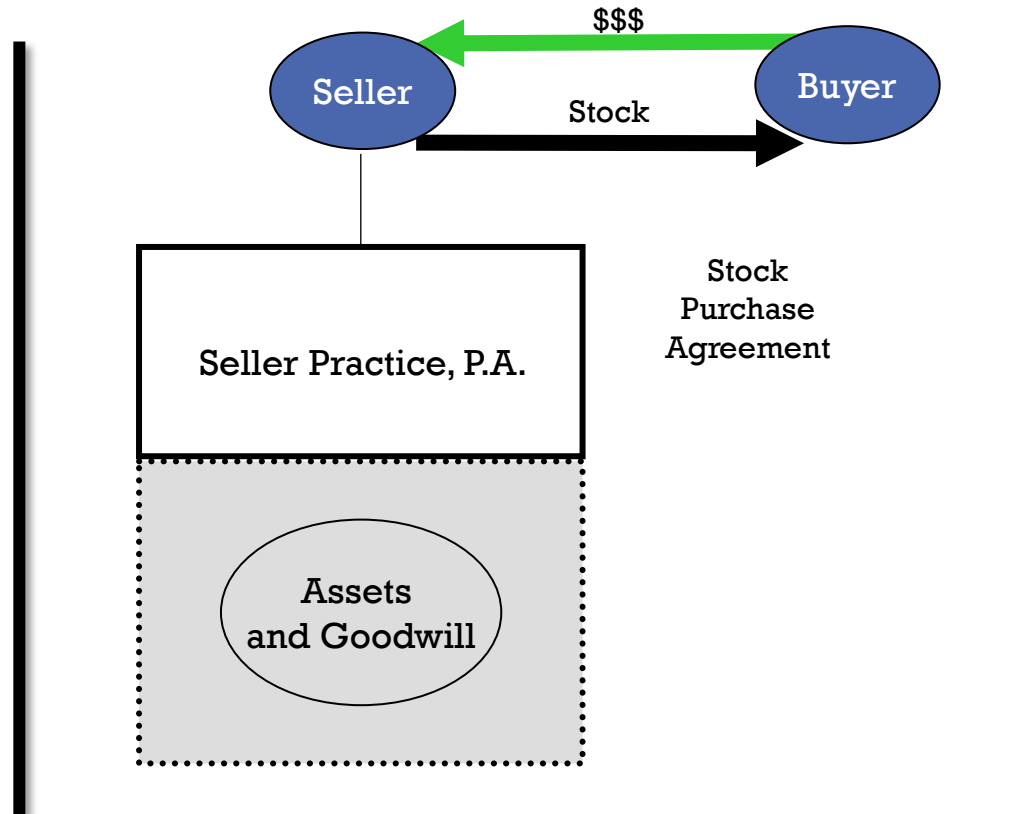


Fig. 2

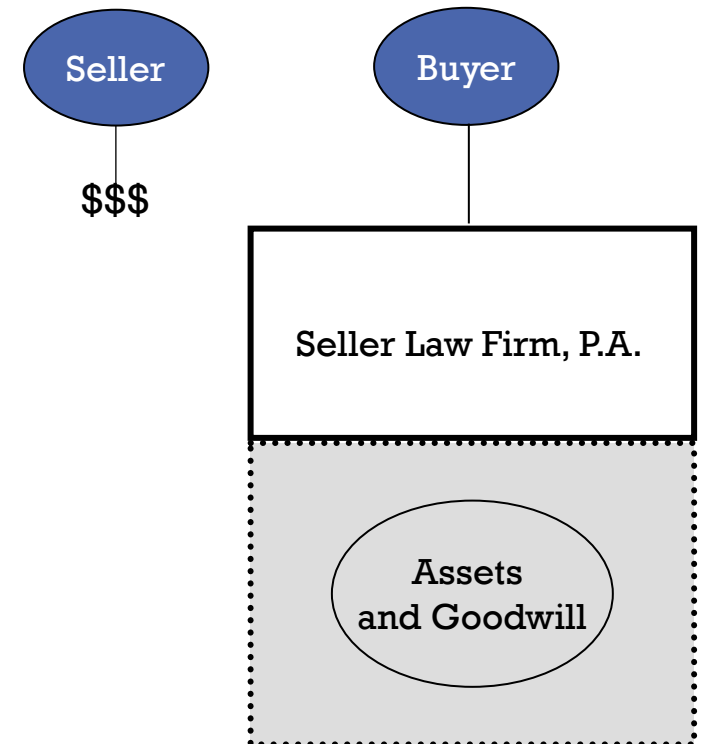


Fig. 3



ASSET SALE STRUCTURE

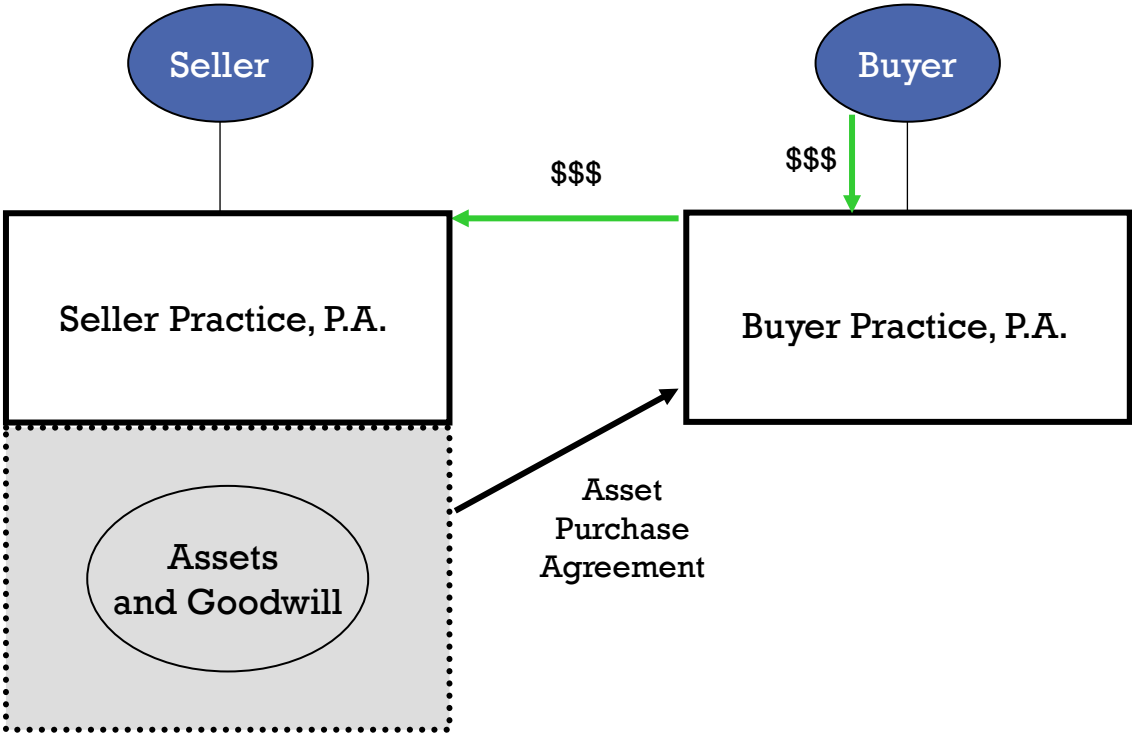


Fig. 1

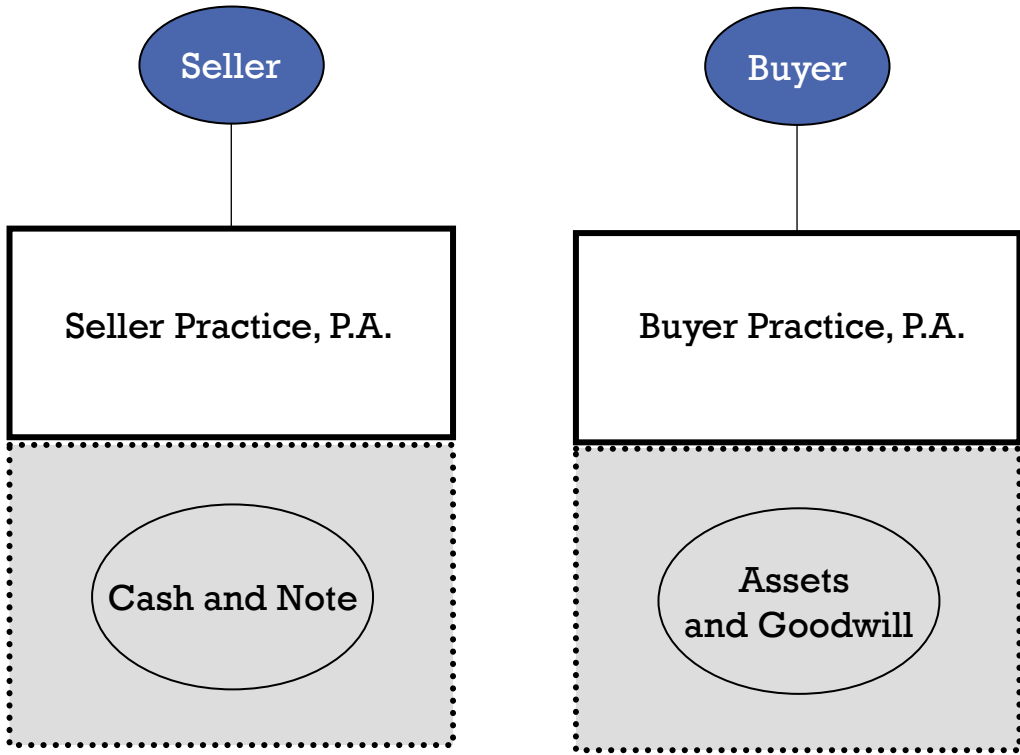
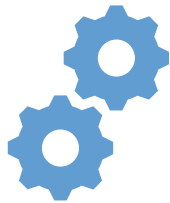


Fig. 2



PRACTICE SALABILITY BOOSTERS



Intake and client management systems

Buyer can pick up where you left off with little to no downtime in production



Client databases

Relationships with previous clients (i.e. goodwill) make up much of your practice's value



Marketing materials

Gives confidence to a buyer that the practice's business will not suddenly drop off once you leave

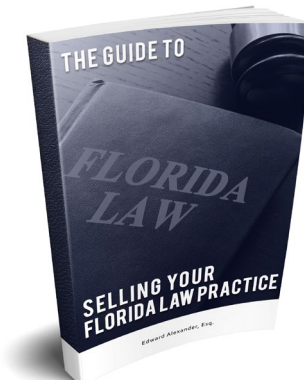


HELPFUL LINKS



Tax Practice Salability Checklist

bit.ly/grade-my-practice



Free eBook: *Guide to Selling Your Practice*

bit.ly/plan-for-succession



**QUESTIONS OR
COMMENTS?**