

# LAWYERS JOURNAL

## LAW PRACTICE MANAGEMENT

### Part two: Law firm exit strategies – Taking the exit ramp

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In part one of this article, I identified ways a new or developing firm can “begin with the end in mind.” That article advised small firm owners to establish a turn-key business infrastructure that will support the ongoing profitability of the firm upon transition to a new owner or merger with another firm. Part two will focus on how to create an exit plan as you near the off ramp of your legal career. If you are the owner of a small firm and want to head in that direction, this article is for you.

A recent survey indicated three main areas of concern that solo and small firm owners have about exiting the practice of law. First, they have a fear of being bored or losing self-worth. Second, they do not have anyone to take over their practice. Third, they are unsure of how to divest themselves of the business. This article will describe how to create an exit plan that addresses these three hurdles.

#### Overcoming the Fear of Boredom or Loss of Self Worth

*“Every exit is an entry somewhere else.” – Tom Stoppard*

In his book “From Strength to Strength” Arthur Brooks asserts that the key to finding happiness and purpose in the second half of life is to apply your accumulated wisdom to helping others. When you create your exit plan, start with planning your destination. You’re not going to be very motivated to execute your exit strategy if you think the result will be endless days watching reruns of Jeopardy or losing balls on the golf course!

I know, you have probably lost touch with other interests outside of the practice of law. So, start taking the time to explore and develop those other interests now. Make a list and choose the top two or three that excite you the most. Are you interested in writing a book? Mentoring young people? Getting involved in charitable work? Whatever it is, map out the steps for getting involved.

#### Identifying Someone to Take Over Your Practice

Another major hurdle for small firm owners who want to exit the practice of law is finding someone to take over the business. Most are not lucky enough to have a partner or associate who is willing and able to do that. Below are a few ideas for identifying potential buyers or successors:

##### 1. Legal and Professional Networks:

Tap into your professional network within the legal community. Reach out to colleagues, acquaintances, and contacts within legal associations. Lawyers often have connections or may know someone interested in acquiring a law firm.

##### 2. Law Firm Brokers and Consultants:

Consult with law firm brokers or consultants specializing in law firm sales and acquisitions. These professionals have extensive networks and experience connecting sellers with potential buyers. They can assist in marketing your firm and identifying serious, interested buyers and commonly retain some percentage of the deal.

##### 3. Legal Publications and Websites:

Advertise in legal publications, both online and print, that cater to legal professionals and law firms. Websites, magazines, and journals specific to the legal industry often have sections or listings for firms for sale.

##### 4. Bar Associations:

Contact your local or state bar association. They might have resources or platforms to advertise the sale of your law firm, or they may be able to connect you with potential buyers within the legal community.

##### 5. Industry Events and Conferences:

Participate in legal conferences, seminars, and industry events. These gatherings offer opportunities to meet potential buyers and discuss potential mergers or acquisitions in a professional setting.

##### 6. Online Business Listings and Marketplaces:

List your law firm for sale on reputable online business marketplaces or listing websites. Several online platforms specialize in business sales and acquisitions and can provide a broad reach to potential buyers.

##### 7. Professional Organizations:

Engage with professional organizations related to your practice area. Many of these organizations have platforms or forums where you can post information about your firm being for sale.

##### 8. Industry-Specific Newsletters:

Subscribe to and advertise in newsletters that target legal professionals. These newsletters often have classified sections where you can list your firm for sale.

##### 9. Financial and Legal Advisors:

Consult with financial and legal advisors who specialize in mergers and acquisitions. They can provide guidance on finding potential buyers and assist in the negotiation process.

#### 10. Social Media and Online Communities:

Utilize social media platforms and online communities related to law and legal practice. Engage in discussions, share your intent to sell the firm, and connect with potential buyers.

### Divesting Yourself of Your Business

If selling your firm to another attorney who can take over your practice is not possible, then you have two other options: merge with another firm or close your practice.

### Merging with Another Firm

Strategies for finding a firm with which to merge are similar to those listed above for selling a firm. The only difference is that you would be looking to sell to an already established, larger firm. In either case, you will need to put a value on your physical assets as well as your goodwill.

If a merger is your exit plan, then transferring your goodwill will likely require that you stay on for 2-3 years after the merger. Your exit plan should include transitioning your relationship with current clients, past clients, and referral sources. To prepare for those discussions, it will be vital that you have contact information that is thorough and easy to access.

### Closing the Firm

If your exit strategy involves closing your practice, then create a plan to get your affairs in order and wind down the practice. The complexity of getting your affairs in order will depend on how you have managed your practice up to this point. Winding down the business will take some planning and depends on your area of practice.

Getting your affairs in order is not only an important step in closing your practice. It will also help your descendants and conservator should something unexpected happen to you before you complete the exit process. Below are some steps to consider for getting your house in order.

1. Identify a conservator who will manage the process should something happen to you
2. Create an accurate contact list of clients and referral sources
3. Destroy or disburse closed files
4. Clean up your IOLTA accounts
5. Document important information such as vendor contacts, online account credentials, banking access, lease terms and subscription information
6. Document how to access client information

Winding down your practice will take some planning and time. Start with setting a goal date for completing the exit process. Then, brainstorm a list of tasks that need to be accomplished to get there in addition to the above such as:

1. Notify employees
2. Notify current and recent clients
3. Notify referral sources
4. Notify vendors
5. Stop taking on new clients
6. Notify licensing board
7. Obtain tail insurance

Once you have a complete list of tasks, you can work backwards from your goal date and calendar each step using project management techniques. Finally, check with the state bar and ethics rules to make sure you have covered all the bases.

### Conclusion

Mapping out a route to the law practice exit ramp starts with planning a meaningful way to spend your time once you get to your destination. Then, decide on an alternative for divesting yourself of the business: Finding someone to buy or take over your practice, merging with another firm, or simply closing your practice. Regardless of which option you choose to pursue, you will need to get your house in order first. That should involve cleaning up files, trust accounts, and client lists as well as documenting important information. Finally, set a goal date and calendar the tasks for completion just as you would to manage a big project or case. ■

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*Part one of this article was published in the December 15, 2023 Lawyers Journal. Tamara Philabaum is the owner of T2 Management Solutions. Robert Dulay is a senior business valuation associate with the HBK Valuation Group.*