

TAX TALKS

Australia's Tax News Podcast - The Podcast for Australian Tax Professionals

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How to choose a buyer for your accounting practice?

How To Choose a Buyer

There are usually a lot more buyers than sellers, so you as the seller can choose who takes your labour of a lifetime to the next step. But how to choose a buyer? This is the question we asked Matthew Taylor, business broker for accounting practices.

Here is what we learned but please listen in as Matthew Taylor explains all this much better than we ever could.

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How To Choose a Buyer

It takes a lifetime to build a practice. But just a few months to run it into the ground. So choosing the right buyer is crucial.

It will determine how much cash you walk away with. If you choose the wrong one, the transition will be tough and clients will leave, reducing your final payout. If you choose the right one, you get a smoother transition – there is no perfect transition – and most clients will stay.

So what do you look for? It all starts with the 5 Cs. Five things to look for in a buyer.

Five Cs

The 5 Cs are a road map to select the right buyer for your practice. They will make it easier to select your buyer.

C #1 Character

The first thing to consider is the character of the buyer. How do you feel when you are talking to them? How do you imagine that particular accountant in front of your clients, speaking to your staff?

When you sell, you usually work with them for the next 6 to 12 months as part of the transition process. If you don't click, you probably haven't found your buyer just yet.

C #2 Culture

Meet at the buyers premises, so you get a feel for the culture of the place. This is where your clients would be going to. This is where your staff will be moving to.

Have a look at their website and their current staff profiles, Would your clients and staff be happy here?

C # 3 Capability

The next thing is capability. Would the buyer be capable to look after your clients?

If you service a specific niche – for example film production, medical practices or pharmacies – does the buyer already have the industry experience? Or can you teach them what they need to know?

Your buyer needs to be able to run the show, to take over from you. Otherwise they will run your practice into the ground.

C #4 Cash

Can this particular buyer afford your practice? There is no point in meeting, negotiating and going through a due diligence if the buyer doesn't have the cash in the first place.

C #5 Capacity

Does the buyer have the capacity for a smooth transition? Transitions take time. If your buyer is huffing and puffing under their current workload, they won't have the mental space to manage a smooth transition.

As a rule of thumb, the purchaser should be two to three times the size of your practice that you are selling. This way they can probably afford your practice and manage the transition. As a result many medium to large firms buy small practices, but very few small practices buy other small practices.

So these are the 5C's you should be looking for. Matthew goes into a lot more detail during the interview, so please make sure you listen to this episode of Tax Talks.

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