

A decorative graphic on the left side of the slide consists of several overlapping light gray hexagons of various sizes. In the center of these hexagons is a stylized logo: a large orange 'L' shape with three vertical gray bars to its right, all contained within a white rectangular border.

Designing a Succession Plan for Your Law Firm

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Agenda

Succession planning doesn't mean you stop working today. It means you create a plan that puts you in control. Succession planning is a process and the earlier you start, the more successful you will be in maintaining control over the process.

- The importance of succession planning
- Obstacles to succession planning
- Using succession planning as a disaster management tool to protect your clients, your practice, and your family
- Using succession planning as a recruiting and retention tool
- What does Life after Law look like?

By the Numbers

- ABA estimates 400,000 lawyers in the United States are 62 and older (out of 1.3 million active in 2018)
- 30 – 40% of actively practicing lawyers are at the age and stage where they are beginning to retire or to contemplate retirement
- 63% of law firm partners, aged 60 or older, control at least ¼ of their firm revenue
- 28% of law firms have succession plans in place

“Law Firms in Transition” by Altman Weil (2013)

Why is Succession Planning Important?

- “What if?”
- Personal retirement planning
- Legacy
- Continuation of client care
- Monetize law firm value
- Minimize disruption
- Control the terms and timeline
- Personal time and family

Risks to Ignoring Succession Planning

Loss of clients and revenue

Client replacement costs

Loss of client goodwill

Hiring and retaining good talent

Loss of partners / senior lawyers

Client concerns about continuity

Client Concerns

- Loss of institutional knowledge about the client
- Personal relationships
- Small number of lawyers in the community or who do the work your client needs
- Clients don't want to pay for the costs, hard and soft, of integrating new lawyers
- Peace of mind

Succession as a Recruiting / Retention Tool

- Young and mid-career lawyers often leave their firms because there is no succession plan in place
- These lawyers were hired by a senior partner who promised partnership, substantive client work and ownership of client relationships
- Yet years pass with no movement towards retirement
- Having a plan and being transparent about your plan allows the Next Generation lawyer to see a path forward
- As others see you grooming Next Generation owners, your firm will become more attractive from a recruiting perspective
- As senior lawyers transition referral networks and community interactions, they are providing sponsorship opportunities for Next Generation lawyers

Obstacles

- Retirement can be an uncomfortable topic
- Sometimes, people don't want to retire because of fear. Fear of change, fear of letting go, fear of Life after Law.
- Cultural impacts of retirement
- Lack of viable qualified successors
- Lack of awareness of benefits of transition planning
- Inertia
- Impact to firm's bottom line
- And the big one...compensation

What are my options?

- No plan - work until someone closes my office for me
- Wind down my practice
- Hire a successor
- Sell my practice
- Move my practice to another firm and go “of counsel” for a wind-down



Ethics Rule

ABA Rule 1.17: Sale of Law Practice

A lawyer or a law firm may sell or purchase a law practice, or an area of law practice, including good will, if the following conditions are satisfied:

(a) The seller ceases to engage in the private practice of law, or in the area of practice that has been sold, [in the geographic area] [in the jurisdiction] (a jurisdiction may elect either version) in which the practice has been conducted;

(b) The entire practice, or the entire area of practice, is sold to one or more lawyers or law firms;

(c) The seller gives written notice to each of the seller's clients regarding:

(1) the proposed sale;

(2) the client's right to retain other counsel or to take possession of the file; and

(3) the fact that the client's consent to the transfer of the client's files will be presumed if the client does not take any action or does not otherwise object within ninety (90) days of receipt of the notice.

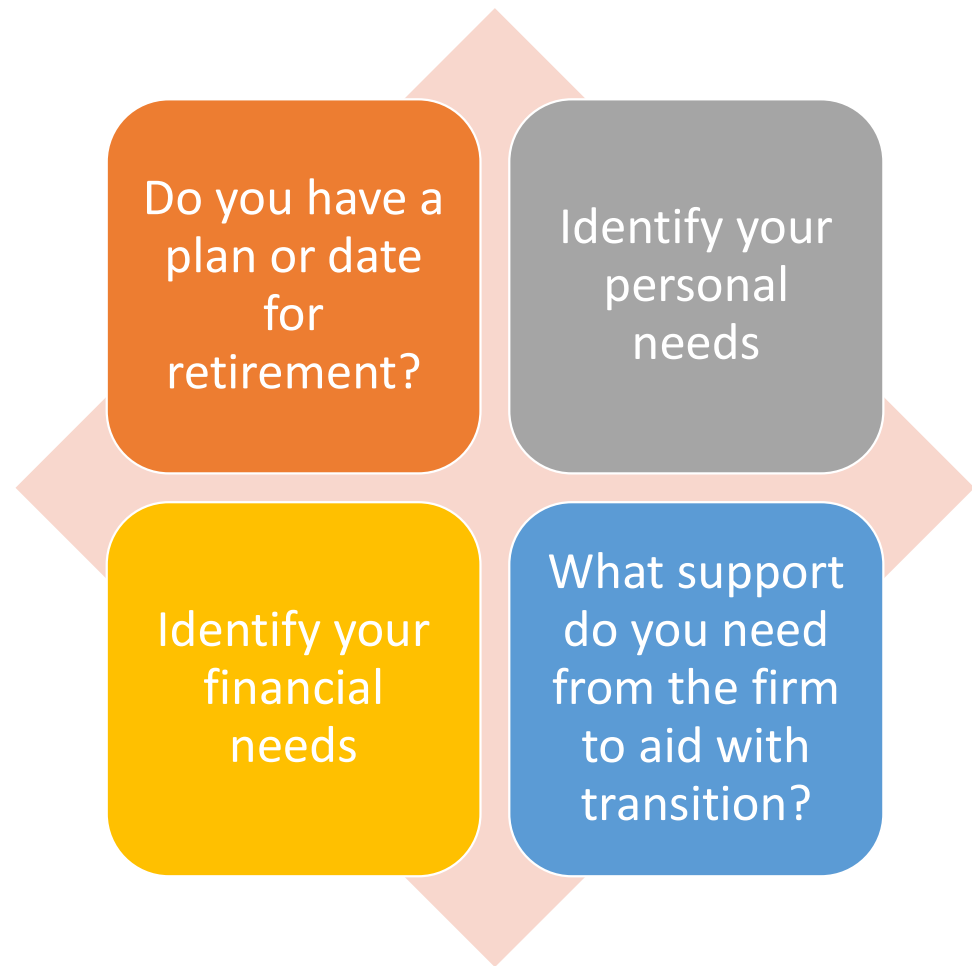
If a client cannot be given notice, the representation of that client may be transferred to the purchaser only upon entry of an order so authorizing by a court having jurisdiction. The seller may disclose to the court in camera information relating to the representation only to the extent necessary to obtain an order authorizing the transfer of a file.

(d) The fees charged clients shall not be increased by reason of the sale.

Hiring Your Successor

- Senior lawyers often complain about the difficulty of hiring new lawyers and getting them to stay
- Hiring the Next Generation Owner is a different process. It is not enough to ask about class rank and grades during an interview. When hiring your next law firm owner, it is important to talk about future plans for the firm. You may want to ask questions that get to the heart of whether your new hire has an entrepreneurial spirit. Does your Next Generation Owner have an interest in mastering networking in order to build the law firm's referral sources?
- If you are serious about hiring your next owner, you will want to put ownership opportunities on the table at the outset. Buying into a small ownership percentage of the firm now with a path forward will incentivize the new lawyer to view the opportunity as more than a job or a two-year stepping stone.

What are your Retirement Wants & Needs?



Questions to Consider

- Are you financially ready to retire? Don't guess, meet with a Financial Advisor
- Can you keep pace with the competition today? Is it important for you to try? Are you providing the same level of service that you always have?
- Do you still enjoy practicing law?
- Do you have a timeframe in mind for retirement?
- Do you have a clear vision of Life after Law?
- Are there things you've always wanted to do but never had the time?
- Do you know what would happen if you or a key partner were suddenly unable to keep working?




Get Your House In Order

- Talk with your spouse or partner
 - how will you broach the topic?
 - how will you prepare in advance?
 - when and where do you want the discussion to take place?
 - what can you do to make the conversation successful?
- Talk with your law firm partner
- Determine slow-down or retirement time frames
- Tips to make your practice more marketable

Consider Your Transition and Exit Options

- Retirement Advisory Team
- Know Your Ownership Transfer Options
- Disaster and Contingency Planning
- Talk with internal candidates about Next Generation Ownership
- Consider selling your practice (inside transfer of ownership / external sale)
- Financial Wellness Tips
 - Trusted financial advisor
 - Estate planning
 - Insurance
 - Tax advice
 - Social Security Benefits



Know the Value of Your Practice

- Rule of Thumb Value
- Market Comparison
- Key Value Drivers
- Adjustments



Build Your Firm Culture for Succession

- Understand this is a multi-generational conversation
- Leadership should identify senior partners likely to retire or slow down their practice
- Assist lawyers in your firm to plan for retirement by addressing financial implications such as retirement funds, insurance, Medicare and Social Security
- Assist lawyers in getting their estate planning, healthcare and financial paperwork in order

Create a Succession Plan

- What attributes, experiences, skills and knowledge do you believe your successor needs to possess (trial skills are going to be in short supply – get your young lawyers in the courtroom even if clients won't pay for it)
- How will you handle introductions and handing off client relationships?
- How will you transition out of current cases?
- Inventory your management responsibilities
- Document process and procedures
- Create a firm management annual calendar (what needs to happen and when)

Client Transition Plan

Delve into key relationships within the firm and the client, and know the history of relationship – matters and revenue

Identify new relationship partner or Next Generation Owner and work with client to develop plan that includes team members, current matter update and communication plan

Require regular progress reports from relationship manager to client and firm

Deal with challenges and obstacles timely

All clients may not stay with the firm during the transition, create client plans for transitioning relationships for clients that stay on board, as well as clients that leave

Share clients plans within the law firm

Create Your Retirement Advisory Team

- Spouse, partner, adult children and others who will be impacted by your decision
- A close friend, therapist, spiritual advisor who can guide you through the anxiety of transition
- A financial advisor who can assist in managing your finances and preparing your budget
- A retirement coach to support and encourage you through the process
- A health coach, personal trainer, physician to offer health management tips and advice
- Friends or colleagues who have retired who can offer their own experience on the process and serve as a mentor
- A business valuation expert to provide valuation of your law practice
- A business lawyer to draft buy/sell documents, Letter Of Intent, Partnership Agreement
- An estate planning lawyer to assist in drafting legal documents including health care directives
- An insurance agent to consider personal and business policies that can help fund retirement, protect partners in the event of disability / retirement, and long-term health care protection to name a few
- Anyone else whose expertise, experience, or advice would be especially helpful to you

Life After Law

Acknowledge fears of retirement

Develop strategies to overcome your fears

What does Life after Law look like?

- Who am I if not a lawyer?
- Health and wellness concerns?
- What do I do with myself?
- Can I afford to retire?

Are You Ready to Move Forward?

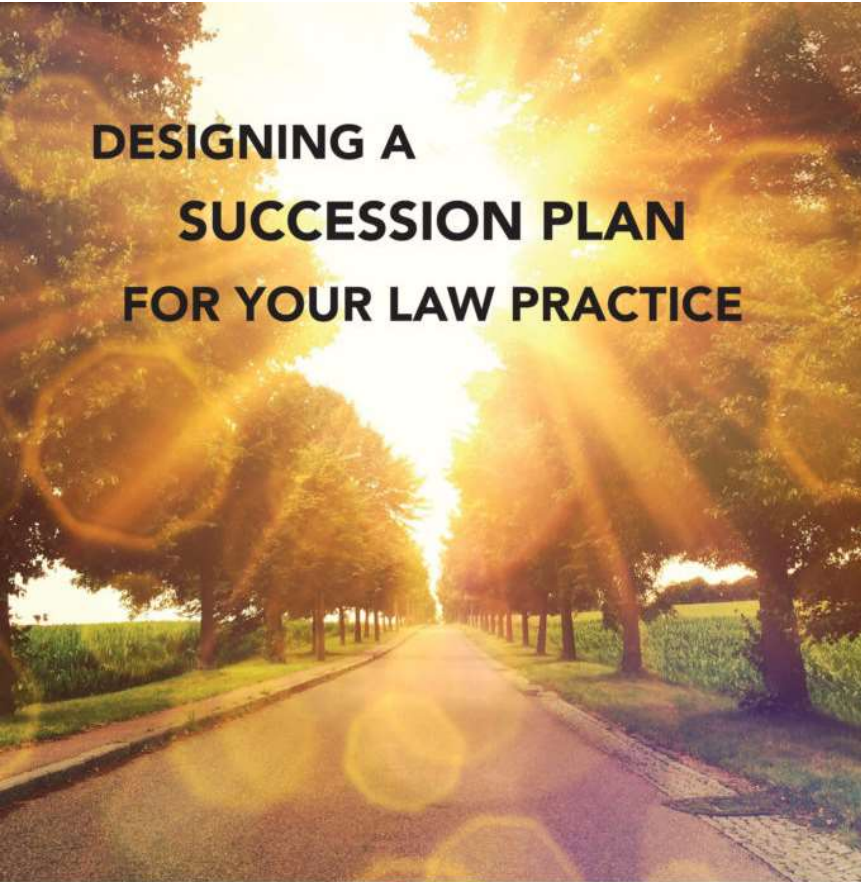
- What are your priorities:
 - Provide continuity of care for clients
 - Maintain stability of law firm
- Timing is important: for the seller, for the buyer, for the law firm
- Discuss succession planning during firm meetings, retreats, orientation, year-end meetings, include in the firm handbook
- Maintain regular communication so topic doesn't grow cold
- Firm Values/Commitment to Client Service: Include transitioning as part of message of "taking care of clients"
- Communicate, plan, implement

Resources

- Lawyers Mutual Consulting & Services –<http://www.lawyersmutualconsulting.com/>
- The Law Practice Exchange - <https://thelawpracticeexchange.com/>
- Osher Lifelong Learning Institute (OLLI) – classes taught at universities across the country include a wide variety of topics, as well as special events
- OLLI UNC-Asheville – Creative Retirement Exploration Weekend and Paths to Creative Retirement Weekend - <https://olliasheville.com/paths-creative-retirement>
- ABA Senior Lawyers Division - http://www.americanbar.org/groups/senior_lawyers.html
- ABA Journal for online articles about retirement, succession planning and retirement -<http://www.abajournal.com/>

Books

- *Designing a Succession Plan for Your Law Office: A Step-by-Step Guide for Preparing Your Firm for Maximum Value* by Camille Stell and Tom Lenfestey
- *Retirement by Design: A Guided Workbook for Creating a Happy and Purposeful Future* by Ida Abbott
- *Younger Next Year* – books, blog posts, articles by retired lawyer Chris Crowley www.youngernextyear.com
- *Built to Sell: Creating a Business that Can Thrive Without You* by John Warrillow



**DESIGNING A
SUCCESSION PLAN
FOR YOUR LAW PRACTICE**

**A Step-by-Step Guide for Preparing
Your Firm for Maximum Value**

**By Tom Lenfestey and Camille Stell
Edited by Jay Reeves**

Practical. Readable. Motivating. “Designing a Succession Plan” is an invaluable resource and planning guide. Solo and small firm partners will be especially interested in the sections on valuing and selling a law firm. All lawyers will appreciate the practical, expert advice outlining the options that await lawyers in this next phase.

*Joan H. Feldman, Editor/Publisher,
Attorney at Work*

Learn more and see additional resources at
www.designingasuccessionplan.com or order from
Amazon

Meet Camille Stell



- Fellow in the College of Law Practice Management
- Serves on the Advisory Group for Duke Law Tech Lab
- Serves on the NC Pro Bono Resource Center Advisory Board
- Serves on the NC State Bar Regulatory Study Committee
- Frequent contributor to *NC Lawyers Weekly* and *Attorney at Work* blog
- Co-author, *Designing a Succession Plan for Your Law Practice: A Step-by-Step Guide for Preparing Your Firm for Maximum Value*, published February 2021
- Cornell University, Diversity & Inclusion Certificate, April 2021
- University of South Florida, Muma College of Business, Diversity, Equity & Inclusion in the Workplace Certificate, May 2021

Continue the Conversation

- Schedule a 90-minute telephone consultation
- Hire Camille to be your Coach on Call
- Hire Camille to create your Succession Plan
- Request Camille to speak at your firm retreat

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