

The ElderLaw Report

How I Built a Successful Estate Planning Practice and Sold It for a Tidy Sum

By Jan Copley

On January 1, 2010, the deal for sale of my estate planning practice to another firm closed. My last day as a full-time practicing attorney was June 30, 2010. How did I do it? What did I learn? What would I do differently?

Whether we want to or not, we will all exit our businesses. Why not be proactive about it? As I used to tell my business clients (and, as I am sure you do, too), we must always operate our practices with our exit in mind. What strategy you choose depends on your timing, your financial situation and what you want to do with your life.

In my case, I did not want to die at my desk. In 2004, I signed a five-year lease, ending on December 31, 2009. A year or so later, it became clear to me that it was time for me to do something other than practice law. Although I had a part-time associate and worked with another young man on an of-counsel basis, neither of them was in a position to purchase the business. So, my exit strategy was to sell the practice to another firm by the time the lease was up.

How Did I Build a Saleable Law Practice?

When I look at how I got to the point of having a saleable practice, I can identify four key components: (1) I educated myself; (2) I got out there; (3) I took risks; and (4) I got help.

I educated myself. In my business, we focused on estate planning, business planning, trust administration and probate. We also did some elder law work. I transitioned to estate planning after about 12 years working as a bankruptcy attorney and business litigator. I was startled when I did so: I always thought bankruptcy was supposed to be a complicated area of the law, but it is *nothing* compared to the byzantine rules of estate, business, and tax planning.

So, I made an effort to educate myself. I attended courses put on by California Continuing Education of the Bar. In 1998 I joined the National Network of Estate Planning Attorneys; I became a member of

WealthCounsel (<https://www.wealthcounsel.com>) in 2004. I took the Esperti-Peterson Institute's year-long course, "Advanced Studies for Wealth and Estate Planning"; I spent another year in the Southern California Institute's "Laureate Program in Wealth Strategies" (<http://laureatecenter.com/>). I regularly attended educational meetings all over the country. I traveled a lot.

All this education was expensive and time-consuming, but it was well worth it. I became confident in my ability to represent my clients. It meant I could issue-spot when people came in with challenging problems. And, most importantly, I met and developed relationships with attorneys who could assist me when I needed help, whether in preparation of an out-of-state deed or co-counseling on a difficult case.

I got out there. Of course, all the education in the world will not bring in business; people will only hire you if they know you exist. So, another aspect to building my practice was actively marketing it. In my case, that meant (a) meeting with referral sources; (b) seminar marketing; and (c) branding my business.

Referral source marketing. I talked to a lot of referral sources and I kissed a lot of frogs. I had breakfast, lunch, dinner and coffee with many, many financial advisors and insurance professionals. I started with people I knew; I would ask them if they knew someone else I should talk to. I also asked permission from my clients to meet with their advisors. In a surprisingly short time the firm had ongoing contacts with a large number of potential referral sources.

I also developed a follow-up system so a referral source would not forget about us. At its most basic, following up meant sending a handwritten thank-you note after a meeting. I would ask permission to put that person on my mailing list; if he or she consented, we sent invitations to seminars and other firm events to him or her. Our referral sources also received *The Daily Plan-It* (<http://www.topofmind.org/index.shtml>), a biweekly e-mail newsletter. After I started a blog, we asked people if they wanted to receive that, too. We got compliments on our consistent and rigorous marketing.

Illinois Body Rejects Punitive DRA Rules

Illinois' attempt to enact rules implementing the Deficit Reduction Act of 2005 (DRA) has hit a snag, possibly putting the state's federal Medicaid funds at risk. On May 10, 2011, the Joint Committee on Administrative Rules, a committee of the Illinois legislature, unanimously voted down rules proposed by the state's Department of Healthcare and Family Services (HFS). Elder law attorneys and senior advocates opposed the rules as too harsh and going beyond what the DRA requires.

Illinois is one of the last states to implement the DRA. One of the biggest objections to the proposed rules was that they applied retroactively to transfers going back three years from November 1, 2011. The rules also did not give credit to a Medicaid applicant for partial return of assets, so the applicant's penalty period would be reduced only if all the transferred assets were returned. (For earlier coverage of the proposed rules, see our October 2010 issue, p. 5.)

An HFS official is warning that if the decision is not reversed, it could cause the federal government to deny Illinois between \$1 billion and \$7 billion in Medicaid funds.

I sometimes wondered if it was too relentless, but no one ever complained.

We marketed through our clients, as well. At every signing ceremony, we would ask them to refer other nice people to us. It worked — we generated some wonderful new clients that way.

Eventually we built mutually beneficial relationships with a number of referral sources. It was a slow process, but well worth the effort.

Seminar marketing. We also held seminars, averaging two seminars a month, eight months a year. Despite the costs involved — the mailing list, the invitations, the postage, the room — it was worthwhile. Seminars brought us good clients we would not have otherwise met. We usually generated enough business from our seminars to make a nice profit.

Branding. Seminar marketing helped us brand the business. We developed a lovely logo, which appeared on everything that went out. Because people saw the logo over and over again, they began to remember us. And, because we had a beautiful image people recognized, we built credibility in the community. We generated a number of referrals based on our branding alone.

I took risks. I believe a key to our success was my willingness to risk failure. I came to realize we always had to be open to trying things, even if we were not

sure they were going to work. Of course, we were aware that if we tried something new, there was the possibility it would not work, but I chose not to let that risk deter me. It paid off in most instances.

I got help! I could not have built the practice I did, and I could not have sold it, without help.

I developed a great team. In my case, the assistance started with my staff — a great (not just good, great) team. I learned you can only have a great business if you have great employees. Because of their efforts, we had processes, efficiency, and a loyal client base, all of which made the practice more enjoyable and saleable.

Among my great team members was my chief operating officer. He has a solid background in management and took over most of the administrative work in the office. This freed me up to put my time to its highest and best uses: marketing and working with clients. Those of you who know me may point out that because the COO was also my husband, I did not have to pay him an exorbitant salary. That is true, but if I had had to pay a full salary for what he did, it would have been well worth it.

I joined a coaching program. I became involved with Steve Riley's "Practice Growth Program" (<http://www.steveriley.org/>; please feel free to contact me if you want more information about it). It taught me the importance of goal setting, focus management, and creating processes. We also worked on staffing and relationship marketing. In other words, through this program, I learned to get my head above the trenches of the day-to-day practice and to think ahead — and think big. Finally, and most importantly, the program provided me with accountability; I had weekly calls with "buddy coaches" to report on my progress. This meant I actually did what I said I was going to do.

I hired a marketing company. Despite all the marketing I did, I came to the conclusion that I am not a natural marketer. So, I started working with Mark Merenda and his company, SmartMarketing (<http://www.smartmarketingnow.com>). Mark gave us invaluable help in our branding and marketing activities; through him, we developed the firm logo, the firm Web site, the firm brand. Mark provided us with coaching about relationship marketing and running our business. SmartMarketing also gave us depth we had not had before: with the help of Mark's solid team, we were able to implement many things I had thought of but never seemed to do.

I took advantage of the help available to me. I learned there is an important aspect to getting help: you have to make the relationship work. I did not just join Steve Riley's Practice Growth Program; I took the tools and applied them to my situation. I followed Mark Merenda's advice. I took advantage of some of the things WealthCounsel offers. It all made a difference.

Copley's Helping Hands

Author Jan Copley's Sources of Support in Building Her Practice

Steve Riley's Practice Growth Program

<http://www.steveriley.org>

Riley has spent more than 15 years helping attorneys resolve issues and achieve growth.

WealthCounsel

<https://www.wealthcounsel.com>

WealthCounsel helps estate planning attorneys transform their practices through automated drafting system software, an education curriculum and other practice-building resources.

SmartMarketing

<http://www.smartmarketingnow.com>

SmartMarketing helps law firms market their practices more effectively using key elements of the real buying process.

Atticus

<http://www.atticusonline.com>

For more than 20 years, Atticus has been helping attorneys modify their practices to better serve their lives and their clients.

How Did I Sell My Practice?

One of the things I did right in building my business was running it with an eye to selling it. With our known brand, documented processes and solid client base, we had created something interesting to other attorneys. There were, however, several steps to actually accomplishing the sale.

Finding a buyer. The first and most important step was to decide what I wanted. Very often, attorneys sell their practices based on a stream of revenue to be derived from the purchaser; I decided this did not give me enough control over how much I would receive. I decided I wanted to sell for a fixed price.

The second thing we did was locate people in the community we knew with similar practices and approach them about their interest. Then we spoke with WealthCounsel members in our area to see if any of them was interested in buying the business. Some were not, but a few were. In the end, we decided to sell to the firm that we felt had the capacity and ability to service our clients, that was willing to take the risk of committing to a fixed price, and that we trusted. We were purchased by a general practice firm with an estate planning/probate department. The partner in charge of the estate planning department wanted to expand it. When we closed the deal, the purchasing firm, consisting of five partners and 12 attorneys, had been around for 10 years and the founding partners had been out of law school for more than 15.

Terms of the deal. I have had a number of people ask me how we arrived at the sale price. The purchasers had our business appraised. However, because of all the variables in the valuation report, all parties ignored the appraisal when it came time to negotiate the deal. The

buyers offered what they thought they could afford in light of the risk they were taking. We, on the other hand, wanted a guaranteed price even if it was a little less than we thought the business was worth. In the end, we found something both sides would accept. I learned that in the purchase and sale of a law practice, the IRS definition of fair market value — “the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts” — absolutely applies.

Additionally, I agreed to consult with the purchasers for six months after the close of the transaction and to receive a flat amount, paid over that six-month period, as my compensation. I kept my business's outstanding accounts receivable up to the close date.

The total sales price — not including my compensation for consulting — came to about 60 percent of our gross revenue in 2009. The price was about 230 percent of my net for 2009, not including what I put aside in the firm 401(k) and defined benefit plans.

Insurance coverage. CNA, my professional liability insurance company, provides free tail insurance for attorneys who have been with it for more than three consecutive years when the attorney retires. I've been with CNA since 2003, partly because of the free tail offer. We have not activated our tail coverage yet. If I return to practicing law for some reason, the tail coverage goes away. The purchasing firm paid my professional liability coverage for the last year. We submitted a renewal application last week that shows I haven't practiced for a year; CNA has responded with a quote of about 33 percent less than last year's premium.

What I did right. I believe I did a number of things right in building my business, marketing it for sale, and negotiating the transaction.

I listened to my advisors. One of the things I have learned from being an advisor is that I should listen to my advisors. In this case, I did so. Steve, Mark and my COO all had ideas about how I should build and market my practice. Their advice was invaluable and I am glad I listened to them.

I created a recurring revenue stream. One of the things that made my business attractive to potential purchasers was my client maintenance program. By the time we closed the sale of the business, we had had the program in place for more than 10 years. It had grown to the point that we realized significant revenue from the renewals.

I gave myself time to sell. I had always heard it takes time to sell a business and, now that I have been through the process, I absolutely agree. The whole negotiating and closing process took about three years. It took a couple years before that for me to think through what I wanted to accomplish. We would not have generated the price we did if we had sold in a hurry.

What I could have done better. Of course there were a number of things I could have done better, and if I had, the business might have provided me with more revenue when we operated it, as well as a higher sale price.

I should have been more active in the legal community. I chose not to participate in bar association activities while I was running my practice. I always figured there was no reason I should market to my competitors. In hindsight, I realize that was arrogant. I lost the opportunity to develop relationships with lawyers who might be good referral sources — family law attorneys, for instance — and who might be interested in purchasing an estate planning practice in career moves of their own.

I should have been more systematic about marketing. Although we were rigorous and relentless marketers, we could have been more systematic about it. Even though we had and used a contact management system, it was hard for me to keep track of all the contacts we had. If I had to do it over again, I would work with a dedicated marketing assistant.

What I Learned

From my experiences, I learned three big lessons about building and selling a law practice:

1. **There is no silver bullet.** I hear some attorneys say that if they could just conquer a certain

technique, their businesses would be successful. I learned that that is not the case. As far as I am concerned, there is no easy way to build a business and there are no successful shortcuts to getting you where you want to go. It is hard work and you have to commit to it.

2. **You have to do it all.** Similarly, you cannot build a successful law practice unless you devote your energies to *all* the elements of a successful business. You have to know the law; deciding what you want to accomplish is crucial; you will not make money unless you market; you cannot have a great business unless you have a great team.
3. **It is almost impossible to do it alone.** I am convinced that because there are so many things you have to do right to build a successful, saleable business, it is almost impossible to do it alone. I certainly could not have accomplished what I did without help. In fact, every successful attorney I know has gotten some form of assistance sometime during his or her career. There is help out there; all you have to do is take advantage of it. If you get good help, it will pay for itself many times over.

You Have Options

You may not want to leave your business the same way I did. You may enjoy what you do so much you want to die at your desk. Maybe you just want to scale back. Any alternative that works for you is great. And, retiring from the law does not mean retiring altogether! Although I was ready to step down from the full-time practice of law, I was not ready to stop working. So, I have a new career now: I have since gone on to being a practice advisor with Atticus (<http://www.atticusonline.com/>), coaching other attorneys who want more money and time off.

However, to be successful at any business exit strategy, you have to figure out what it is you want to do, when you want to do it, what it is you have to accomplish, and the steps you need to take to get you there. It is my hope that this article will enable you to devise and implement your own successful exit strategy.

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