

Practice Support Information Session



"Thinking of Retiring: What are your options?"

Hilary Haydon FCA



Law Society – 30th November 2022

Practice Support Information Session



Hilary Haydon - Haydon Chartered Accountants

- ❑ Founder of Haydon Chartered Accountants
- ❑ Over 40 Years experience – Strong Team
- ❑ Specialise in advising Solicitors & Legal Practices
- ❑ Firm carries out the following work:
 - ❑ Solicitors Compliance work – Accountants Reports
 - ❑ Buying and Selling Legal Practices
 - ❑ Practice Mergers
 - ❑ Retirement Planning
 - ❑ Expert Witness Reports – Loss of Profits – Family Law

Practice Retirement Planning ?



- When are you planning to retire?
- Have you a Plan?
- Have you started a Plan?
- Who will take over your Practice?
- Is your Practice Saleable?
- How much is your Practice worth?
- Who can you sell to?
- Can you merge your Practice with another firm?
- What happens if you cannot find a suitable candidate?
- If all else fails, what is the plan to close your practice?

When do you plan to Retire?



- 30 ?
- 40 – 50 ?
- 50 – 60 ?
- 60 – 70 ?
- Never ???

How Do I Extract
Value on my
Retirement?

Retirement Considerations ?



- Personal Considerations

Personal Retirement Planning ?



Demand & Challenges

- Is your home mortgage paid off?
- Other financial commitments?
- Need to fund future rental payments?
- Do you have Dependents?
- How much will you need to live on?
- Underlying Health issues?

Opportunities

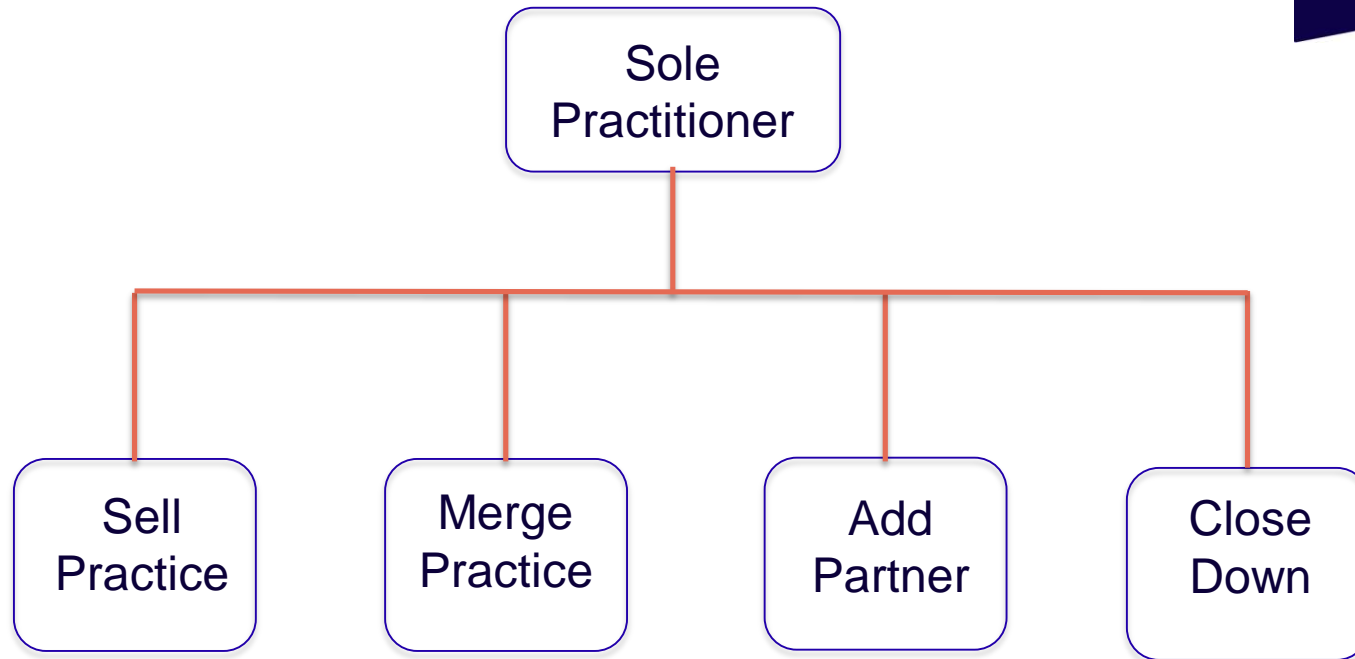
- Early Retirement
- Other Business Goals/Objectives
- Pension Benefits
- Other Assets and Investments
- Travel Plans
- Leisure Pursuits

Retirement Considerations ?

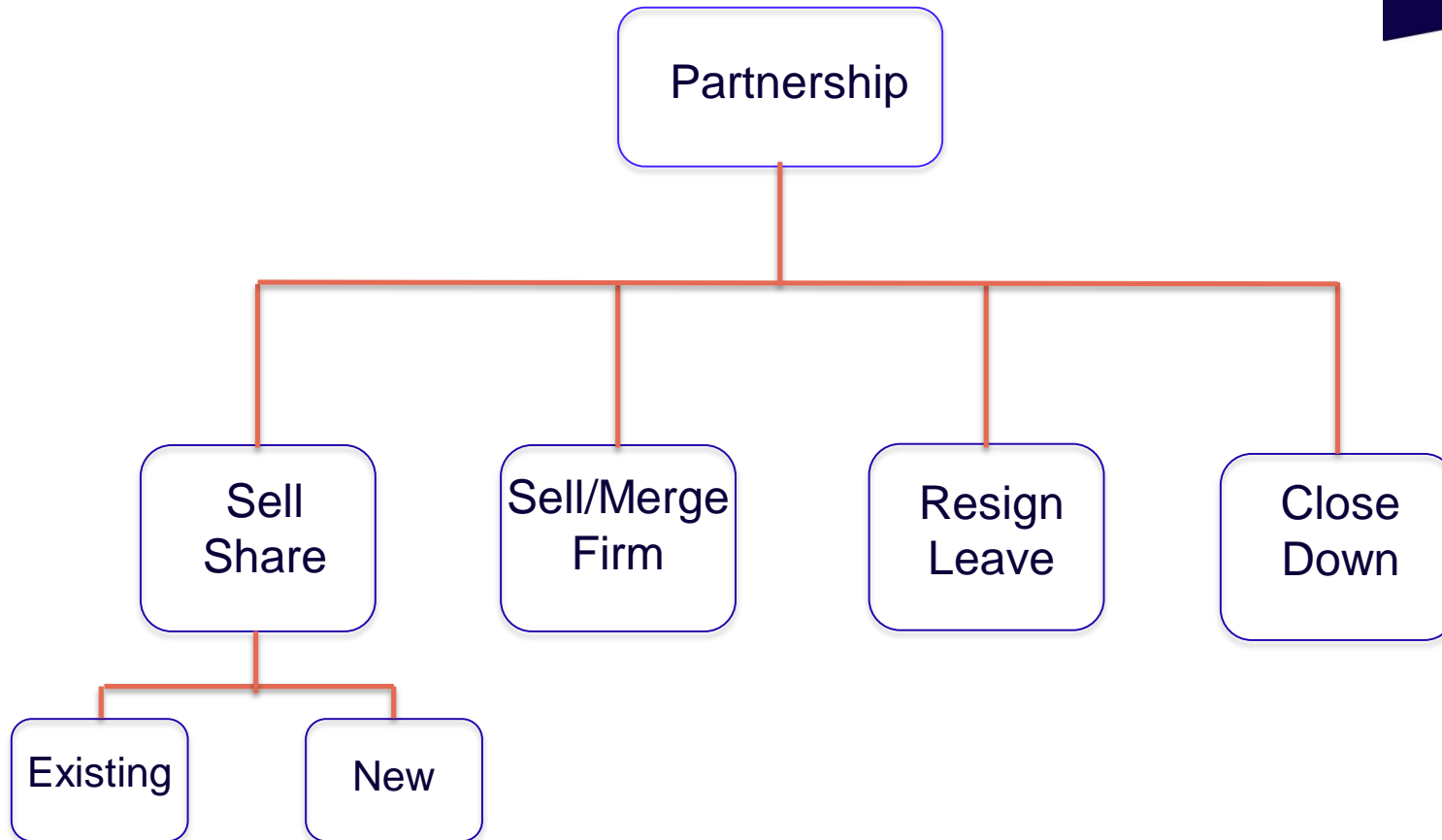


- Business Considerations

Retirement Options?



Retirement Options?



Preparing for Retirement – Close Down



Practice Close Down Issues

- Banking – bank overdraft & loans, client funds
- HR Issues – trainee contracts, staff redundancies
- Property/Lease disposal plan
- Insurance – run off cover, claims
- File Storage – IT costs
- Closing down costs
- Accounting costs – accountants report, cessation accounts
- Tax Planning issues
- Law Society - Compliance Requirements
- Personal Planning - Pension

Plan of Action

- Write to clients advising of cessation
- Need to address undertakings provided
- Active client files – nominate solicitor to take over file – includes wills.
- Closed client files must be stored safely – not at home
- Run Off Cover must be arranged through Run Off Fund (DWF Claims Ireland) within 60 days of cessation
- Accountant's Report to be filed within two months of cessation
- Closedown Plan and Timetable

Preparing for Retirement - Partnership



Partnerships – Exiting Partner

- Unlocking Value!
- Is there a Partnership Agreement?
- Does the agreement provide for Partners retirement?
- Can I sell my Partnership Share?
- Re-negotiating the Partnership Agreement to facilitate Partners retirement.
- Does the Partnership have a Succession Plan?
- Practice Valuation Considerations.
- How much is owed on Partners Capital Account?
- Is there a Cash Flow Plan?
- Timetable

Preparing for Retirement



Sole Practitioner - Taking in a Partner

- Early Succession Planning.
- Finding the right candidate.
- Promotion from within.
- Can the Practice afford it?
- Is there sufficient fee income?
- Is there a plan to grow fee income?
- Are there any Fee Income niche areas?
- Is there a cash flow plan?
- Are the Partners skill levels compatible?
- Challenges of Partnership.
- Has Succession Plan been agreed?
- Value Extraction

Preparing for Retirement



Sole Practitioner/Partnership – Merge Practice

- Merge with another Practitioner
- Merge with an existing Partnership
- Value Extraction
- Partnership Agreement
- Due Diligence – Legal and Commercial
- Financial Review
- Staff Requirements
- Location and Premises
- Technology Issues
- Business Plan - Marketing & Finance
- Merger Plan - Transition
- Challenges of Partnership
- Has Succession Plan been agreed?

Preparing for Retirement



Sole Practitioner – Selling your Practice

- Ceasing practice for Sole Practitioners can be difficult
- Duty of care to Staff
- Loyalty to Clients
- Emotional Attachments

- How do you extract value from your Practice?
- Is there a suitable Buyer for your Practice?
- How to find a Buyer
- Have you prepared your Practice for sale?
- Do you have a Plan?

Preparing for Retirement – Practice Value



Practice Value – Key Considerations

- Profitability is Key with solid track record
- Strong Fee Income base over several years
- Good spread of fees over Key Fee Headings
- Practice Specialisation – Niche Markets- Reputation
- Staff Costs to Fees Ratio
- Overhead cost considerations including property
- Marketing Skills – Website, Seminars, Webinars
- Professional Indemnity Insurance and Claims Record
- Technology Investment – case management
- Geographical Location
- Practice synergies with Potential Buyer

Practice Retirement – Selling your Practice



Key Considerations for Seller

- Obtain Valuation for your Practice
- Set out key objectives for you as Seller
- Retention as Consultant for Practice – short-medium term
- Appoint independent advisors
- Consider Practice Sale issues – Goodwill Valuation, Work in Progress, Debtors receipts.
- Marketing your Practice for Sale
- There is no “Yellow Pack” sales solutions
- Legal Agreements
- Adopt a practical and commercial approach to all situations
- All successful transactions must be Win-Win for all sides

Retirement Planning – Emergency Plan



Emergency Plan

- Planning for unexpected circumstances
- Events outside your control can have significant impact on your Retirement Plan
- Celtic Tiger Crash - Covid 19

Death or Serious Ill Health

- Solicitor should make will – execute three deeds:
 - Agreement for Management – Solicitor to return
 - Power of Attorney – if practice to be sold
 - Enduring Power of Attorney – no longer compos mentis

Retirement Planning – Tax Planning



Retirement Relief

- Over 55, Owner for 10 years - no CGT if sales value < €750,000
- 66 and over – No CGT if sales value < €500,000

Entrepreneurial Relief

- First €1,000,000 of net sales value taxable at 10%
- Balance taxable at 33%
- Ownership requirement is only 3 years

Freehold Property

- Practice Property can qualify for Retirement or Entrepreneurial Relief in certain circumstances.

Practice Retirement Planning – Three Rules



- Fail to Prepare..
 - Prepare to Fail.
- You never get a second chance..
 - To make a first impression.
- We always..
 - Judge a Book by its Cover.

Unlock the Value in your Practice

Retirement Planning – Takeaways



If Retiring:

- There is Value in your Practice
- You need to establish that Value
- You need to find the Key to Unlock Value
- Set your Goals & Objectives
- Be clear on your Timetable
- Prepare your Retirement Plan
- Use sound Commercial Business Sense
- Be Flexible & use Common Sense
- Select your Advisors - carefully

Any questions?



Hilary Haydon



Tel: 01-2051700

hilary@haydon.ie

Retirement Planning – Financial Planning



Pension Plan

- Long-term Saving Plan
- Tax Efficient – relief on contributions
- Tax free lump sum on retirement
- Annuity with annual income - Approved Retirement Fund
- State Pension at 66 - €13K per annum

- Have you a pension plan?
- Never too young to start pension plan
- Never too old to start pension plan

Law Society Financial supports



- Access information on key schemes using the links below.
- [Retirement Trust Scheme](#)
- [Group Life Assurance](#)
- [Finance Scheme \(to fund PII, tax, practising certificates\)](#)
- <https://www.lawsociety.ie/Solicitors/Representation/Member-Benefits/financial-benefits>

Retirement Trust Scheme



- Retirement Trust Scheme
- The Law Society Retirement Trust Scheme has been helping Law Society members to save for retirement in a flexible and tax-efficient way since 1975.
- The scheme is open to all members under age 75 who are either self-employed or in non-pensionable employment. You can make regular or once-off payments, and you have the flexibility to start, stop or resume saving at any time
- <https://www.lawsociety.ie/Solicitors/Representation/Member-Benefits/financial-benefits>

Retirement Trust Scheme



- The scheme is run specifically for Law Society members. Charges are transparent, and low compared to most individual pension arrangements.
- No charges are deducted as contributions go in.
- There is an annual management charge which varies depending on the fund you choose – the maximum charge for any fund currently available is 1%.
- There are no flat policy fees, commissions or exit charges, as frequently occur in individual pension contracts.
- <https://www.lawsociety.ie/Solicitors/Representation/Member-Benefits/financial-benefits>

Group Life Assurance



- In 2022, the Law Society will continue to offer a Group Life Assurance Scheme. The scheme has been placed with Aviva and the minimum conditions are as follows:
- The scheme provides cover of €62,500 (an increase of €15,000 from last year).
- Health Declaration not normally required, but insurers reserve their rights in this regard.
- The scheme primarily covers practising certificate holders; the annual scheme premium of €64 is included in the practising certificate fee for 2022.

Group Life Assurance



- Solicitors in the full-time service of the State, who are exempt from holding Practising Certificates pursuant to the Solicitors Acts, judges and county registrars may also apply to join the scheme, provided they are members of the Society and pay the scheme premium of €64 during the month of January 2022. [Apply for membership](#).
- Cover is only operative where the insured is under 70 years of age at the date of death.
- The scheme allows for 'days of grace' between 1 January and 1 February 2022 for those covered by the scheme on 31 December 2021, that is, during the Practising Certificate renewal period.
- Any pay-out under the scheme forms an asset in the deceased's estate.
- Claims should be notified to grouplifescheme@lawsociety.ie.