

## Questions And Answers

Q: What is the web address to get the supporting documents?

A: <http://www.cpaleadership.com/public/1416.cfm>

Q: When Joel says average income over two years, does it mean partner compensation, or average firm income before partner year-end bonus, or average firm income before all partner compensation?

A: The specific situation I was referring to, which is one case only, was based on the individual partners total income package on an accrual basis average of the prior two years

Q: The average income pertains to his discussion on how a retiring partner was being paid out over eight years.

A: This is a trend of larger firms we have seen recently where many are buying partners out based on their compensation package. A typical scenario is 2 to 3 times the average income of the prior few years paid out over 7 to 10 in a manner that provides the firm a deduction, many times plus capital account

Q: What are typical clients concerns when receiving a merger announcement ? What are ways of reducing or responding to these concerns?

A: Four largest concerns: 1) Is the person I trust still there (the owners), 2) is it going to cost me more money; 3) are the staff I am accustomed to dealing with remaining on; 4) Is the practice moving and if so is it still geographically sensitive. The focus should be on demonstrating these items are not changing, make the focus the addition of not the loss of, etc... on our website, [www.transitionadvisors.com](http://www.transitionadvisors.com), under the RESOURCES section is an excellent article about transition planning they will help as well.

Q: At what point should you involve key staff in the potential merger process and how best to announce to all staff?

A: Key is a subjective word. If key means they are critical to client retention and the like and have the power to hurt you, they likely need to be involved earlier in the process. Most of the time staff is not notified until after the deal closes. Once again the above referenced article should bring more light to this...

Q: Is there a typical manner of handling a buy out computation for a partner deciding to retire early, giving relatively short notice? Do you use the normal retirement calculation or a liquidation calculation or something in between? Thank you

A: This would require a long answer and was addressed at the first webinar. The best thing I can tell you is it depends on the deal. If the payout is 100% based on retention, the risk is the sellers so no need to punish the value. If there is not a retention clause, failure to provide adequate notice will frequently then create a retention period wherein the seller participates in clients losses over a period of time due to their lack of notice and transition. I have also seen penalty buyouts wherein the value has been reduced. In addition, many firms reduce the value for retiring prior to an age (which I hate) or a vesting period, which I understand. An article on our website called, "Price Equals Value Plus Terms" is a little dated re internal buyouts but has some good info that still is quite relevant and sheds some light on internal succession.