


Green  
Growth || CPAs

# SUCCESSION PLANNING GUIDE

Is your practice ready for tomorrow?

Unlock New Opportunities with GreenGrowth CPAs

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**Let's Grow Together.**

# WHY HAVE A SUCCESSION PLAN?

At GreenGrowth CPAs, we understand the significance of a smooth transition when a company approaches retirement. A **comprehensive succession plan** enables us to seamlessly pass the torch from retiring business owners to a new management team or entity while **preserving the core values, culture, and operational framework of the company.**

This holistic approach ensures business continuity and inspires confidence among customers, employees, and stakeholders. We believe in the paramount importance of **implementing a succession plan that addresses all aspects of the transition process:**



## CLIENT CARE

By prioritizing the care of our clients and providing a clear roadmap for the future, we alleviate concerns surrounding leadership transitions, decision-making processes, and organizational structure, ensuring exceptional service and customer satisfaction.



## NURTURING LEADERSHIP TALENT AND POSITIVE CULTURE

We believe in cultivating internal talent and offering growth opportunities to prepare individuals within the organization to lead us into the future. Additionally, we recognize the importance of maintaining a positive people culture throughout the process, creating a supportive and collaborative work environment.



## STRATEGIC ALIGNMENT

Our succession plan allows for a thorough evaluation of the objectives and strategies of the incoming entity, ensuring compatibility with our long-term vision. This alignment facilitates a seamless integration, enabling the transfer of knowledge, resources, and expertise while preserving our unique identity within the new organizational framework.



## FINANCIAL SECURITY AND STABILITY

Our well-structured succession plan takes into account the financial implications of the transition, ensuring fair compensation for the owners' years of hard work and dedication. Through careful consideration of various financial options and collaboration with the right partners, we aim to provide stability and flexibility in the post-retirement phase.



## ENHANCING BUSINESS VALUE

Implementing a succession plan allows businesses to optimize operations, identify areas for improvement, and position themselves as attractive acquisition targets. By demonstrating a clear path for future growth and sustainability, retiring companies can maximize their value and negotiate favorable terms during the acquisition process.



## WHY US?

It's only natural to question the implications it might have on your staff, your clients, and the legacy you've worked so hard to build.

**But what if we could flip the script on these apprehensions? What if, in reality, this wasn't about dissolving your legacy, but expanding it?**

GreenGrowth CPAs is not just about growing our own firm, but also about fostering a culture of growth and development for those we partner with. Through our acquisition, not only will your firm have the opportunity to tap into our vast resources and portfolio, but your team will also be exposed to unparalleled growth trajectories.

Moreover, we deeply respect and value the relationships you've nurtured with your clients over the years, and our aim is to enhance these associations further by offering extensive support and advanced solutions.

Every one of our team members is an accounting expert. There is no time wasted "getting up to speed." We hit the ground running with the latest industry insights and best practices.

Our company is guided by a series of values that prioritize people over profits, recognizing the importance of our team and clients.

Our approach is rooted in empathy, listening to clients' needs, and providing support. We strive for excellence, continuous learning, trust, and integrity, delivering high-quality work and fostering mutually beneficial outcomes.



**250+**  
AUDIT CLIENTS



**150+**  
MONTHLY ACCOUNTING & FINANCE CLIENTS



**1,800**  
TAX RETURNS FILED



**1,000+**  
TAX CLIENTS



**>98%**  
CLIENT LOYALTY



**1%**  
TURNOVER ON SERVICE EMPLOYEES



# SETTING THE STAGE: CREATE YOUR IDEAL SITUATION

## The firm is about the team more than the owner.

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As you get closer to the time to exit, the less the firm relies on you, the more likely it will continue to function efficiently for clients and staff, the more valuable it will be, and the more gratifying your transition will be. If your firm is currently heavily dependent on the owner or owners, change can be challenging. Letting go can be arduous. However, exiting is the ultimate letting go, so the sooner you start, the better.

Buyers and successors are increasingly interested in acquiring a business that gives them the time to relish life. Owner hours and responsibilities are a major consideration. Ideally, the owners are working less than 2,000 total hours per year and are able to take multiple vacations per year where they are entirely detached from all work.

## Maximize long term profitability.

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Think about this from the buyer's standpoint. They will have debt service to manage the acquisition. They will need a reasonable return for the risk taken and they will want to earn an attractive amount for their time spent working. Granted, the importance of these factors will vary significantly based on who the new owner is, but almost everyone can agree that the more profitable your firm is, the more desirable it is.

For a rough target, if cash flow to owner is equal to or greater than 50% of top-line revenue, that's generally considered to be appealing profitability for a small firm with a team of around 10 or less. As firms grow larger, the owner cash flow does tend to decline because owner production as a percentage of the total declines.

## Team and culture are robust.

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What is a robust team culture? It's one of those concepts that falls into the "know it when you see it" category, but it does have some measurable and/or observable characteristics, such as:

- Employee turnover is low.
- Staff members get along well and are generally happy.
- Team members are continuously learning and enhancing their skills.
- New, high-quality team members are consistently joining the firm, even when the current employment market is challenging.

## There are few competitive threats or other significant hurdles for a potential buyer.

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There can be several threats and obstacles to a firm. If there are major ones, you are likely well aware of what those are. Once again, put yourself in the buyer's shoes and evaluate your practice from that perspective. Some of the more common threats and obstacles we've encountered are:

- **Competitive threats from within.** Do you have employees with key client relationships who might depart and take clients or other team members with them? Planning tip: Ensure to have an assignable non-solicitation clause in your employment and contractor agreements. Assignability is critically important.
- **Overdependence on extremely large clients.** Clients that constitute over 10% of total revenues can be risky for a new owner.
- **Partner discord.** Partners not in consensus on exit strategy or other operational issues can contribute to severe friction between partners.
- **Mix of work challenges.** Having a highly specialized focus area that few other CPAs have — or desire to have — can limit your pool of potential buyers or successors. An example might be expert witness revenue. Generally speaking, as firms expand, the challenges posed by the mix of work concerns diminish significantly.

## Processes and systems in place are efficient and well-documented.

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This is both self-explanatory and clear as to why this would be advantageous to a successor. Your technology doesn't have to be the latest, but having systems and processes that are straightforward and efficient to work with will be appealing to a buyer and will aid in facilitating a smoother transition. File documentation also falls into this category.

## The seller is clear about their future plans and timing.

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Buyers will want to know. They will ask.

Ideally, you already know what you want to pursue after your exit and have something in mind that you are drawn toward. Possible options might include volunteering, CFO work, another business opportunity, or fulfilling a long-held retirement dream. Having plans tends to "pull" you out of the practice and provides incredible clarity around your timing. It's much easier to leave your career when there are other things that you genuinely want to do.

If you're unsure about what you'll do, consider part-time work. Surprisingly, in our experience, many CPAs underestimate their ability to find lucrative part-time opportunities outside of public practice. A lengthy career in public practice can provide a variety of skills and wisdom that hold significant value, which can lead to CFO roles and general business opportunities. These roles often allow exiting owners to work less without forgoing all of their income. This option offers a nice reduction in responsibility and time commitment, along with substantial earning potential.



# IS THE TIMING RIGHT? SELL ON YOUR TERMS

When leaders of CPA firms begin to contemplate succession planning, the most pivotal decision they need to make is their moment of departure. It's only natural to question the implications it might have on your staff, your clients, and the legacy you've worked so hard to build.

Knowing the right time to step down can be difficult. Sometimes external circumstances bring clarity: health challenges, a spouse's retirement, or the arrival of grandchildren. However, in the absence of these significant life changes, leaders need to determine their exit timeline without any external prompts. Reflect on the two factors we'll discuss on the following page to help you find the perfect, or "Goldilocks," timing.

Often, passion for the business can gradually wane to the point where the practice isn't evolving or expanding. Worse yet, the practice could start to decline as clients and staff begin to look elsewhere.

A recent study has highlighted a concerning issue within our industry: **a staggering 82% of tax professionals reported feeling burned out.** Simultaneously, we've noticed many experienced professionals like yourself struggling to find and retain new staff. This can indeed exacerbate stress levels, making it even harder to keep the business running smoothly.

**But what if there was a simpler solution?** A way to step back from the demands of your company without the hassle of finding a suitable successor or worrying about broker fees.

This is where we come in. **At GreenGrowth CPAs, we are equipped to ensure a seamless transition of your company into capable hands. Here's why you should consider us:**

## 1 AVOID ANOTHER STRESSFUL TAX SEASON:

1

Instead of dreading the next tax season, you could be planning your next adventure. With our team of experienced professionals, we're prepared to take over and handle the pressure so that you won't have to.

## 2 RELIABLE STAFFING SOLUTION

2

Say goodbye to the challenges of hiring and maintaining a competent team. We already have an established and well-coordinated staff, ready to carry forward the legacy of your company with the same dedication and professional integrity.

## 3 SAVE A SUBSTANTIAL AMOUNT ON BROKER FEES

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Opting for a direct transition to GreenGrowth CPAs can save you a substantial amount in broker fees. This way, you retain more of the hard-earned value from your company.

## 1. Maximize your retirement resources

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Undoubtedly, this is often the most critical factor. Typically, selling a company through a broker incurs fees ranging from 5% to 10% of the total sale price. However, by partnering with GreenGrowth CPAs, retiring company owners can avoid these broker fees altogether. Our team of experts has extensive experience in mergers and acquisitions and can guide retiring owners through the process of selling their business directly. This allows owners to retain a larger portion of their retirement resources, maximizing their financial benefits.

## 2. How to prepare for the exit process

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The duration of the exit process can differ greatly from one individual to another, influenced by numerous elements. Here are some of the most common considerations:

### WHAT KIND OF PARTNERSHIP OR SHAREHOLDER AGREEMENTS DO YOU HAVE?

Ideally, your agreements should already outline a clear exit strategy. Regrettably, we've encountered cases where firms either lacked partnership agreements or failed to address exit or buyout considerations within those agreements. If your firm finds itself in this position, rest assured you're not alone. An AICPA survey on firm succession management found that **only 63% of firms had an existing partner agreement**. In some cases we've seen, the absence of a prior agreement led to delays in the departure timeline of the existing partner. Legal disputes can take years to resolve.

If your agreement includes an exit plan, then congratulations on your foresight! If not, start a discussion with your partners on this topic so you can create an addendum to your agreement.

Regardless of your current agreement, the earlier you initiate discussions with all partners about your exit, the better. Partners often have vastly different exit timelines, potentially leading to conflicting interests. Identifying any conflicts early will make finding solutions significantly easier.

### IF YOU PLAN TO SELL , HOW MARKETABLE IS YOUR PRACTICE?

Your firm's marketability will help you gauge the potential duration of a sale. If you're contemplating a sale or merger, take the time to understand the primary factors affecting your firm's value and assess the level of demand for it. Some of these key value factors include size, location, and profitability.

In some markets, practices are bought within a matter of weeks, while in others, the process may take years.

### HOW LONG WILL CLIENT TRANSITION TAKE?

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# ARE YOU READY TO PROGRESS TOWARDS YOUR EXIT STRATEGY?

Partnering with GreenGrowth CPAs brings multiple advantages:



## Secure and Lucrative Retirement

We offer attractive terms that ensure a rewarding exit for your years of sweat and toil.



## Client Continuity

We prioritize the satisfaction and continuity of your clients. Our team of experts will ensure a seamless transition, providing top-tier service they are accustomed to.



## Employee Welfare

We value your team as much as you do. Assuring their job security and career progression is a critical part of our acquisition strategy.



## Exceptional Customer Service

We pride ourselves on delivering unrivaled customer service. This commitment will extend to your clients, ensuring they feel valued and well taken care of.



## Save On Broker Fees

Opting for a direct transition can save you a substantial amount in broker fees. This way, you retain more of the hard-earned value from your company.

