

Steps Towards a Deal

The ownership transition must be set out in various legal agreements. During this phase, it is particularly important to work with both your lawyer and accountant.

Overview of steps:

- Initial meeting to discuss the deal outline
- Agreement on the basic terms - price, buyout period, etc
- Signing of a confidentiality agreement
- Disclosure of financial performance of the practice for sale
- Due diligence by the buyer
- Letter of Intent
- Final agreement of terms and negotiation thereof
- The Buy/Sell agreement
- Resignation of Directors and any filings under Bulk Sales act

Negotiate the Deal

Early in the process, develop a list of 'must have items' and 'nice to have' items, the latter being ones you could trade when negotiating.

Be clear in your mind about:

- The length of time you will commit to working in the business during any transitional period
- Your minimum selling price

Understand that although your ideal scenario might be 100% paid on closing, this may be unrealistic. Most deals are completed over a timeline of between three to five years.

- The more cash paid up-front, the fewer the years
- The less cash paid up-front, the longer the likely earn-out period

Remember to consider how the deal will be treated for tax purposes, and the effect this will have on net proceeds.

Make sure the fit is right for you and the business, and then be reasonable, fair and firm.

Finalize the Deal

Depending on your lawyer's advice, you will need to consider various legal documents to support the sale process.

Confidentially agreement:

protects the confidentiality of information that may be shared during discussions with a potential buyer.

Letter of Intent:

sets out a framework under which the buyer and seller agree to work towards a final buy/sell agreement.

The buy/sell agreement:

describes in legal terms, the agreement you have arrived at and the obligation each party is making to the other. It will govern how the sale of your practice is conducted.

It will:

- Describe how any future disputes will be settled between buyer and seller
- Describe what obligations each party is making to the other (both financially and time commitments)
- Describe how the seller will be paid for any professional work he or she conducts for the business as a consultant

If there are any future problems, these documents will set out what each party expects will happen, and the consequences of any deviations. Even if it contradicts what you agreed to, you will be legally bound. Make sure they accurately reflect your agreement before you execute it.

Update Your Personal Financial Plan

Once the deal is finalized and you are receiving the proceeds of sale, it's important to update your financial plan to reflect any changes to the timing or amount of capital you receive.

You will now be able to meet with your financial advisor to change projected proceeds to actual cash on hand and continue the process of executing the implementation of your investment and long term income plan.

Now You're Ready!

Congratulations – together we have gone through the steps required for successful ownership transition. Now you're ready to meet with advisors and put the actual process in motion.

We would be happy to help you with this step too. Just click on the links to find the professional you require.

At Scotiabank, we are here to help you and your business find solutions that work for you.

This document was created using assumptions that are believed to be reasonable. Results may differ, perhaps to a material degree

This plan is not intended to be a blue print of your financial future, but rather a tool to be used to guide and compare relative financial decisions

This Transition Assessment is prepared for the general information and education of clients relative to their own particular situation based on the data provided by the client. To the extent that the data provided is incomplete or inaccurate, so too are the resulting recommendations. Please review all data thoroughly to ensure it is correct.

All legal decisions must be made only with the counsel of a qualified attorney. We make no attempt to give legal advice, nor do we draft or in any way modify legal documents.

Likewise, any suggestions pertaining to income tax or accounting strategies should be implemented only with the advice of a qualified accountant.
