

## It's Time for Baby Boomer Accountants to 'Get Smart'

Baby boomer practitioners grew up watching the bumbling Maxwell Smart take on Siegfried and KAOS in the hit series 'Get Smart'. Decades later, many baby boomer principals are in chaos regarding the timing of the sale of their practice.



The fact is, it's actually a 'no-brainer'. Some partners and principals should be asking themselves the question, "Do I sell now and realize the maximum price I am likely to ever get for this practice in my lifetime, or do I wait another 5 years when all my fellow baby-boomers are going to sell and flood the market?" I can hear the practitioners hanging on for grim death at their desk thinking, "I asked you not to tell me that".

While selling your practice is both an emotional and economic decision, let's look purely at the economics. Think back to what your university lecturer said would happen to prices when supply of a commodity goes up? Given we are producing fewer accountants and therefore will have fewer potential buyers, the profession is on a collision course. What did that economics lecturer say will happen to prices, when supply goes up AND demand goes down?

If you're between 65 and 70 years of age and still practicing, give yourself a big slap on the forehead. While the market place is full of hungry buyers with open cheque books, it's time to sell. Wait 5 more years and watch your client base age even further, your gross fees and profitability flat line or possibly decline and you'll be in a queue of vendors wishing they had sold when the market was at its peak. Don't be another Maxwell Smart saying, "Missed it by that much".

A lot of baby boomer principals are in denial and I can hear them saying, "wait a minute Mr 'Smarty Pants' Camm, if things are going to change, why don't buyers simply wait 5 years and buy a bargain?" Good question but today's buyers are impatient and in for the long haul. They still see value in your ageing client base and they intend to stay in the profession long enough to see out this changing of the guard. The younger, smarter buyers see the opportunity to provide additional services to your clients, over and above year end compliance work. They view tax returns as the beginning of the client process, not the end. They want to use the latest technology to drive efficiency and add value with business advisory services including preparing 'what if' scenarios at the click of a button using intelligent software programs like 'Game Plan'.

Recently I met with several sole practitioners in their early 60's billing \$1.5 million and \$1.95 million respectively. Their KPI's are in the top 10% of firms and they are on the radar of some bigger firms looking to buy fees. These two practitioners really 'get it' and they'll secure a deal that will make them millionaires over the next few years. The no-brainer part of securing a deal now is that many practitioners approaching retirement have already tried, without success, to hire an eventual successor who would work for the firm for a few years and eventually take out their employer with an earn-out deal. If they decide to take action now and start talking to potential buyers, they will undoubtedly get a better price than if they wait 5 more years. Of course, securing a deal now doesn't necessarily mean retiring immediately. The consolidation is promoted as a 'merger' (with lots of benefits to the clients) and the buyers will keep the principals around during the transitional period and possibly engage them as consultants. This also helps minimize retention on sale and financial claw backs.

For some baby boomer principals and partners this could be a wake up call. Get the best price for your practice now and put some serious cash in the bank, pass on your clients to people who will take good care of them and are geared up to help them grow their business and their wealth. Makes sense doesn't it?



The opportunity is out there for those who want to take advantage of the current market conditions but these prices won't last forever. Having said that, I can guarantee you that practitioners will come to me in 3 to 5 years time expecting top dollar for their practice but my response might be another one of Max's favourite lines, "Sorry about that Chief".

*Pat Camm*

**Address :** 1355 High Street, Malvern Vic. 3144

**Phone :** (03) 9824 5300 **Fax :** (03) 9824 5359

**E-mail :** admin@pjcammm.com.au **Website :** www.pjcammm.com.au



## Brand or Bland?

With so many firms now characterised by an ageing client base, the marketing focus for accountants has shifted squarely onto Generation X & Y business owners aged in their twenties and thirties.

So what does this demographic expect from their accountant? A recent survey suggests they expect you to have a modern and unique look with a clean reputation. Being technologically savvy they expect you to be the same. They 'live' on Facebook, use Twitter and they Google everything on their mobile devices and smart phones. Without a website you look like a dinosaur and if your current branding doesn't appeal to this demographic it could be time for a makeover.



If you associate branding with just the physical artifacts like your logo, letterhead, colour scheme, slogan and signage – think again. Branding is considerably more complex and every interaction with a client or prospect affects your brand image. Increasingly your brand is online and the mission is to create awareness and build the firm's reputation in the mind of clients and prospects. You want your brand to be memorable, create client loyalty and survive the test of time. I don't believe anyone is good enough to create all that with graphics alone.

The branding process starts with identifying your target markets. If you don't specifically market to certain niches, you should. Your brand must resonate with their key values and clients need to feel that you have delivered on everything that your external branding promised. This builds trust and wins referrals. Let's get back to basics and examine the branding tangibles such as your name, slogan and logo.

### What's in a Name?

Many accountants struggle when naming their business. The majority of sole practitioners opt for 'vanity' names that incorporate their personal name (John Doe & Associates) but these names don't cut the mustard with Gen X & Y. Similarly, trading names that are simply a combination of partner surnames (Smith, Jones & Johnson) will ultimately date your practice due to retirements, natural attrition or more commonly, partnership breakdowns. Vanity names are meaningless to prospects who find you online.

Using initials in your business name like ABC Accounting is also dated (except for a well established brand like KPMG). Some firms feel the need to create a search engine friendly business name like, 'Melbourne Accounting Services', however, this is unnecessary given search engine optimization techniques. Using geographical locations in your business name like Richmond Accounting Services is old fashioned and very limiting in today's global business world.

Ideally your business name should say what you do and to illustrate this point, business names like, 'Build Wealth Accountants' or 'The Business Accelerator Group' make a statement and will stand the test of time.

### Your Positioning Statement or Slogan

Your positioning statement (slogan or tagline) should convey what your business does, how it does it and 'talk' to your ideal type of client. While slogans have always been around, the current trend is to closely tie them with the logo design. Ideally your slogan should spell out your point of difference. In a single sentence, what are you trying to achieve with your clients? For instance, '*Build Your Business, Grow Your Wealth*' is very clear. Don't forget, your brand will live or die on this statement because it is the promise you make to your clients and prospects. For some firms, simply adding a slogan could make all the difference to their brand.

### Your Firm Logo

A logo is also an essential part of your brand and business identity. A well designed, professional looking logo can signal to clients the quality, professionalism and strength of your firm. The design should speak with the clarity of a bell and an impressive logo combined with an intelligent and meaningful slogan can have a strong impact on how clients and prospects perceive your business image.

*Continued Overleaf*

## Brand or Bland? Continued

If you want to explore the development of a new logo there are a number of excellent online resources like [www.logotournament.com](http://www.logotournament.com) You effectively tender the development of your logo to the world of freelance graphic designers by setting some basic parameters including the colour scheme and the value of the 'prize'. The minimum prize is \$275 but I recommend you offer at least \$300 because you will generally get 40% more submissions.

You'll receive between 30 and 100 different logo designs within 7 days and I encourage you to leave as much feedback as possible on your favourite entries. You should update your rankings of the top 5 designs every day during the 'tournament' to help designers identify your preferences and encourage more designer participation.

When it comes to logos for accountants, keep colors to a minimum and use more formal fonts. There are no hard and fast rules with colours but darker colors are seen as professional and serious while reds represent feelings of heat and portray confidence and power. Unfortunately, red can also describe anger and be intimidating. Bright colours such as oranges or yellows are often seen as friendly and fun, great for younger audiences but they can be perceived as less professional.



### Summary

No matter how much money you spend, without consistency, brand awareness becomes impossible to achieve. Be consistent in your 'look' and make sure your business card resembles your brochure, website, email signature and other marketing collateral. Repetition is a key component of the branding process and you might consider trademarking your brand and image with your local patent office ([www.ipaustralia.gov.au](http://www.ipaustralia.gov.au)) to prevent competitors using your look.

It's a fine line between bland and a good brand but if you want to appeal to the next generation of business owners it could be time for a makeover. We can help you with this process and just call our office today for a free, no obligation chat.

## Practice E-Brochures & E-Booklets

A lot of firms make the mistake of simply creating a very traditional brochure that talks about their history and founders, the basic services they provide plus their location and contact details. While the who, what and where is all useful information, it won't convince a potential new client to use your services.

Your corporate brochure should address a prospect's needs and 'sell' the benefits of working with you. It should give them a reason to trust your expertise and demonstrate how they will benefit from using your services.

Our range of e-brochures and e-booklets can be emailed to your clients and prospects as well as strategically placed on your website so they can be downloaded by visitors. There are nine separate e-brochures and e-booklets available including a corporate brochure. Most of the brochures contain five to eight pages of content and they generally focus on the niche markets of business start ups, negative gearing, tradesmen and self managed superannuation funds. They all come customised with your firm logo and contact details.

You can buy a single brochure or booklet for \$110 each or all nine are available for \$440.



### E-Brochures

- Thinking of Starting your Own SMSF?
- Negative Gearing & Property
- Corporate/Practice Brochure
- Accounting For Trades People
- Thinking of Starting or Buying a Small Business?

### E-Booklets

- Motor Vehicle Tax Guide
- Industry Benchmarks for the Trades
- 11 Things Every Trades Person Needs To Know
- Vehicle & Equipment Finance

# Cashflow Manager Version 7.7.0.1

Version 7.7.0.1 of Cashflow Manager is available to clients who are current in their CARE support subscription. It contains several very important updates including:



### End Of Year ATO Reporting

Clients who lodged their annual EMPDUPE file and magnetic media form using Version 7.7.0.0 have been receiving a letter from the ATO saying they are using 'old software' and the 7.7.0.1 update fixes this issue. Most employers will not need to do anything but if you have 'reportable employer superannuation requirements' you may need to resubmit your end of year employer reports to the ATO after you have installed the Version 7.7.0.1 update.

If you have not yet lodged your end of year information with the ATO we recommend you install the update immediately. This is particularly important for accountants who use Wages Manager to prepare clients' annual summaries. The fastest way to update your software is to download it from [www.cashflow-manager.com/Support/Downloads.aspx](http://www.cashflow-manager.com/Support/Downloads.aspx)

### Allowances & Superannuation

Cashflow Manager have sought and received clarification from the Australian Taxation Office about the superannuation guarantee treatment of various allowances. As a result, the superannuation treatment of a number of allowances has been amended and a number of new allowance types have been added.



## Ready Set Grow!

Our 'Ready Set Grow' national road show of seminars earlier this year attracted record numbers and the feedback has been simply sensational. If you want to grow your firm we have scheduled two final marketing seminars in regional Victoria:

- Traralgon – Century Inn – Friday November 18 (9am -12pm)
- Warrnambool – Country Comfort – Monday November 21, 2011 (9am -12pm)

To register, simply download the registration form from our home page or call the office and we will email you a copy.

## Why You Need A Client Newsletter

As Victorian distributor of Cashflow Manager we talk to dozens of small business owners every day and the first question we ask them is, "Who is your accountant?" Incredibly, nearly 30% of the clients can't tell us your name!

So, how do you keep your firm top of mind with clients? It all starts with your branding (see *Brand or Bland* article in this newsletter) and one of the most important marketing tools is a regular client newsletter. They can alert clients to your capabilities and full range of services and if you aren't sending out a client newsletter both you and your clients are missing out.

Theoretically you might be able to write and produce your own newsletter but it can be time consuming and choosing topics, writing articles and managing production can all pose problems. Your newsletter content should be educational and relevant yet we still find many firms subscribe to 'off the shelf' tax newsletters full of technical tax content.

**On The Money** is a client newsletter we produce for accountants on a quarterly basis. It is focussed on educating clients about financial and money matters, marketing, how to grow their business and practical tax planning strategies. Customised with your logo it is available to accountants for only \$176 per annum. Call or email us today for a sample copy to review.



When It's Time To Sell Your Business... **For Sale**

More likely business owners will probably find themselves in a very competitive environment because the aging population suggests there will be fewer buyers in the market. But the right buyer could transform your business into a successful investment and provide the retirement of your employer. It is important to take the time to plan for the effective transfer of a business to ensure a successful hand over and if you are contemplating selling the business for the first time, the actual sale process can take months to the buyer undertake a due diligence process and explains the price and business terms.

So, when should you start planning the sale? It is important to plan for the effective transfer of a business to ensure a successful hand over and if you are contemplating selling the business for the first time, the actual sale process can take months to the buyer undertake a due diligence process and explains the price and business terms.

We are bringing in specialist advisers with financial and legal expertise to assist you with the sale process. For business owners, this means those successful sale transactions can be a reality.

If you need any help with your business success... **The greatest compliment we rec family and small business co**

Leading Edge Accounting logo

**Budget Highlights**

INCOME TAX SUBSIDIES	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	BUDGET HIGHLIGHTS		
												2010	2011	
Income tax subsidies	100	100	100	100	100	100	100	100	100	100	100	100	100	100

**Federal Budget**

**Social Security & Medicare Levy**



September 2010

On The Money logo

On The Money logo

On The Money logo

On The Money logo

On The Money logo

On The Money logo

On The Money logo

On The Money logo

On The Money logo

## The Benefits Of Merging

Life as a sole practitioner can be very lonely where you have no one to talk to about how (or where) your business is going except for maybe your wife, husband or life partner. However, if they don't have an accounting background it's very difficult for them to truly appreciate the challenges you face.



The solution for many sole practitioners is to merge with another firm to access benefits including:

- Economies of scale and a reduction in fixed costs for software, rent, IT and reception costs
- Increased profitability as a direct result of the cost reductions
- A 'partner' to share technical issues with, obtain second opinions and bounce new ideas off
- Peer review and improved quality assurance by combining systems and IT
- Suddenly holidays seem a little easier to take in the knowledge you have a back up
- Someone to talk to about direction, strategy and marketing plans
- Recruit and retain better people because a bigger firm can be more attractive to candidates with a social network and the fact they tend to invest more time and money into staff development
- Retaining your biggest clients (and finding more like them) becomes a little easier

There are potentially other 'softer' benefits from merging including:

- Additional skills in the other firm that your clients might benefit from (e.g. Succession Planning or SMSF Specialist)
- Additional skills or tools you bring to the table that the other firm's clients might benefit from including financial planning services, lending, vehicle and equipment finance, Game Plan software analysis
- More marketing power including website features and seminars that could create more opportunities with better quality new clients
- Bigger buying power that might reduce costs (stationery, computers etc.)
- Lower professional indemnity insurance costs
- Potentially better career prospects for your staff – making it a little easier to retain good people
- Potential to cultivate an internal succession plan

Whether you are selling or merging, there are a number of stages you will need to get through before any type of deal can be struck. Typically, these will fall into the following four categories:

1. Initial search for a buyer/merger partner
2. Discussions with specific suitors
3. Negotiating the terms of agreement
4. Closing the deal



Of course, once you decide to merge you then go on an emotional roller coaster ride before you finally put pen to paper. If you think the hard work is done on signing, think again. Integrating the firms into one is usually the biggest challenge. The major hurdle is culture or 'the way we do things around here'. You need to establish how the partners will be compensated going forward and what charge out rates you should use. Who is going to be appointed managing partner and how do you plan to communicate the merger to clients? The list goes on.

For practitioners, these are usually once-in-a-lifetime events and for those who choose to negotiate without professional help, mistakes can be very costly. The process can be lengthy and remember, there is always a dominant party in any relationship. If you are used to calling the shots you might feel very uncomfortable and threatened in your new surroundings, particularly if it feels more like a takeover than a merger.

If you want to have a confidential discussion about the possibilities of merging please contact our office today.

## Looking To Sell?

The market remains a vendor's market with only a handful of practices for sale and more than 125 registered buyers. In July and August we had a record number of enquiries from practitioners asking about the sale process. Maybe the baby boomer flood gates will finally open in 2012?



The list of buyers continue to grow on a weekly basis and they are looking to acquire fees ranging from small parcels of \$50k to practices turning over \$1.5M in fees. The buyers include small firms looking for an injection of fees, young accountants starting up (with a small fee base from home), larger firms looking for 'tuck ins' and disgruntled managers looking to do their own thing because the promised partnership opportunities have not crystallized.

If you're contemplating selling or want to understand the process and get your practice investor ready, call Pat Camm today for a totally confidential chat on (03) 9824 5300. If you are looking to buy fees and have not yet registered your interest, please visit the Practice Management tab on our website. Download and complete the 'Buyers Registration Form' and 'Prospective Buyers Agreement' and we will then contact you if a suitable practice becomes available.

Currently the only fees available include:

- Eastern Suburbs – retiring home based sole practitioner with \$180k in fees. Predominantly business clients with the top 10 client groups generating 67% of the total fees.
- Gippsland firm – Country practice with \$450k in fees and a strong primary production base
- City Fringe - \$500k in bookkeeping and CFO advisory work with no tax returns

## New Website & Free Downloads

After months of development our new website is up and running. If you visit [www.pjcam.com.au](http://www.pjcam.com.au) you'll find a number of free downloads including an Accountants Marketing Case Study. This report illustrates how our marketing consultancy services grew a firm by 41% in 2010/11 after 3 successive years of single digit growth.

The website also contains a range of practice management articles and if you're thinking of buying or selling fees you'll also find a series of informative articles. You can now download the latest version of The General Journal and access archive editions through the resources tab. If you don't already receive this newsletter electronically you can subscribe on the home page.

If you really want to know how we work with accountants to help them grow and succeed visit the website and read all about our consultancy and marketing services. Download our product catalogue and you'll see our full range of tools we have built for the profession. Pay us a visit, refer your colleagues and we welcome your feedback.

**The greatest compliment we receive from our network of 2,000 Victorian and Albury based Accountants is the referral of their colleagues.**

**Thank you for your trust and confidence.**