



Solving the Small Practice Succession Puzzle

A Practical Guide for Retiring Trusts & Estates Practitioners



Donohue
O'Connell
& Riley **PLLC**

ESTATE, TAX & ELDER LAW ATTORNEYS

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DISCLAIMER: This is meant to serve as a general guide. You should always consult with your attorney before taking any specific action. Downloading or using this guide does not constitute legal advice nor does it create an attorney/client relationship. An attorney/client relationship is only possible by entering into a contractual engagement with the firm and paying fees to the firm for legal services.

Introduction



The Dilemma of the Small Trusts & Estates Practice

While you may have drafted hundreds, if not thousands, of plans charting a retirement path for your clients, many Trusts & Estates practitioners lack a concrete succession plan for their practice.

Too often, attorneys put off thinking about these complex issues until it's too late, when a health crisis or family issues outside their control force them to accept a sub-optimal transition, such as:

- Giving their practice away
- Selling their practice for a fraction of its worth
- Crossing their fingers and hoping that their clients are in good hands

By becoming part of Donohue, O'Connell & Riley, retiring attorneys are relieved from the headaches of running their own firm and know that their clients

will receive uninterrupted service. As an added bonus, they are able to increase their own retirement nest egg and have the comfort of knowing that they have a solid transition plan in place as they ease off the professional throttle. Working together, we can make a transition that is often fraught with speed bumps and potholes into a smooth journey for all concerned.

Our History

After completing our first acquisition in 2010, we quickly realized that we have as much to offer retiring attorneys as we do their clients. Since then, Donohue, O'Connell & Riley PLLC has successfully integrated ten estate planning practices into the firm, which now has seven offices in five states and counting. We maintain the goodwill established by the retiring attorney, thereby carrying the local practice forward to the next generation.

The Small Practice Ceiling

When small practices reach the level of one or two owner-attorneys, who consistently make a six-figure income, the practice hits a predictable ceiling. The attorney will usually need to devote additional time to market the practice to keep an associate attorney busy, which in turn takes away from time to do legal work. That associate will usually command a hefty salary. This is usually why small practices don't grow. We call this the "Small Practice Ceiling".

Since the managing attorney is too busy focusing on meeting the needs of his clients to spend adequate time growing the practice, the firm grows organically by word-of-mouth. In addition, the managing attorney is often doing ancillary functions including managing the firm's real estate, solving administrative issues, dealing with computer problems – the list goes on. We call this the "Cluster Headache".

With a task list like this, who wants to take on the overhead of an additional employee? This is especially true if the attorney's lifestyle is comfortable and he or she knows there will be a long period of time until the associate can be integrated into the practice and become profitable, if at all. Why rock the boat?

Small practices must also choose between off-loading the hassles of real estate ownership to a landlord and thereby give up building equity for retirement, or dealing with managing all of the components associated with owning property, such as keeping the paint fresh and carpet clean and tackling the never-ending list of maintenance and repair items.

In situations like these, to maximize profit, the only tools that are left for the small firm practitioner are increasing efficiencies or cutting costs. Since efficiency increases often involve monetary investment or significant periods of training, cost cutting is the avenue that remains for most practitioners. The result is outdated décor, employee turnover and marketing materials that are an afterthought at best. Similarly, the high

cost of staying on the cutting edge of information technology is viewed as yet one more budget item to minimize, rather than as a key tool to enhance employee productivity.

Practitioners are then put on a seemingly never-ending hamster wheel of putting out fires, dealing with staff turnover and personal burnout, placing ever-bigger band-aids on persistent problems. In the worst cases, client service and ethical obligations can become compromised. In circumstances like these, it is no wonder that attorneys have above-average rates of divorce, substance abuse, and high blood pressure.

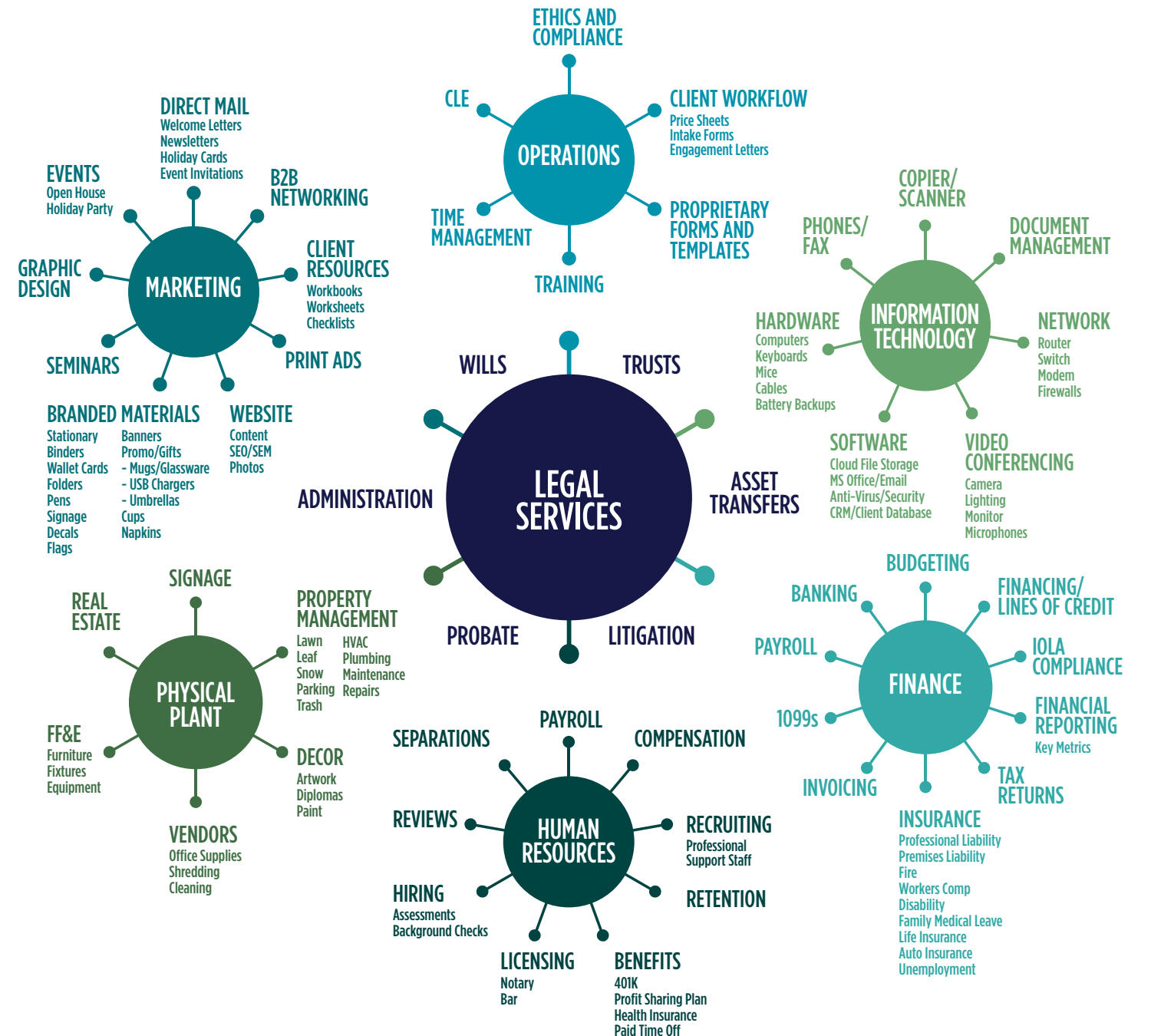
Summary

- Substantial firm time is devoted to administrative/operational tasks and marketing/business development
- Attorney-owners lack excess cash flow and a clear pipeline of clients to hire associates
- Attorneys are too busy working 'in' the business to work 'on' the business and implement sound systems that lead to predictable revenue
- Client acquisition costs via traditional methods (networking, print media) are high
- A never-ending list of headaches distracts the attorney from productive legal work



The Cluster Headache

One of the main reasons that small practices hit a ceiling so quickly is that their attorney-owners spend half their time or more performing non-legal administrative functions. Because the budget of any single office is low, there are inadequate funds to delegate key business operational functions, such as developing a coherent marketing plan, optimizing their financial structure and leveraging the benefits of technology and support staff. The result is what we call the "Cluster Headache".



Solving the Cluster Headache



You know you're in a small business when you hire your first support person, but as you grow over time, the headaches build. Writing job descriptions, posting on job search websites, filtering through resumes, scheduling interviews, evaluating candidates, negotiating compensation, sending offer letters, waiting for acceptance letters, submitting new hire payroll and benefit paperwork, coordinating on-boarding, training – and that is just the very beginning of the process. We provide a full scope of Human Resources services to attract qualified candidates, provide them with a competitive salary and benefits package including paid time off, health insurance, 401k and Profit Sharing Plan (PSP) and keep them on-track with structure and performance metrics and incentives. Our investment in employees leads to loyalty and longevity, even in the fast-paced legal world.



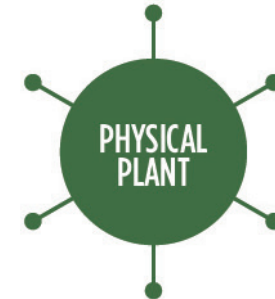
The legal profession is document-driven, so being able to copy, scan, fax, store and access files with efficiency, reliability, redundancy and security is essential. We empower employees to be highly productive with cloud-based access to key information. Our Macintosh environment is both stylish and strategic, and less vulnerable to viruses, trojans and ransomware than PCs. Our IT experts have us covered with the latest software and network security to protect us from phishing, malware, spyware, and spoofing. Additionally, in this age of video conferencing, we are equipped with high-resolution screens and studio-quality lighting, so even remote meetings are enjoyable and personable.



Over the years we have analyzed how our best clients find us, and we have learned to stay laser-focused on key income-producing relationships. Our number one source of business, especially high-net worth business, are referrals from business professionals, such as other attorneys, investment advisors, insurance agents, and accountants. We also take pride in creating marketing materials that educate our colleagues and clients. Our informative and proven Lunch & Learn seminars with financial and insurance advisors and presentations at professional conferences are key business drivers. We help our referral sources shine in front of their clients with our resource library, full of on-brand workbooks, worksheets and checklists.



The client experience should be simple, inviting, positive, and memorable. This magic is possible thanks to operational standards and processes behind the scenes. Our time management system is organized into billable time blocks for attorneys to focus on client-facing meetings and efficient billable 15-minute time blocks for conversations that can be handled with a phone call. Our paralegals and support staff are equipped with reference materials, research tools, time entry, billing guidelines, and a comprehensive document library, creating value for the clients behind the scenes.



Our locations feature signage, decor, and promotional items, all cross-branded to provide a consistent look and feel. In addition to the tangible offerings, the environment that our clients enter is key to establishing the right mix of credibility, warmth, and professionalism. We design our reception areas and conference rooms to be user-friendly, offering upscale amenities such as sparkling water, espresso, and comfortable seating. The wall art and décor provide meaningful messaging and clients have access to a library of informative workbooks and handouts to read while they wait, or to take with them.



One of the greatest challenges of smaller practices is managing cash flow. As an owner, the attorneys are always paid last. In order to ensure a steady stream of fees, we find that attorneys intentionally or unintentionally build a pipeline of work whereby the turn-around time to address individual client needs is lengthened so as to provide predictable cash flow.

If a client becomes frustrated with slow turn-around time, this is seen as a small price to pay for a predictable stream of revenue. Many clients do not realize that the actual time to produce work is often considerably shorter than the weeks and months that they are asked to wait. By aggregating the efforts of multiple offices across different geographies and delegating efficiently, we are able to provide a combination of predictable cash flow and rapid turn-around time, thereby increasing annual revenues and client satisfaction without increasing fees to our clients. By directing our attorneys away from marketing and administrative matters, they are able to practice as professionals, unencumbered by the burdens of a typical small firm. As a result, cash flow problems gradually become a thing of the past.

In addition to managing cash flow, you need to regularly reconcile accounts to remind clients about open invoices, file taxes, send W2s, keep track of 1099s, and make sure insurances are up to date. We accomplish all of this through robust outsourced accounting and an ongoing review of key cash and employee metrics. Like a radar system, our monitoring of these metrics spots concerns before they become problems.

Summary

By standardizing and streamlining your systems, you can chart a course for a hand off to a successor where the Cluster Headache is taken care of, ensuring a more secure path to long-term value and financial security.

Enabling Growth Through Sophisticated & Standardized Solutions

Donohue, O'Connell & Riley provides turn-key back-office solutions to our attorneys and business partners, enabling our entrepreneurial attorneys to increase both client service and profits.

We help attorneys manage, grow and transition their practice and ensure long-term profitability by:

- Taking administrative and operational burdens off their shoulders;
- Providing a marketing strategy to retain legacy clients and cultivate new referral business; and
- Saving time and money by doing both more efficiently.

The firm's branch-office model provides the tools required for a first-class client experience and headache-free back-office support. The local branch-office attorney is free to focus on rendering legal services, and non-legal functions are handled by professionals who bill at a fraction of the attorney's time. The result is happy clients who don't pay for an attorney to carry out non-legal functions.

Bringing the Branch-office Model to Law

This branch-office business model has become prevalent in the medical and dental world, as well as tax preparation, real estate, and financial services. Here is a small sampling of respected organizations that use a branch-office model to allow their professionals to focus on the things they do best, while leaving back-office hassles to a dedicated support team:



Becoming Part of the Practice

Our formula for successful integrations has been developed over a decade of experience. Your clients will become part of an established firm with gold standards and a proven client-focused model.

Our Of Counsel Attorneys

- Practice with us full or part-time for a pre-agreed transition period
- Introduce their successors to their clients, and integrate their staff into the larger organization
- Reap the rewards of having built a successful practice by affiliating with us and continuing their legacy
- Help make key introductions to business referral sources
- Ensure their clients' files are safeguarded in compliance with the rules of professional conduct
- Tap into a network of sophisticated attorneys who have multi-jurisdictional expertise to service special client situations
- Gracefully exit knowing clients are in good hands

Is Your Practice a Good Fit?

The ideal firm we would like to partner with has the following qualities:

- Law practice focused on Trusts & Estates
- Owned by a solo practitioner or two partners
- 500+ clients, engaged within the last 15 years
- Original documents retained
- Paralegal(s) and Office Manager on staff
- Owns the real estate (not a strict requirement)
- Located in the Northeast

Giving Back to the Communities We Serve

Donohue, O'Connell & Riley is a regional firm that keeps in close contact with the communities we serve. We are committed to continuing the legacies of the local practices by helping families with quality estate planning, tax, and elder law services and giving back to local causes and charities.

Our firm also believes in the power of relationships and human connection. It is with that perspective and sense of gratitude that we feel honored to support a range of organizations that our clients value including healthcare, arts, culture, music, athletics, and educational institutions.



The Practice Transition Puzzle

The steps needed to successfully transition a flourishing Trusts & Estates practice can be overwhelming. You need to consider the needs of your clients, your staff and yourself and balance these competing demands in a professional and ethical manner.

We start by developing a checklist of key action items and detail the steps needed to make a smooth hand-off when the day comes.

The key pieces to the puzzle are as follows:



The next steps in our conversation will be to develop a basic term sheet for the value of your practice and mapping out the steps to a successful transition considering the above factors. We look forward to discussing the potential of this opportunity with you.



The key factor that determines practice value is average top line revenue over the past 3 years. Unlike profits, which can be managed for tax purposes, top line revenue provides an easy and accurate snapshot of an office's productivity and potential. Normally, a practice will be valued at 75-100% of the average of the last 3 years gross revenue in the Trusts & Estates field. Other key factors are whether or not original client documents are retained, the average age of those documents and the number of years the practice has been in its current location.



If you own the real estate that your practice is located in, we can discuss an appropriate plan for transitioning the real estate that can provide you with a lump sum buy-out or an additional income stream in retirement, secured by the property you own at higher interest rates than you will find in public markets. Conversely, if you lease your current property, we will work with you and your landlord to transition the lease obligation in a timely and professional fashion, to ensure the continuity of the practice and relieve you of the burden of future lease payments.



Historically, we have learned that professional referrals from other attorneys, financial advisors, insurance agents, bankers, accountants and real estate agents lead to the highest quality clients. Making a list of your top contacts across these sectors to make warm introductions to our attorneys is a top priority in the transition. We can arrange for one-on-one lunches or a reception, so these advisors feel confident that their clients will be in the best hands. We will also explain our collaborative team approach to serving clients. Furthermore, we help our business partners grow their own business by providing marketing materials customized to their clientele. These workbooks and presentations educate clients on planning strategies that are relevant to their individual needs and help advisors identify opportunities to deepen their relationship with clients.



Institutional knowledge and relationships with clients are vital to a successful transition, so if members of your support staff are interested in becoming part of our firm, we look forward to retaining them as members of our team. Our Human Resources manager will schedule time to get acquainted, understand their current position, discuss their short-term and long-term career goals, and find the best role for them going forward. We implement psychometric assessments to ensure they are placed in roles in which they will grow and thrive.



Ideally, all your original estate planning documents are stored alphabetically by client last name in a fire-proof safe or vault at the office. Knowing how many estate plans you have and the age of those files will be important in determining the value of your practice. Along with the number and signing date of the documents, the type of planning you have done for your clients is also important. If your estate plans include more complex trusts and business formations, along with ancillary documents, that information is pertinent and may increase the sale value of your firm.

The Practice Transition Puzzle



A key conversation will involve identifying matters that remain open and determining whether responsibility will be retained by you or assumed by our firm. Typically, we prefer that retiring attorneys take the steps necessary to close out existing probate and planning matters post-transition, while we remain available to assist as appropriate to bring matters to close on a case-by-case basis.



Our practice takes pride in our personalized approach to client service, so an up-to-date client address list is a critical piece of the puzzle. One of the first steps in the transition will be to mail individualized letters to each client. We will work together on this initial correspondence, since client peace of mind is of utmost importance. The first letter will come from you explaining your new role. The second letter will come from us, letting clients know that their documents are entrusted to us and inviting them to come meet us in person to learn more about what our practice has to offer them. We also include a helpful list of the top reasons people typically need to update their estate plans. Accepting this invitation is a great opportunity to see if their documents are current and ensure their plan still accurately reflects their wishes. We also enclose a helpful wallet card for them to carry, so people in their support circle know who to contact in the event of a serious illness or disability.



A thriving law office depends on robust IT infrastructure, including copiers, scanners, printers, computers, and phone systems. We will take the steps necessary to see out the term of any leasing liability to the extent desired, and update your IT infrastructure with a modern Mac and cloud-based systems. We will also make sure that video and teleconferencing is brought up to best-in-class capabilities.



In addition to personalized letters to notify clients of the transition, we will make sure that the confidentiality of your client files is maintained to the strictest standards. Should an emergency arise, your client files will be available and accessible to the appropriate parties. Another important issue is maintaining professional liability coverage. This would be an item that could be negotiated as part of the terms of the deal and will likely involve you remaining on the firm's policy and/or obtaining tail coverage for Errors & Omissions that occurred prior to you joining our firm.

Interested? Here's How to Get Started

Branch Office Candidate Profile	
Name of Practice:	Name of Attorney:
Address:	
Phone:	Email: Years in Business:
Number of Attorneys:	Number of Support Staff:
Practice Areas (Yes/No)	
Wills:	Probate:
Trusts:	Probate Litigation:
Elder Law/Medicaid:	Other:
About the Practice	
Proportion of Trusts & Estates to other practice areas (percentage):	
Do you have your client mailing list in Excel or database format? (Yes/No):	
Number of households in current mailing list:	
Do you retain estate planning documents? (Yes/No):	
Average annual revenue for last 3 years:	
Do you rent or own your office space? (Rent/Own):	
If rent: monthly rent / lease end date:	
If own: approximate property value:	
What is your retirement timeline (e.g., 6 months, 1-3 years, 3+ years)?	
Due Diligence Checklist	
Non-Disclosure Agreement signed	
Tax Returns - 3 years	
Profit & Loss Statement - 3 years	
Copy of Lease or Deed	
Building Inspection (if applicable)	
Date of Last Client Mailing List/Database Refresh	
Equipment Leases (e.g., Copier, Telephone, Computers)	

Frequently Asked Questions

What if I don't want to retire fully, but want to slow down?

Most of the attorneys that sell their practice to us do not want to simply "turn off the light switch", walk out the door, and never practice again; in fact it is our preference that the outgoing attorney stay with us for a period of time, in order to successfully transition both client and vendor relationships, as well as introduce us to their key referral sources over coffee or lunch. We can tailor a custom agreement that will allow you to practice part-time for a pre-agreed transition period, receiving compensation for the legal work that you do, alongside the payouts that you will be receiving for the sale of your firm.

How do I know that I am going to get paid?

The principals of Donohue, O'Connell & Riley have solid credit and have never missed a payment to a retiring attorney; in fact most of our acquisitions have been paid off early. We may also secure the promissory note you will receive for your practice against hard assets and the cash flow of the firm, so that the partners of the new firm receive no payments before our obligations to you are met on a monthly basis.

Will you add my name to the firm?

While we might consider changing the name of the firm in very special circumstances, or perhaps renaming a local branch in honor of a retiring attorney, our general practice is to retain our established name and branding as we do acquisitions, as we want to build consistent brand recognition over time, and due to the high cost of re-branding with each acquisition.

Will I be able to retain an office space with the firm?

As part of the ongoing relationship, we are happy to provide office space for a pre-agreed period of time; usually we would request a flat contribution to monthly overhead based on the amount of space requested. This can all be negotiated as part of an ongoing of counsel agreement.

I have substantial lease commitments for my copier/telephone system/computers. Will you take over those leases?

The assumption of any lease obligations will be an item of negotiation during the final phase of our practice purchase agreement. Normally, we are inclined to take over leases for copiers and telephone systems, but not for computer equipment. In this last case, we would simply request that the retiring attorney satisfy any lease obligations from the sale proceeds. The reason that we do not assume IT leases is because we are primarily a Mac-based environment and we find that our Mac-based systems are less prone to viruses, trojans, malware and other such attacks. As IT security is of paramount importance to the firm, we will generally not allow PCs on our firm network.

What about my staff? Will you offer them continued employment?

It is our general desire to keep as many staff members as possible, so as to provide continuity for the practice and the clients. We find that most employees are very happy to stay with us given our generous level of benefits and vacation time. Nevertheless, all employees we take on will be employed on an at will basis. If an employee wishes to retire with the outgoing attorney, we will undertake the task of finding new support staff as needed.

What about furniture and décor? Will you buy those items as well?

In general, it is our desire to preserve the look and feel of the local office, to the extent consistent with the firm's overall brand. The purchase of furniture and furnishings can be negotiated on a case by case basis. We find that the retiring practitioners want to keep certain items for themselves and that they will be happy to sell the rest. Again, we want to keep the overall look and feel of our offices consistent and we will discuss the purchase of furniture, fixtures and office equipment as part of the purchase negotiations.

What if I'm not ready to move forward just yet?

We would be very happy to work with you to introduce our proven best-practices to your firm on a consulting and outsourcing basis, so that when the time is right, you are ready to make the transition in as seamless and painless a manner as possible. By engaging in this important work prior to the sale of your practice, you will increase its value while reducing headaches and stress.

Notes



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