

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' because we're at the stage where sellers 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 your client base will age even further, your gross fees and profitability will flat line or possibly start declining and you'll be in a queue of vendors wishing they had sold when the market was at its peak. Don't be 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 want to use the latest technology to drive efficiency and add value with business advisory services. They want to be paper less and use intelligent software programs like Principa's 'Game Plan' to prepare 'what if' scenarios at the click of a button and calculate the profit improvement potential in a business.

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 a large firm looking for an injection of 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 can 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. You promote the consolidation as a 'merger' (with lots of benefits to the clients) and the buyers will keep the principals around during the transitional period or possibly engage them consultants. This helps minimize retention amounts on sale and potential claw backs.

For some baby boomer principals and partners this could be a wake up call. Get the best price for your practice 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. I know that practitioners will come to me in 3 to 5 years expecting top dollar for their practice but my response might be another one of Max's favourite lines, "Sorry about that Chief".

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