Selling Your Practice: Discovery and Due Diligence

Once you have identified a potential buyer, you should begin the diligence process by having an initial “Discovery” meeting. The following are questions you want answered, or at least discussed, by the end of this first meeting.

**Alignment Questions**

1. Do the buyer’s business values and operational philosophy seem to fit with mine? Do we share the same values?
2. Is the buyer committed to buying?
3. What does the buyer’s ideal acquired firm look like? Can the buyer give specifics as to what he or she is looking for in a business to purchase?
4. Is the buyer interested in me participating for a period of time after the purchase? Is it expected?
5. Is the buyer’s time-table the same as mine?
6. Does the buyer’s notion of practice value fit within my parameters?
7. How closely does the practice align with my target criteria and value proposition?
8. Does the buyer’s firm have employee (staff and advisor) capacity to provide services to my clients once acquired?

**Client Questions**

1. Do the buyer’s investment philosophy, service model and value proposition align with mine?
2. Will the buyer’s broker-dealer affiliation help or hurt the sale?
3. Will the buyer be geographically accessible to my clients?
4. What will the buyer do to facilitate the transfer of client relationships?
5. How does the buyer interact with current clients (i.e., meeting style, frequency, etc.)? What will be the new services provided? Will my clients have significant change?

**Transaction Questions**

1. What is the expected deal structure (i.e., down payment, seller-financed note, earn-out)? This drives:
   * What is paid up front vs. over time
   * What is guaranteed or not
   * Whether the purchase price is adjusted up or down with client / assets attrition or changes in the market
   * What the earn-out depends on (revenue is the traditional method)
2. How is the sale handled?
   * Seller departs immediately or remains for some period of time?
   * Seller assists in client meeting and with the transition?
   * Role and responsibilities after the deal? Is it part of the deal or tied to a consulting agreement?
3. How is the value determined?
   * Revenue, cash flow, other?
   * The period used (i.e., trailing 12 months, average of last 3 years, etc.)
   * The multiple used and how the multiple is determined

***For help*** *with any of the above, please consider reaching out to your Regional Consultant, who can coordinate with your Practice Management Consultant where appropriate.*