

Selling the Solo Law Practice

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SELLING THE SOLO LAW PRACTICE

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What do I have to sell?

Hard assets

Financial assets

Goodwill

How can I enhance the value of my practice?

Upgrading the Practice

The Transition

How can I find the right buyer?

How do I negotiate the sale price?

The theory

The reality

I faced the big 6-0 last summer, so, not surprisingly, I have been thinking about retirement. Having been born on August 4, 1946, barely a year after the end of World War II, I was in the first ripple of the demographic tsunami that came to be known as the Baby Boom. We have been a generation of bulging statistics as we thundered through the second half of the Twentieth Century and rolled into the Twenty-first. Now we are about to start retiring in large numbers. All the other demographic restructurings of my generation have been marked by turmoil, and there is no reason to expect that this one will be any different.

Retirement raises a special set of issues for solo practitioners and small firm lawyers, who, as entrepreneurs, are not subject to compulsory retirement savings schemes like employees. Many solo lawyers in my generation have done well and have planned carefully for their retirement. They will be able to retire with a reasonable measure of dignity and security. Generally speaking, these lawyers have built up their retirement nest eggs outside their law practices, so

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that while selling their practices will generate welcome capital, it won't make or break their retirement.

However, for any number of reasons, a significant number of solo lawyers have not planned for their retirement. You can't overcome 30 years of neglect with a few months of furious activity, so many members of this group are at significant risk of being caught in a double bind—*too tired to practice and too broke to quit*. To these lawyers, selling their practice may be crucial because it is the only significant asset they have to fund their retirement.

Regardless of whether the sale of the practice is a "nice-to-have" or a "need-to-have", the selling solo lawyer needs answers to four questions if his or her transition out of practice is to be a positive financial experience

What do I have to sell?

How can I enhance its value?

How can I find the right buyer?

How do I negotiate the sale price?

WHAT DO I HAVE TO SELL?

Typically, there are three types of assets in a law practice, **hard assets** like furniture, equipment and books, **financial assets** like accounts receivable and work in progress, and **goodwill**.

HARD ASSETS

There aren't many hard assets in a solo practice, and they aren't worth very much.

- **Furniture** If the furniture is old and worn, it won't have much value and may even have to be given away. Even if it is well-preserved, it may not be desirable to a young lawyer who wants a more modern look.
- **Computers and other equipment** The value of computer equipment plummets notoriously the moment you take it out of the store; if it's more than a few months old, it's