

TAX TALKS

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

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38 | How To Sell My Accounting Practice

How to sell my accounting practice – that is the second question right after, “Should I sell?”. How do you actually do that? Nearly two-thirds of accounting firm owners are baby boomers and are starting to retire. At the moment it is still a sellers market out there with far more buyers than sellers. But this can change.

How To Sell My Accounting Practice

A good sale doesn't happen suddenly without preparation. Think of your business as a house. Would you just put it on the market without any tidying up? The same goes for your business. Clean it up, get rid of clutter, fix the broken window.

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What do you want?

Spend some time thinking about what you want. What would the best case scenario look like? What is absolutely not negotiable?

Where is your business heading?

A successful sale rarely just happens. Give some thought to how you'll position the firm to potential buyers. Draft your sales pitch. Where does your firm excel? Promote those metrics. Tell the story of where your business is going.

Are you honest?

Be open and honest about where you don't excel. A little white lie at the start can cost you a great buyer at the end. Be open and don't lie by omission.

Is your buyer already working for or with you?

Selling your accounting practice to a third party can mean the end of your firm, as you know it. If you are keen to preserve the vision and culture of your practice, look for someone internally.

In larger firms, partners can sell their equity to the remaining owners or rising stars. In larger practices, succession is built into the business plan. Partners can sell their equity to the remaining owners or younger staff. Do you have someone working with you who has the experience and leadership to run the practice, the capital to buy you out and the desire to take over?

If you have a good candidate in mind, start talking about your plan now. They'll need time to decide and organise finances.

Will your clients stay?

Buyers rarely agree to an upfront sale because of the risk that clients will leave after the handover when the principal has gone. Instead, they're more likely to request an earnout arrangement, where they pay yearly instalments adjusted based on client retention. It won't be enough to show your client list. You'll need to ensure that loyalty continues after you've left. Make sure your clients have confidence in your staff.

The quality of your clients can be just as important as the quantity. A slow growth rate may lower your practice's value, so try to keep adding accounts. Are your clients easy to work with? Do they pay on time? Unprofitable accounts will likely hurt your sale price.

Is the timing right?

Beware of when you sell. It is best to sell in booming times than during a drought. If your practice has a strong yearly cycle, offer to sell just before the most profitable season so that your buyer can hit the ground running. Eventually, this might increase your sales price.

Is your data in order?

Messy data is the best way to turn buyers off. So the first step should always be to clean up your data. Get rid of old bad debt. Clear out the skeletons in the closet.

Are your accounts receivables cleaned up?

Money owed for work you've already done is yours. But few buyers are keen to chase it for you. And even less to then hand it over to you. So collect your receivables beforehand or take them out of the business and hand them over to your buyer for them to keep when collected.

Is your technology up to speed?

If your practice runs on dated software and spreadsheets, then your clients are probably also dated, requiring a lot of low-yielding manual work. Which means less profit for your buyer in the future. So while technology is not a must as such, especially if you are just selling the client list, it does paint a picture of who your clients are. And even more importantly how your staff operate.

Do you know somebody who can help you?

Most accountants, tax practitioners and financial planners only sell once in their life, maybe twice. So consider using a specialist who does this as their daily bread and butter.

How big is your practice?

It is easier to find a buyer for a smaller practice since you can appeal to small accounting practices just as much as larger firms. You will have less staff to accommodate and a lower sales price. So more firms will be able to afford buying your practice. Be prepared for a harder sale if your firm is quite big or you are trying to sell equity in a partnership.

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[Top 10 Mistakes When Selling an Accounting Practice](#)

[How To Buy an Accounting Practice](#)

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