

# An Owners Guide to Succession Planning

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**R**oyal College of Veterinary Surgeons (RCVS) figures indicate that around 20% of practitioners in the UK are over the age of 50 and hundreds of the privately-owned veterinary practices across the country are owned and operated by 'baby-boomer' veterinarians on the cusp of retirement.

Many don't have a firm transition plan in place – or any plan at all. These owners aren't grooming an associate to take over, nor do they have partners ready to buy them out. Their endgame is simple: put the practice on the market, sell it in a bidding war, and then walk away with the cash to fulfil their retirement dreams.

This plan may work for a few, but probably not for the majority. The question will be in the timing – and in the planning.

## The Importance of Planning

There are three main reasons why you may not have a succession plan:

- You haven't started to think about it
- You have no idea how to develop a succession plan
- You simply don't want to think about the future

Running a business is hard work. Most vets find themselves too absorbed in the day-to-day running of their practice and the provision of animal care to focus on the longer term problems, like planning for succession.

It may be that you think it will be too complicated. But in truth not preparing beforehand will actually make the process more difficult in the long run. It is much easier to start early and go through the process one step at a time.

When planning for succession, a number of tough personal issues will also surface such as 'What will I do when I retire?'

## Assemble a team of trusted advisers

Make the process as simple as possible and start by planning it out with professionals that can help you, such as your accountant, financial adviser and solicitor. Taking advice from the right professionals will give you peace of mind and making a complex process much easier, allowing you to focus on more important things – like your practice.

You should also consider investing in the services of a business consultant who specialises in this area. Their skills set can help boost your credibility and approach a wider group of potential buyers on your behalf whilst protecting your identity, especially in the early stages of the process. Having someone to discuss your plans with in confidence and who supports you throughout the process can often be worth much more than their fee.

## Develop an exit strategy

On the proviso that you don't have to leave your business imminently, it's crucial

that you draw up a three-year exit strategy. This will give you the time that you need to find the right buyer; in addition, it will mean that you will not have to make a kneejerk decision about the future.

You should be clear on your objectives and who the right buyer might be. These might include:

- setting the date you want to retire,
- preference for internal succession or maximising your target price on the open market;
- whether you are prepared to continue to be involved in the business, and
- securing jobs for your employees.

Good tax planning can also help to minimise your personal tax liabilities, and advice with forward planning is essential.

## Make sure you have the right people in place to make a sale more attractive

The obvious starting point for any succession plan is to look within your own practice and assess the potential for an existing assistant or assistants to take over the reins. Starting the process early will allow both/all of you to explore the viability of true business succession and continuity for the practice. However, key areas need to be addressed including the willingness of an assistant to take on the risk – and reward – of business ownership. Other issues include the viability of raising finance to support a buyout and any skills gaps which would need to be filled.

Many of the concerns surrounding an effective sale are often more complex when there are no clear successors who can take over the practice.

A business that is 100% reliant on its owner will have a significantly reduced value. If you decide to sell your practice on the open market, then the key is to make sure it can stand on its own two feet; that includes having a team in place





that could provide continuity for your customers if you were either to step away entirely, or to greatly reduce your role.

### Be realistic about the value of your business

After all the hard years of building up your business, you quite rightly want to be rewarded. But do be realistic about the potential value of your practice. It is not solely based on the goodwill and it will be affected by a number of factors including the area of specialism, for example small animal or equine, your pricing strategy, where you are located, any local competition, staffing efficiency, profitability and of course the dependence on you as the owner. The best step you can take is to obtain an independent valuation of your business from a reputable valuer.

In the early stages of the succession planning process, getting a formal valuation can also help direct and modify your business strategy leading up to any sale. Focus will generally shift to short-term results, rather than long term investment plans and in minimising any provisions for bad debts and old stock.

What you can be sure of, is that the type of buyer who will be interested in your practice will have learnt much about the profession's development in recent years. They will be picky and

you should expect them to be – after all this is not just a monetary transaction. Expect them to analyse growth potential, client visit data, and be able to identify areas of stagnation. You have invested much in building your business, but there is nothing to be gained by taking these things personally and you should approach the sale with as much objectivity as you can.

### Prepare your Practice for sale

The aim of a well thought out succession plan over a number of years, is to present potential purchasers with as 'tidy' a business as possible. This includes effective management information systems, well-maintained premises and equipment, and well written documentation for all key contractual relationships, especially for your employees.

### Ensure you stay focused on your practice right up to the sale

It's easy to become distracted if you know that you will be exiting in a couple of years' time. However, it is vital not to lose the passion and vision that you had when you yourself became an owner. Taking your eye off the ball could affect staff morale, business growth and ultimately the value of the company.

### Don't look at the exit as the end

Many veterinary owners delay retirement because they don't know how to continue to support themselves financially or if they will have 'enough money'. Part of a good exit strategy is to come up with a sound financial plan of how to maintain your standard of living after selling your practice.

As a business owner, you may have a more complex retirement strategy, with your income potentially being provided from different sources. These could include rental income from retained ownership of the practice premises, the proceeds from the sale of your business, previous pension arrangements and other investments.

An experienced financial planner will be able to work closely with you to understand your life goals and ambitions, use comprehensive tax planning to minimise potential income and capital gains tax liabilities, and provide detailed cash flow analysis to ensure you can enjoy your retirement to its full potential.

The old adage of 'fail to plan – plan to fail' has never been as relevant as it is today. Good planning now will mean a happier outcome for you and your retirement.

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