

DEVELOPING A PRACTICE CONTINUATION AGREEMENT

Sample Action Plan

This action plan can be modified to suit your purposes, and resources for each step are available at aicpa.org/SurvivalKit.

1. Review the kinds of practice continuation agreements

- Summarize the pros and cons of one-on-one and group plans and decide what's best for you.
- If your state society has an emergency assistance program, review it to determine its benefits.

2. Make basic preparations

- Determine what effect your business and personal objectives will have on your choice of successor, the valuation of your firm and your preparations for negotiation.
- Conduct an assessment of your firm's reputation, specialties, rates, efficiency, profitability, location and staff.
- Get your practice into shape. Update your client files and prepare client information for review by your successor.

3. Assess the value of your practice

- Choose a valuation method, and consider using more than one to establish a range of values for negotiations.
- Prepare a valuation of your fixed assets, accounts receivable and work in process.

4. Search for a successor

- Consider the options: your staff, other sole practitioners, previous employers, or a larger firm.
- Draw up a list of possible candidates and then reduce the list to the most likely prospects.
- Approach the candidates and hold preliminary talks. (Avoid any rush decisions.)

5. Begin formal negotiations

- Determine the subjects of negotiation.
- Set limits on how much you are willing to compromise.

6. Implement the plan once negotiations are completed

- Contact your attorney to prepare a draft agreement.
- Discuss your plans with your spouse and attorney.
- Finalize letters of instruction to spouse, clients, attorney and staff to be delivered in the event of your death.
- Communicate in writing to all parties what their roles in the transfer will be.
- Ensure that all copies of the agreement and relevant documents are secure.
- Set up a meeting with your successor.
- Set up a date for the first annual review of the agreement.

