

# First Wave Of Sellers

For some time we have predicted the baby boomers will exit the profession in big numbers following the 2004 CPA study that revealed:

- The average age of Principals in 2000 was 46
- 69% of the Principals were aged over 40
- 40% of the Principals were aged over 50
- In 2000, 7% of partners indicated an intention to retire in the next 2 years



By 2004, 25% of firms indicated that they had at least one partner who planned to retire in the next 5 years.

That report is now over 3 years old and despite a very quiet September quarter we have seen some movement in October which may prove to be the first wave of sellers. By no means has the drought broken but for more than 100 prospective buyers it offers some degree of optimism.

One thing is clear, many practitioners are totally unprepared for their exit and don't understand that selling their practice is a process not just an event. Remember, you are selling your life's work potentially worth hundreds of thousands of dollars and you don't just wake up one morning and decide its time to go. You need to plan for the event and most buyers will demand that you stay on for at least 3 - 6 months on a full time basis and possibly a similar period on a part time basis. As such, you need to plan the sale at least 12 months in advance.

Selling your practice is akin to auctioning your home. Firstly you need to make the decision to sell - on several occasions this year we had offers on the table only to find the vendors withdraw their practices from the market. You need to prepare a marketing campaign including a 'practice profile report' that provides prospective buyers with an insight into your fee income, growth, history, systems, staff and your top 30+ clients. Buyers want to see the last 3 years profit and loss statements and need to know your availability and hourly rate in the 'handover' period.

It takes time to compile all the information but this key marketing document also serves another purpose. It is designed to answer the most commonly asked questions about your practice so you don't have to answer them at the interview stage. With the current market boasting 100+ buyers and only 3 sellers you can expect up to 10 interested parties to be 'bidding' for your practice. If you have to answer the same repetitive questions at each meeting you will become increasingly frustrated and waste enormous amounts of time. Notably, I had a sole practitioner recently tell me he was too busy to complete the report and subsequently withdrew his practice from the market.

Of course there are a number of things you can do to prepare your practice for the sale and maximise the value in the process. This is the topic for the next edition of the 'General Journal'.



Thinking of selling your practice? We are dedicated to 'Helping Accountants Succeed' and call us today on (03) 9824 5300 for an obligation free discussion.

*Pat Camm*

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