



Case Study Number 9: A cull out sale

The Firm

Firm A was a firm generating \$2,200,000 in annual traditional accounting compliance revenues plus an additional \$1,000,000 from wealth management. Firm A no longer enjoyed the traditional accounting work but was retaining the compliance work based on the assumption it was not only the lead provider of the wealth management clients but a key in maintaining the clients they were already serving in the niche

The Consultative Process

Transition Advisors (TA) was hired by Firm A to perform a special search for an alternative firm structure to enable the partners of Firm A to focus more completely on wealth management and less in the traditional compliance end. Firm B, was a firm filled with high net worth individuals who had excess capacity on the compliance side and performed no wealth management for their clients. TA assisted the firms A in structuring the deal.

Terms:

- Firm A transferred the clients to Firm B.
- Firm A signed a non-compete on performing traditional accounting compliance work.
- Firm B signed a non-compete relating wealth management
- Firm B compensated Firm A for this transfer by paying them 20% of what they collect for 5 years from those clients, structured in a manner that provided the successor firm a current deduction with no cash down

The deal was held out to the world as a merger wherein no one firm can stay on top of the day to day changes of the stock market and the tax and accounting needs of all their clients so Firm A “merged” with Firm B so that Firm A can focus on one side and Firm B on the other.

The two firms shared space so the partners at Firm A could help transition the clients and continue to have strong access to the clients for wealth management

Since Firm B was licensed in wealth management, a fee sharing referral program was set up wherein each firm can refer clients of their niches to each other

Benefits of the Process to both Firms

Firm A has grown their wealth management firm since they had more time to focus on the niche and access to the other firm’s clients

Firm B has increased their revenues and net income since the acquisition of the compliance side has provided them with huge overnight growth

Not one of Firm A’s compliances client within the first 12 months was lost to another local accountant

Both firms are focused exclusively in the areas they wanted and Firm A has not only grown, but enjoyed additional quality of life.

Certain facts and descriptions have been altered to protect the confidentiality of the parties involved in the above transaction.