

Wrap Up Your Practice Before Retirement

by Pamela Myers



You're contemplating retirement. What do you do with your practice? In the coming years, we expect to hear that question more frequently. Those of us who are now on the cusp of retirement have, most likely, been thinking seriously for a number of years how to wind down or wrap up the practice.

It may be that you, like attorneys in Italy, Germany and France, decide that you're not going to retire. You may reduce your case load and work well into your 70s, 80s or 90s. That'd be great! Most likely, though, you'll follow the retirement path of American and British practitioners and retire anywhere from age 55 to 70.

Lawyers in partnership are often governed by the partnership agreement, with stated retirement age that may or may not be negotiable. Solo practitioners have a bit more leeway in retirement planning.

The assumption is that you've taken care of all the other important aspects of retirement planning, but now you've got to make a decision as to what to do with the practice. For all intent, you can phase down or you can sell.

Phasing down is a popular method. Don't accept new cases and concentrate on closing open cases. Eventually the last case will disappear and you can pack your bags and head for paradise. If you don't want to wait until you've closed your cases, you might find another attorney who is willing to take over the open files. But the client must be given the opportunity to accept the new attorney or find new counsel. Be aware that there are instances where the courts may not be willing to accept new counsel mid-case.

Many lawyers don't think their small firms have much value, but most practices are saleable. The biggest mistake a lawyer can make in closing a practice is to walk away from possible money in the bank. Ed Poll, author of *Selling Your Law Practice: The Profitable Exit Strategy*, recalls an attorney who was weary of practicing law and wanted a complete change in lifestyle. She had planned to just walk away from her practice, but Poll persuaded her to sell the firm and helped her negotiate with a buyer. "She sold her practice for \$300,000—she never believed she could get that much," Poll says.

If you'd like to sell your firm, it is best to get help. (Also, refresh yourself with Bar Rules 1.16(d) and 1.17 in this regard.) There are a number of valuation firms, locally and across the country that can provide assistance. Few lawyers regularly buy or sell practices and most have no experience in setting price or terms for a sale. Since each situation is unique, it would be advantageous if you begin the process of selling the practice to another lawyer or firm as part of your retirement plan. This can alleviate urgency and pro-


vide time for fair negotiation with potential buyers.

There are many possible factors that might affect the price of your practice and all need to be taken into account. Valuation is not a science, as there are no absolutes in the process. Below are just a few examples of what is needed to conduct a comprehensive valuation:

1. Financial statements and state and federal tax returns for the previous five years
2. Fee schedules for the previous five years
3. Leases still in effect for the premises and all equipment
4. Notes payable, deeds of trust, conditional sale contracts
5. Documents relating to the acquisition and obligations on real and personal property investments
6. Cash receipts, cash disbursements, sales, purchase, payroll and general journals

7. General ledger
8. Bank statements, cancelled checks (if available) and bank reconciliations
9. Aged accounts receivable listing
10. Work in progress detail
11. Insurance policies
12. Data on key personnel of selling attorney who will assist in the transition or remain employed by the buying attorney
13. Firm brochure
14. Annual appointment books or electronic calendars
15. Goodwill
 - a. Immediate use of tangible assets
 - b. Trained and assembled work force
 - c. Case files and qualified client/prospect list
16. Liabilities of the practitioner related to the practice which will be taken over by the buyer
17. Other relevant documents

Some solo practitioners and small firms may feel that the list is too burdensome, but the appraiser will need to have access to all this information to give a fair and full value to the practice.

Although this article has been directed toward the valuation and sale of your practice, there are many other aspects of closing your practice with which you'll need to become familiar. The Law Practice Management Program has material to help with all aspects of closing a practice – whether related to retirement or not. I hope you'll contact us the minute you think about taking down your shingle. 



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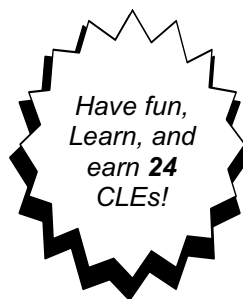
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