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March–April 2002

# PLANNER

Ideas from leading experts in financial planning

AICPA

American Institute of Certified Public Accountants

## WHAT'S INSIDE

**More Lessons Learned**

*Maria Albanese, JD, former editor of AICPA client newsletters, summarizes two presentations at the AICPA PFP Technical Planning Conference held in Lake Buena Vista, Florida in early January. The lessons include:*

4 **Long-Term Care Insurance: The Overlooked Necessity**

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*Women's Financial Health Week, which the AICPA presented with* Money *Magazine, reached an estimated 70 million consumers.*

# Negotiating Sticking Points in Selling Your Practice

*By Mark C. Tibergien*

*Transfer of firm ownership sometimes isn't as smooth as sellers and buyers hope. In the following article, Mark C. Tibergien, a principal of Moss Adams Advisory Services, Seattle, Washington points out the possible rough spots.*

When a transfer of a firm's ownership fails, most observers tend to believe that the parties were unable to agree on a purchase price. In fact, however, this is only one element of the transfer that can go wrong. Many practitioners go through the process of identifying buyers and even negotiating the purchase price, but often fail to consummate the transaction because of an inability to agree to terms. The "sticking point" can hinge on failure to come to terms on many issues.

Several issues are involved in a transfer, and each is a potential sticking point of the negotiation process.

### Asset Sale *vs.* Stock Sale

It is rare that buyers will purchase the stock in a financial planning corporation because they do not want to inherit the liabilities and because they want an income tax basis in assets equal to the purchase price they paid. For these reasons, an asset sale is more attractive to a buyer. In some recent instances, however, a financial institution, such as a bank, has offered to exchange stock as part of a merger transaction with the practitioner. The advantage to the seller is that a stock-for-stock exchange is a tax-free transaction; the disadvantage is that the stock in the acquiring company is usually restricted and may offer returns greater than an "all cash up front" or installment sale deal.

If you are offered stock, perform your due diligence on the acquiring company to be certain you are getting fair value and to ensure it is something you actually want. If it is restricted stock, be sure to take into account the fact that the value of this stock should be discounted because of lack of marketability. You might also want to compare the returns of this type of transaction with others, such as a straightforward stock deal for cash, either paid at closing or in installments.

In an asset sale, it is appropriate to be specific about what assets are being transferred—for example, the client list, the

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## TRENDWATCH

**Investors may discount shares of companies that buy nonaudit services from their auditors.** In the wake of the Enron scandal, a recent survey of some 50 asset managers and analysts by public relations firm Citigate Drewe Rogerson found that almost 52% of the respondents believe that investors may have concerns about companies that purchase consulting services from their auditors. More than a third of the 52% believe investors will discount the shares of prices of such companies. In addition, several asset managers and analysts surveyed think that even the perception of a conflict of interest between a company's auditor and consultants could cause investors to apply a discount to the

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## TRENDWATCH

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company's stock price. Although almost half (48%) of the respondents don't believe companies that purchase consulting services from their auditors will be punished by the market, more than half think it will. Therefore, companies may suffer from not separating the purchase of these services.

John Goff, *CFO-com*, March 18, 2002.

**The SIMPLE IRA continues to be most popular among very small employers.** During 2001, the number of SIMPLE IRA plans increased 20%, the number of participants increased 22%, and assets rose by about 36%, according to surveys by the Investment Company Institute. Most SIMPLE IRA plans have 10 or fewer participants.

*Mutual Fund Connection,* March 18, 2002.

**Employer stock comprises nearly one-third of defined contribution pension assets.** Desite the sharp decline of Enron Corp.'s 401(k) assets, a new survey suggests many employees aren't heeding warnings about the dangers of investing a large portion of their retirement savings in their employer's stock. According to a recent survey, almost every plan sponsor (92%) includes its company stock in its defined contribution pension plan. Employer stock represents 29% of the total defined contribution assets, amounting to an average total of $2.4 billion. Congress is considering restricting the use of company stock in defined contribution plans. The survey was conducted by the Committee of Employee Benefit Assets, an affiliate of the Association for Financial Professionals.

*CFO.com's* "Today in Finance," March 6, 2002.

**The SEC and industry officials believe that the SEC's ability to fulfill its mission has become increasingly strained.** According to a General Accounting Office (GAO) study, this is

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## Negotiating Sticking Points in Selling Your Practice

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fixed assets, accounts receivable, cash, and corporate goodwill and how the purchase price will be allocated to each.

### Assets or Consulting Agreement

There are tax implications for both the buyer and the seller depending on how you structure the transaction. If the buyer purchases the assets (for example, the book of business), the seller will recognize capital gains or ordinary tax income for tax purposes depending on the character of the assets sold and the purchase price allocation. For example, the sale of a "book of business" arguably represents goodwill and would therefore be taxed as capital gain income to the seller. However, in this case, the buyer will not be able to expense the purchase price. Rather, he or she will have to amortize it over 15 years for tax purposes because it is treated as an intangible asset.

If part of the purchase price is allocated to an employment contract or consulting agreement, the buyer will be able to expense such payments in the year paid, and the seller will have to recognize such payments as ordinary income for tax purposes, which will have an impact on the amount of taxes paid, including both payroll and income taxes. Any amounts paid in the nature of compensation would also have an impact Social Security income.

It is critical in this process that both parties agree to the specific structure of the transaction and be consistent in how they report the transaction on their tax returns in order to avoid any unpleasant surprises from their favorite G-men.

### Noncompete Agreements

It may be obvious that sellers are planning to get out of the business if they transfer ownership, but from a buyer's perspective, it would be prudent to get this in writing to ensure that the seller does not skim off the cream of clients. This written document otherwise known as a noncompete agreement, has to be reasonable and enforceable. It should have a limited duration, a well-defined geographic scope, an identification of the individuals covered by the agreement, and a clear definition of what business activity is strictly prohibited. Breach of the agreement should result in a meaningful penalty such as forfeiture of the remaining payments due or a sharing of the income earned from the clients the seller procured during the noncompete period.

### Buy-Back Provisions

Typically a portion of the purchase price is allocated to a noncompete as agreed to by the parties for tax purposes. This allocated amount is amortized over 15 years by the buyer and is included as ordinary income by the seller.

Usually, when you sell a practice, you have no desire to purchase it back. Even so, you may want to contract for certain protections in the event that you become dissatisfied with how the buyer is handling the book of business. This is especially true for an installment seller transaction, in which the payments will be funded from earnings, or you are subject to an indemnification agreement or representations or war-

**PLANNER,** March–April 2002, Volume 16, Number 6. Publication and editorial office: AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881. Copyright © American Institute of Certified Public Accountants, Inc. Opinions of authors and the AICPA staff are their own and do not necessarily reflect policies of the Institute or the Personal Financial Planning Division.

**William Moran**
**Editor**

**Anat Kendal, CPA**
**Director, Financial Planning**

ranties that could expose you to risk after the transaction has closed.

If a buy-back provision is structured into the agreement, the terms and conditions of such a transaction should be spelled out specifically. Perhaps most importantly, those circumstances that might trigger the buy-back clause should be defined clearly.

**Representations and Warranties**

Both parties to the agreement will want to consider their terminology very carefully to ensure they understand what each other is representing in the agreement. For example, you would typically spell out that—

1. Both the buyer and seller have the authority to make the transaction.
2. Neither party is aware of any pending "surprises" such as lawsuits.
3. The information supplied by either party in the course of the negotiation is accurate and complete.
4. The agreement does not breach any other agreements the parties may have with others.

Obviously there may be other worthwhile considerations, so it is best to consult with your attorney to help identify them.

**Indemnification and Hold-Harmless Clauses**

The nature of the financial advisory business is such that everybody is vulnerable to lawsuits. It is important for each party to spell out what they are willing and not willing to be held responsible for. Typically, both parties would hold each other harmless and indemnify the other party for any claims, liabilities, or damages arising out of any act, error, omission, or defalcation that may have occurred or could occur.

**Work in Process/Accounts Receivable**

As more and more financial planning and investment advisory practices become fee-oriented—charging for consultation as well as assets under management—the more they will realize work in process (WIP) and accounts receivable, much like an accounting firm. If these are some of the assets being transferred, then the parties must agree to their values. Chances are that the purchase price of these assets will be something less than the face value of either the accounts receivable or the time invested in the WIP.

## A Case Study

Dwayne Gorelick sells his CFP practice to Helen Landsman. As part of the deal, Landsman agrees to pay a certain semi-annual fee for each account that remains active. Gorelick, however, finds that Landsman is servicing only the top 20 percent of Gorelick's old clients and ignoring the remainder. Not only does this infuriate Gorelick, but also, because his agreement called for the same fee per former cient regardless of the amount of assets, this affects the payment terms of the deal.

**Performance of Duties**

Typically, when a practice changes hands, there is an expectation that the seller will assist in the transition. It is important to spell out in this consulting agreement the expectations or the length of the transition period, the specific duties of the seller during the transition, the number of hours per week this person is expected to work, and the compensation related thereto. For example, the agreement might state that the seller will remain part of the practice for one year, will work no fewer than thirty hours per week, and must agree to have meaningful contact and provide an introduction to the top 100 clients. Again, failure to perform should result in some penalty, such as a reduction in the purchase price or in the compensation payments under the consulting agreement.

**Payment Terms**

It is important to be specific about the timing for payment and the amount of the purchase price, especially in the case of an installment sale. If the transaction is structured as an installment sale, you will need to negotiate the formula for the calculation of payments (i.e., fixed fair market value with interest, a "rolling" fair market value, or an earn out.) If the transaction is structured as an "earn-out" in which the buyer pays the seller a percentage of revenue generated for a period of time, be specific about what business the revenue is based on and which clients the revenue refers to. The parties should be sure to include an exhibit that identifies the specific clients being transferred. The agreement should also set forth frequency of payments (I suggest monthly at a minimum), and the payment method (for example, a commission split generated through the broker/dealer).

**Security and Collateral**

For an installment sale, most attorneys would encourage their clients to obtain some security, guaranty, or collateral from the buyer to ensure full and complete payments are made on a timely basis. This is a negotiable area for both parties and should be entered into very carefully. If the transaction is structured on an earn-out basis, there is no guaranty of the payment amount, only an expressed percentage. Nevertheless, there should be some recourse on the part of the seller, should the buyer default, no matter how the transaction is structured. This recourse could include a buy-back as discussed above.

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***Editor's note:*** *Mark C. Tibergien discussed issues associated with buying and selling financial planning practices further at a session entitled "Building Value in Your Practice" at the AICPA PFP Technical Conference, January 6–9, 2002 in Lake Buena Vista, Florida. The session, which was audio taped, would be of interest to all planners, especially those contemplating selling or merging their practices. To obtain a copy, contact Conference Copy, Inc., 8435 Route 739, Hawley, PA 18428: phone: 570-775-0580; fax: 570-775-9671;* http://www.confcopy.com.

# A New Way to Assess Variable Life Insurance

*By Maria Albanese, JD*

In his presentation on variable life insurance, "Life Insurance Issues," at the PFP Techical Conference, Richard M. Weber, MBA, CLU, focused on how to change your client's view of life insurance from merely a product to be purchased based on competitive pricing to an asset class that can reduce risk and provide some financial reward. The financial planner, as a trusted adviser, is in a key position to change this perception. The three key questions most clients have about life insurance are:

1. How *much* life insurance do I need?
2. What *kind* of policy best meets my needs?
3. How do I best *pay* for the policy?

Agents selling insurance rarely address these questions. Instead, because consumers are price-focused, agents play to their buying habits, discussing the price of policy A versus B, without focusing on whether the policy meets a client's needs. Clients are drawn to the "attractive impossibility" of any easy purchase instead of the less attractive probability of having to assess the risks involved.

### Viewing Insurance as an Asset Class

Instead, insurance should be seen as an asset class that contains risks and rewards. Weber said that 60% or more of most modern life insurance contracts are made of non-guaranteed elements, such as:

- *Carrier risk*: Will the company become insolvent?
- *Premium risk*: Is the amount of premium sufficient for my goals?
- *Inflation risk*: Is the amount of insurance I bought adequate?
- *Replacement risk:* Can I get a better price for the policy?

In addition to the risks, there are market conditions that are beyond our control, such as the economy, inflation, and the stock, bond and real estate markets. Therefore, for life insurance policies (whether variable or universal), the objective is to find the right balance between the risk and the goals. If the client wants no risk and a specific premium, then whole life is the answer. But, if a client wants some potential financial "up" side to his or her purchase, then the premium will vary based on the amount of risk.

### Outliving a Policy

A key retirement planning question for baby boomers is, will I have enough money to retire or will I outlive my money? For most universal life insurance policies, the example usually given has an annual growth rate of 12%, and if charted out on a graph, would have a nice smooth premium and payout schedule. But this does not reflect reality. The reality is that the lower the premium, the more likely the money will run out. In the typical industry example, the payments to the policyholder would run out at age 82, while the average life expectancy today is 92. Therefore, most life insurance policies do not adequately meet the policyholder's goals.

### Balancing Risk and Premium

Purchasing life insurance should not be viewed as the same as buying a car or refrigerator. For someone selling or recommending an insurance policy, the "competition" should not be the cost of another policy, but the client's conflict between desire for reward and tolerance for risk of money running out. A trusted financial adviser tries to match a premium to the client's tolerance for risk. When a client finds the right premium for the policy, it creates a unique WIN-WIN-WIN for client, adviser, and insurer, and thus eliminates competition based on price. The lower the premium the higher the risk; the higher the premium, the more opportunity for financial gain while providing more protection from risk.

Financial planners are in an excellent position to measure and assess the risk of any policy, and balance it with the client's overall portfolio of assets. An annual review of the management and funding will help increase the probability that the policy will sustain the client over all years. Annual reviews will also allow the adviser to be proactive and take appropriate action when it's still affordable for the client. ◆

## Strengthening Retirement Programs

In response to events surrounding Enron and the accounting profession, as well as to the pension and retirement legislation emerging on Capitol Hill, on March 14, 2002, the AICPA sent to members of Congress a letter representing its views regarding retirement policy. The letter was co-written and signed by members of the AICPA Tax Committee and Personal Financial Planning Executive Committee. It recommends addressing retirement security concerns by enhancing education for retirement plan participants regarding diversification and fiduciary responsibilities rather than restricting investment choice. ◆

## TRENDWATCH

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due in part to imbalances between the SEC's workload and staff resources. The GAO says that, in 10 years, the total assets under management by investment companies and investment advisers increased by about 264% while the number of investment company and investment adviser examination staff increased by 166%.

Consequently, resource constraints have delayed turnaround time for many SEC regulatory and oversight activities, have caused bottlenecks in the examination and inspection area, and have forced the SEC to be more selective in its enforcement activities and lengthened the time required to complete certain enforcement investigations. Workload increases have also resulted in less frequent and less thorough reviews of certain filings. Furthermore, addressing emerging issues, such as technology driven innovations like exchange-traded funds, has become increasingly difficult.

The study recommends that the SEC broaden its strategic planning process to determine systematically the regulatory priorities and resource levels needed to fulfill its mission. For a copy of the March 2002 study, visit www.gao.gov/new.items/d02302.pdf. ◆

# Long-Term Care Insurance: The Overlooked Necessity

*By Maria Albanese, JD*

In her presentation, "Who Needs Long-Term Care Insurance" at the PFP Technical Conference in Lake Buena Vista, January 7–9, 2002, Lisa McAree, CLU, provided a good look as to why most people will need long-term care insurance. Long-term care is the daily care required due to chronic illness or disability. Because of the dramatic growth of the over-65 population, longer life expectancies, and postponed childbearing, the need for long-term care will grow dramatically, particularly for baby boomers. Many baby boomers will find themselves taking care of themselves, their children and their parents, all at the same time.

### Long-Term Care Costs

The likelihood of needing some sort of medical or living assistance is quite high. A study by the U. S. Department of Health and Human Services shows that people age 65 or older face at least a 40% lifetime risk of entering a nursing home. About 10% will stay there five years or longer. Even if a person is not entering a nursing home, the cost of an assisted living facility or a home health aide can add up quickly. The cost of nursing home care can average between $50,000 and $105,000 a year, an assisted living facility between $36,000 and $60,000 a year, and a home health aide between $13 and $24 per hour.

According to the Health Care Financing Administration, 32.5% of these costs are paid by the patient or his or her family and 46.3% by Medicaid and Medicare. Only 5.3% is paid by private insurance. Most people mistakenly believe that Medicare or Medicaid will cover these costs. However, Medicaid covers long-term care costs only for patients at poverty level, while Medicare has numerous requirements and restrictions for costs to be eligible for reimbursement. For example, it covers only intermittent skilled nursing care, physical therapy, or speech therapy, and the patient must be confined to home.

Long-term care insurance is a plan designed to cover skilled, intermediate and custodial levels of care for individuals who cannot take care of themselves. A typical policy will cover $50–$350 a day, and from two years to a lifetime. The services covered under such a policy can include home care, both custodial and skilled, adult day care, assisted living facilities, nursing home, and hospice care. To qualify for benefits, a person would require human assistance with two or more activities of daily living (ADLs) or have cognitive impairment.

### Advising Your Client

When trying to design a policy appropriate for clients, the following factors need to be considered.

- *Cost.* What is the cost of care in their geographical area? Where do they think they will be living if the need arises—their current home, a second home that may become their main residence during retirement, or with an adult child? Costs vary from state to state. For example, home health care costs in California average $19.00 an hour, but in South Carolina they average $13.00 an hour.
- *Assets.* What are their current asset holdings? Do they want to maintain it all or a portion of it? Do they envision using a portion for health care costs? What are their attitudes towards inheritance for their children or grandchildren? Do they want to maintain the asset base to pass on, or are the assets primarily to be spent during their lifetime?
- *Personal history.* Are they married, divorced? Do they have children? Do they expect a child to care for them? Is there a history in the family of a particular disease or medical condition, such as Alzheimer's, cancer, or heart attacks?
- *Risk.* How high is the risk or likelihood of needing long-term care, and how much of the risk do your clients want to self-insure?

If clients are uncertain as to whether they need long-term care insurance because they are financially well off, it is easy to demonstrate how quickly those assets can dwindle within a few short years with long-term care expenses. Using an average of $50,000 a year for long-term care, $500,000 in assets (with an annual 6% yield) can be wiped out within 6 years.

### The Cost of Waiting

Even if clients know they will need long-term care, many put off purchasing the insurance. Planners should urge clients to purchase the insurance in their forties and fifties, and not wait until their sixties, because the annual premiums and total cost will be lower.

For example, a policy purchased at age 55, paying $100 in daily benefits, will cost $987 in annual premiums for 30 years, for a total cost of $29,610; the benefits available at age 85 would be $788,753. Compare this to a policy purchased at age 65, paying $170 in daily benefits, but the annual premium is $2,977 for 20 years, for a total cost of $59,540. The benefits available at age 85 would be $774,765.

### Maintaining Assets and Independence

Long-term care is an issue most clients will face either for themselves, family members, or both, and is the type of insurance that is called into service more than any other kind. It is a key part of any financial plan for clients who want to preserve assets and maintain their financial and personal independence despite a physical ailment, and it will allow clients to choose from the widest choice of long term-care services.

Planners and clients may need to address other issues space doesn't allow discussion of here. To ensure clients are aware of these issues and select the appropriate plans, planners should consider expanding their knowledge through education in this area or partnering with qualified insurance agents. ◆

*A review of* The Financial Planner's Guide to Moving Your Practice Online: Creating Your Internet Presence and Growing Your Business *by Douglas H. Durrie, Bloomberg Press, 2001, ISBN 1576600912.*

Almost every firm has a Web site. The value of your site may be difficult to measure—and you may even doubt it has much value. Nevertheless, you probably wouldn't dare kill the site. What then would you say to clients or prospects who ask, "Do you have a Web site?" fully expecting your response to be your URL. If you said your firm had no site, would they think you were out of touch with the marketplace? How could you explain your firm's not being up-to-the minute technologically?

The reality is, however, that too often, a Web site is little more than an electronic brochure, lying there, waiting for someone to come along and read it. Keeping it fresh and current is a task that demands time and resources. And it is only part of an effective strategy for using Internet technology to market your firm and its services to current and prospective clients.

The Internet, including your Web site, offers an opportunity to promote and develop your planning practice. But to succeed in doing this, you need a comprehensive online marketing plan. That is the thesis of *The Financial Planner's Guide to Moving Your Practice Online: Creating Your Internet Presence and Growing Your Business.* The author, Douglas H. Durrie, is a former vice president of industry research and intelligence for Securities America Financial Corporation, the parent company of Securities America, Inc., a national broker-dealer, and Securities America Advisors, Inc., a provider of fee-based asset management services to Registered Investment Advisers.

In his introduction, Durrie provides guidelines for an online marketing plan. An online marketing strategy, he says, may have several elements. Even so, he cautions several times—four times before he reaches page 10—"Remember, you also need to fully integrate these online approaches with the more traditional sales and marketing approaches you have been using all along." In addition to the guidelines, he includes in Appendix A an outline of how to develop an online marketing plan and a sample marketing plan.

In the final paragraphs of his introductory chapter, Durrie introduces one of the techniques of his book that is particularly valuable if you want to implement any of his many suggestions for moving your practice online. He cites Web sites that relate to the subject at hand. In concluding his discussion of developing an Internet marketing plan, he cites four Web sites that can help you in your effort.

**One Size Fits All**

Durrie covers all bases. His book is useful for planners who have maintained a Web site and have marketed services online through other means, as well as for the completely inexperienced. It is as useful to the person in the firm who works hands on to maintain and apply the technology as to the firm partner who delegates this role to others but needs to know whether maximum benefits are being delivered through the technology.

Durrie also covers all bases in content. He divides his book into two parts: basic strategies and advanced cyber marketing. The basic strategies include customer service, client seminars, direct e-mail marketing, and niche marketing. In the chapter on customer service, Durrie discusses developing "a strategic Web site," but he also discusses less passive strategies, advising practitioners to collect e-mail addresses for their current client bases because so many clients probably use this technology.

He notes that a Commerce Department survey estimates that nearly 42% of your clients are on line already and nearly 80% use e-mail. "When you consider that this number increased by 40% last year [2000] alone, you will recognize that this is a distribution channel you cannot ignore." In his discussion of prospecting online, Durrie cautions readers to remember that the demographics of the Internet are different from those of the population at large.

Durrie does not simply make a case for using e-mail to market your services, nor does he simply tell readers what the content might be. He also offers guidelines for developing a good e-mail marketing letter, covering its design, content, and timing.

Durrie describes "Part Two—Advanced Cybermarketing" as a "reference guide to Web marketing," and advises to "browse the topic headings" to "look for subjects that fit with your marketing strategy." The topics that the reader can browse through include prospecting online, building a good site, selecting and working with a Web site developer, marketing and promoting your site, using databases, and maintaining compliance.

Whether or not you wade through all the pages, this book provides information to be followed up. Its focus is on not only technological issues, but also the business issues the technology is being used to address. As well as offering guidance for setting up a system, for example, Durrie also offers tips to planners on building and strengthening client relationships.

**Cautious Guidance**

One of the strengths of the book is that typically in discussing a strategy, Durrie gives helpful caveats. For example, in discussing the content of a Web site, he advises, "Always keep in mind that your marketing strategy drives the content of your site." Further on in this discussion, he cautions "Be sure the site you link to is very simple and narrow in scope" to avoid the risk that the user will surf further away from your site.

The author's objectivity and thoroughness are apparent in his discussion

of Internet advertising. Citing the ad placement service DoubleClick, for example, he cautions "While this is an excellent ad placement vehicle, avoid using their preference-tracking capabilities, due to privacy concerns" and pending litigation related to unfair and deceptive trade practices.

**Search-Engine Savvy**

The depth of Durrie's advice is clear also in his guidance on how to select and work with Web site developers. One issue he raises is often overlooked. "The majority of developers," he says, "do not concern themselves with the search-engine-visibility aspect of site design. Never assume your developer has designed your site for maximum visibility. Even with a template site, with which you have little control over site design, your developer or an Internet marketing specialist can better direct search engines to your site by adding 'doorway pages' or using other techniques," which he goes on to discuss.

**Maintaining Compliance**

Early on and throughout the book, Durrie keeps regulatory compliance issues in the forefront. In a chapter entitled "Who's Making the Rules?" he underscores the importance of compliance with this message: "In the dawn of this information age, the opportunities for promoting yourself on the Web have seemingly outstripped the ability of the securities rulemaking authorities to create rules for this new form of commerce. Unfortunately, this has left you (the financial professional) confused about how to promote your business on the Internet without running afoul of the regulators."

In addition to compliance, other important issues he deals with are legal and ethical list management and spamming.

One possible flaw with the book is the constant referral to another section of the book for more detail. Some of this is understandable because much of the material, although discrete, is very much interrelated and some topics are large and complex. The frequency of this technique, however, becomes somewhat annoying, and the reader wonders if better organization of the book could have prevented this.

Durrie's closing words are "To stay abreast of current developments and ideas, visit www.movingyourpracticeonline.com " which is the home page of Securities America. He recognizes, of course, that his book will not be the last word on online marketing. It is, however, an excellent start. ◆

## Women's Financial Health Week Wrap-up

Women's Financial Health Week, which the AICPA presented January 14 –18 with *Money* Magazine, reached an estimated 70 million consumers through coverage in print, television, radio and online media. In addition to giving women guidance on taking better control of their finances, Women's Financial Health Week positioned the CPA/PFS as the ideal adviser to help them achieve financial well-being.

Articles about Women's Financial Health Week appeared in daily newspapers in major markets, including Los Angeles, New Orleans, Chicago and Boston. National broadcast coverage appeared on CNNfn, CNN Radio, AP Radio and money.com. More than 20 broadcast reports aired on ABC, NBC and Fox affiliate television stations in Washington, DC; Philadelphia; Tampa; Miami; San Diego; Detroit; and Denver, among other markets.

**CPA/PFS Spokespersons**

Barbara Raasch, CPA/PFS, and Marion Asnes, Senior Editor of *Money*, served as spokespersons for many of the local-market television interviews. Other spokespersons included CPA/PFS practitioners Robert Doyle, Larry Foster, Karen Barnhouse and Connie Brezik.

The official website, www.womensfinancialhealthweek.com, drew 9,600 individual visitors during the course of the week. This exceeded the AICPA's original goal of 3,000 visitors. The website is still live and continues to draw significant traffic.

The AICPA's outside public relations firm, Stanton-Crenshaw Communications, developed and executed the campaign. The AICPA retained Stanton-Crenshaw in 2000 to help promote the CPA/PFS credential to American consumers.

**Multiple Entry Points to the PFS Designation**

PFP Section members who wish to learn more about the PFS credential may go to pfs.aicpa.org or e-mail pfs@aicpa.org. Don't forget that, with the Multiple Entry Points (MEP) program, you may be closer to qualifying for the PFS designation than you think. The centerpiece of the program is a point system that encompasses a broad definition of business experience, which now includes teaching, provides for a lifelong learning component and recognizes examinations related to PFP.

Each of the three areas—business experience, lifelong learning and examination—requires a minimum number of points to be earned. An assessment tool to help candidates determine their qualifications for the PFS is accessible at http://pfs.aicpa.org. ◆

## Negotiating Sticking Points in Selling Your Practice

*Continued from page 3*

**Resolution of Conflicts**

Most transactions for this type of practice are going to occur between parties within close proximity to each other. Sometimes, however, a buyer may be in another location, so it is important to state the jurisdiction and venue for any resolution of conflicts to minimize your expense in defending or prosecuting your position.

Furthermore, there should be some means of resolving conflicts early that are less expensive than litigation. Consider, for example, some form of mediation or arbitration. To the extent possible, the agreement should provide specific guidelines for the mediator to follow, such as the standard of value, and it should specify who will be responsible for each cost. You should consult with your attorney about other relevant details and alternatives.

**Drafting of Agreements**

The best approach to drafting the agreement is to use your own attorney. That way, you control the language and put the other party in the position of negotiating components of the contract. In addition, any provisions that you concede during negotiations should probably be reciprocated by the other party in some form, so authoring the agreement gives you further leverage in achieving your goals with the transaction.

Obviously, a qualified attorney who is familiar with relevant business and tax law that affects such transactions should write the agreement. However, to save costs and convey to your attorney what it is you think you are agreeing to, it is a good idea to put into writing exactly what you think the agreement should say, or what you want to achieve. This will help give your attorney a clear framework for how he or she should craft the document.

As you enter into negotiations as either a buyer or seller, it is also imperative that you consider the tax implications of the deal structure so that you have a good idea of what the give-and-take should be in your discussions with the other party. Obviously, you can agree to value, but the terms will dictate how much you actually net in the transaction, as well as how the transaction would be viewed by the IRS. For these reasons, it is advisable that both your accountant and attorney participate in the transaction. ◆

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