



**SRG**

[Succession Resource Group]

# Due Diligence Checklist

## Due Diligence Checklist for Advisors

The purpose of this due diligence checklist is to provide the buyer and seller of a financial services practice with a template of information generally requested during due diligence, prior to purchasing or merging. Be sure to review all applicable privacy policy statements and speak with your consultant, broker-dealer, custodian and/or attorney to ensure compliance with Reg S-P.

Category	Review Item
Business	<ul style="list-style-type: none"><li><input type="checkbox"/> Review recent valuation(s)</li><li><input type="checkbox"/> Review Human Resource related items<ul style="list-style-type: none"><li><input type="checkbox"/> Review current staff</li><li><input type="checkbox"/> Compensation and payment practices</li><li><input type="checkbox"/> Vacation, sick time policy and current balances</li><li><input type="checkbox"/> Dress code</li><li><input type="checkbox"/> Review/Provide summary of plan descriptions of ERISA benefit plans</li><li><input type="checkbox"/> Profit-sharing plans</li><li><input type="checkbox"/> Review copies of documents related to health insurance, FSAs, disability or life insurance</li><li><input type="checkbox"/> Employment agreements</li><li><input type="checkbox"/> Employee handbooks, HR manuals</li><li><input type="checkbox"/> Review recent terminations</li><li><input type="checkbox"/> Obtain copies of any/all agreements that related to employee non-compete/non-solicitation</li></ul></li><li><input type="checkbox"/> Client base review to include, but not limited to:<ul style="list-style-type: none"><li><input type="checkbox"/> Total number of clients</li><li><input type="checkbox"/> Age</li><li><input type="checkbox"/> City/state of residence</li><li><input type="checkbox"/> Total assets with firm</li><li><input type="checkbox"/> Investment Type (where is assets held, at fund, brokerage, annuity company, etc.)</li><li><input type="checkbox"/> Length of relationship</li><li><input type="checkbox"/> Any material issues related to client</li><li><input type="checkbox"/> Date of last contact</li></ul></li><li><input type="checkbox"/> Client service process</li></ul>



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Legal/Contract

- Determine business and operational structure
  - Sole Practitioner, LLC, S-Corp, C-Corp, Partnership
  - Solo, Silo, Ensemble
- Review by-laws, articles of incorporation, articles of organization (or other related documents) as well as reviewing all amendments, stock ledger and minutes of shareholder/director meetings
- Review Shareholder/Operating Agreement
- Review/Obtain information regarding all litigation or administrative proceedings (even if pending) for either party or either party's subsidiaries
- Review insurance policies
  - E&O policy
  - Liability insurance
- Review real estate/leases obligations
- Review licensing agreements with vendors (software, copiers, phones, etc.)
- Provide a list of any/all intellectual property of the company, either owned or licensed

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Compliance

- List states in which the company operates and reviewing licensing/registration requirements
- Background Check
- Review [Form U-4](#)
- Review [Form ADV](#)
- Provide/review any contract or agreement which could contain a change of control clause that may be triggered by the proposed deal (i.e., Investment Advisory Agreement)



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Financial

- Verify total company assets under management
  - Breakdown of assets by type
  - Where are assets held
  - Surrender date of annuities, if any
- Review revenue (include trailing 12-month production)
  - Fee structure (how and when clients are billed)
  - Review historical growth rates and identify any abnormalities
  - Review breakdown of revenue sources for last twelve months
- Review and liens and/or outstanding debts and obligations
- Obtain credit report
- Review recent bank statements
- Obtain copies of last five years federal and state tax returns
- Obtain copies of payroll tax returns for the last five years
- Review financial statements (generally includes prior year and fiscal year-to-date)
  - Balance Sheet
  - Income Statement/Profit & Loss Statement
  - Commission reports/Account statements from BD/Custodian
- Review and obtain copies of any UCC filings from the appropriate Secretary of State
- Provide most recent aging schedule for accounts receivable with comments regarding the collectability of any balance over 90 days old

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Technology

- Review software and potential compatibility (CRM, operating system, firewall, servers, etc.)
- Review email system
- Review document management system
- Review status/condition of hardware (laptops, desktops, servers, phone system, printers)
- Review website and other web-based content regarding company (LinkedIn, Facebook, Google, etc.)







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## About Succession Resource Group

Ranked as one of the top 100 fastest growing private companies in Oregon by Portland Business Journal, Succession Resource Group, Inc. (SRG) is a boutique succession consulting firm specialized in helping financial professionals value, protect, merge/acquire, and develop exit strategies for their business.

With decades of combined industry experience, SRG possesses a unique combination of skills, resources, and expertise to help advisors understand the value of their business, develop strategies to improve that value, protect it with comprehensive contingency and succession plans, and grow through acquisition.

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