



Olmstead & Associates
LEGAL MANAGEMENT CONSULTANTS
Helping Lawyers Change & Reinvent Their Practices

Law Practice Succession & Transition

Ideas for Getting Started

Illinois State Bar Association CLE – Online Webinar

January 26, 2016

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Program Overview & Summary

Consequences – Failure to Manage Succession

- Loss of senior talent and leadership
- Loss of key clients
- Unfunded retirement for partners/owners



Program Overview & Summary

Consequences – Failure to Manage Succession

- Failure to protect family wealth
- Failure to protect partners and employees from unexpected life events
- Inability of founders to capitalize on goodwill & sweat equity



Program Overview & Summary

Consequences – Failure to Manage Succession

- Defections and firm breakups
- Turning out the lights and closing the door with little or no compensation for goodwill of the practice



Program Overview & Summary

This Session Will Cover

- Demographics
- Coming to Terms with Aging
- What Other Firms Are Doing
- Where and When to Start



Program Overview & Summary

This Session Will Cover

- Finding Candidates and Opportunities
- Approaches
- Compensation
- Ethical and Other Considerations



Demographics - General

No other force is likely to shape the nation's future as the irreversible rate at which the world is aging . . .

Standard & Poor's Analysis on Aging



Demographics - General

65 and older population increased by 15% between 2000 and 2010 and will increase by 36% over the next decade the 85 and older population is projected to increase by 19% between 2010 and 2020 (*U.S Department of Health and Human Services Profile of older americans*)



Demographics - General

- Within the next 20 years more than 90 million people (baby boomers) will be retiring.
- Baby boomers will transfer \$10 trillion to later generations – the largest generational transfer of wealth in the history of humankind (*Robert Avery, Cornell University*)



Demographics – Law Firms

- More senior practitioners in upcoming years
- 25% lawyers 55 & older in 1980 (ABA Lawyer Statistical Report)
- 34% by 2005 & median age increased from 39 to 49 (ABA Lawyer Demographics 2013)
- 65% of law firm equity partners are in their late 50s or 60s



Demographics – Law Firms

Over the next 10 – many senior partners in firms of all sizes retiring, transitioning, and exiting their practices.



Implications

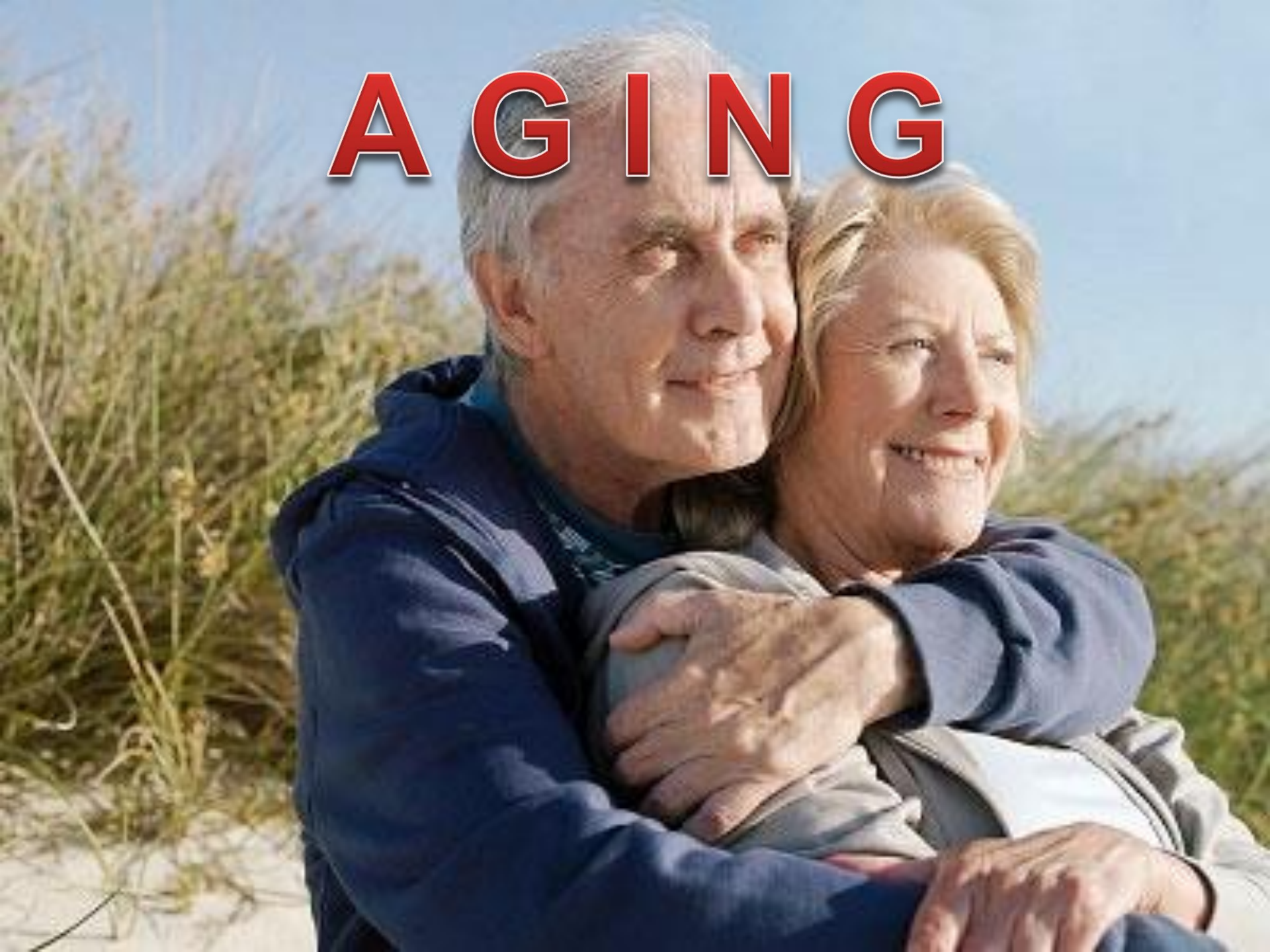
You Have Worked Hard to Build Your Practice

Your Practice Has Value – You Would Like to See A Reward for Your Sweat Equity

Insure that Clients Well Represented

Insure Employees Have a Home

AGING





Coming to Terms With Aging

Primary Challenges and Issues

- Stress of Retirement
- Achievement Addiction/Preserving Self Esteem
- Identifying Other Interests
- Planning Retirement



Coming to Terms With Aging

If you live fifteen years beyond your retirement you will have 28,800 hours that will have to be filled with retirement activities. (five days a week, eight hours a day, 48 weeks, for fifteen years.)



What Other Firms Are Doing

Statistics – Recent Altman Weil Surveys

- Senior partners don't want to retire (77.6%)
- Senior partners don't want to transition clients and give up compensation (73.2%)



What Other Firms Are Doing

Statistics – Recent Altman Weil Surveys

- Only 27% of firms with more than 50 attorneys have formal succession plans
- 45% partners feel that aging, mortality, retirement, and succession are uncomfortable topics and awkward for senior partners to discuss with their partners



What Other Firms Are Doing

Statistics – Recent Altman Weil Surveys

- 26.9% have formal succession planning programs in place
- 48.9% have identified informal ad hoc approaches to succession planning



What Other Firms Are Doing

Statistics – Recent Altman Weil Surveys

- 5.8% are not doing



What Other Firms Are Doing

Statistics – My Experience

- Solo Practitioner Firms
- Solo Owner Firms
- Multi-Owner Firms



Where and When to Start

To Retire Successfully You Need

- A plan
- A timeline
- Start Early
- Decide – When you want to leave the practice



Where and When to Start

To Retire Successfully You Need

- Decide – how much cash do you want to get out of the practice
- Decide – to whom you want to transfer the practice



Where and When to Start

- A general idea of the value of the firm if you are a solo or sole owner and expecting to either sell your practice to an internal or external buyer.



Finding Candidates & Opportunities

Other Local Firms

- Use a professional
- Be active in bar associations



Finding Candidates & Opportunities

Young Lawyers

- Law Schools
- Clerks or Public Employees



Finding Candidates & Opportunities

Young Lawyers

- Law Schools
- Clerks or Public Employees
 - States Attorney
 - Public Defender



Approaches

Internal Succession

- Associates on deck that want to own a practice?
- Can your partners or future partners run the practice?
- Will the clients accept them as their attorneys or will they defect?



Approaches

Merger



Approaches

Of Counsel

- You stay involved
- Allows you to maintain insurance



Approaches

Practice Sale



Compensation

How Determined

- Based upon Historic Numbers
- Based upon Actual Future Numbers



Compensation

Sale Price

- How Determined - Valuation
 - Historical
 - Actual
- When Paid



Compensation

Merger

- Can be paid through compensation
- Can keep getting benefits
- Must follow their rules



Ethical and Other Considerations

Ethical Requirements



Ethical and Other Considerations

Other Considerations



Questions

PRAISE FOR THE LAWYER'S GUIDE TO SUCCESSION PLANNING

"This book is like finding a roadmap to a buried treasure . . . filled with gold nuggets and easy-to-understand, yet concrete concepts. It is a very timely book given the number of "baby boomers" approaching retirement age and enormously practical. I highly recommend this book and will not only be applying some of these principles to our firm, but will be sending copies of it to several attorneys as business gifts. As the saying goes, 'an ounce of planning. . .'"

JENNIE S. MALLOY, Founding Partner at Malloy & Malloy, Miami, Florida, Boutique Intellectual Property Law Firm

"Sooner or later you will need this book! Whether we like it or not, attorneys do age and even die. We do not practice forever. Dr. Olmstead's book presents a practical guide for your firm to succeed for another generation. Use it as a textbook at each annual strategic planning retreat. Succession is always a timely topic. Indeed, it may be urgent. We never know."

W. DAVID DENTON, Denton Law Firm, PLLC, Paducah, Kentucky

"Having worked with John on numerous seminars and conferences targeted at improving all areas of law practice management, I have seen first-hand the depth and breadth of his vast knowledge gained over a lifetime of advising attorneys on achieving operational and financial success. With this book, John taps into his unparalleled data bank of experience and resources to share valuable insights and practical tips to create a user-friendly, step-by-step template that can be easily followed in developing and implementing a succession plan – one of the most important tasks any lawyer or law firm must do."

MICHELE M. JOCHNER, Partner, Schiller DuCanto & Fleck LLP, Chicago, Illinois

"I was one of John's first clients 30 years ago, and I have stayed close to John as his career advanced through the legal consulting network. This book is a gritty, tell-it-like-it-is expose of how to avoid the 'practice until you drop' mentality that many baby boomer attorneys are saddled with. This practical guide to law firm succession gives those of us afflicted with the personality disorder that retirement is 'for the other guy and not me' just the incentive we need to transition from an active legal practice to a satisfying and rewarding 'final argument' in retirement. I highly recommend this book for lawyers of any age, but it may be most useful for younger attorneys to assist them in focusing on the critical planning that is necessary for life after law."

J. THOMAS LONG, of Counsel, Sandberg, Phoenix & Von Contard, P.C., St. Louis, Missouri

"Dr. Olmstead gives you, the practitioner, a practical and uniquely 'project approach' to the journey of transition and exit planning. He convincingly sets the table to conquer the lurking devil of 'being stuck' on examining these issues and uses action plans, case studies, and his own 30+ years of legal consulting to assist you in planning an orderly critical path to retirement. As a bonus, he thoughtfully discusses confronting the challenges and embracing the opportunities of life after the law. This book is a must for all lawyers whether they are a one-man shop or a large firm."

WILLIAM S. WILSON, Principal, Wilson and Wilson Estate Planning and Elder Law, LaGrange, (Chicago) Illinois



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JOHN W. OLMSTEAD, MBA, Ph.D., CMC

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A Project Management
Approach for Successful Law Firm
Transitions and Exits

