

CLIENT SUCCESS STORY

Maximizing Price, Minimizing Taxes

CHALLENGE:

For Alan Kolnik, being a financial advisor was his second career. He got started in 2005, quickly building a book of business that would stay with him most of his career.

In April of 2019, Alan made the decision to retire as he was turning 70 and was interested in spending more time traveling with his wife – visiting family in Israel and one of his daughters in New York. It was important for Alan to have something to “retire to,” versus focusing on what he was “retiring from.” Alan was so committed to his transition plan that he booked and paid for his trips as he began the exit planning process.

He had a written contingency plan for death and disability with a fellow Ameriprise advisor, but that advisor was another sole proprietor and didn't have the capacity to add another book to his existing business. Alan began by communicating the sale of his practice with his Franchise Field Vice President (FFVP) and had a clear idea of what the ideal successor looked like.

For him, this meant a firm that would maintain a local presence and a team that had capacity, that was knowledgeable, had the appropriate designations, and experience. While Alan wanted to maximize the purchase price he received, he also sought to mitigate the tax impact and was willing to be flexible with the terms to minimize the taxes.

SOLUTION:

With guidance from his FFVP, Alan realized he could use the additional support of an experienced M&A team who knew the market and could represent him with the sale. He began by having his practice valued by SRG, then with a clear understanding of the value, Alan began working with SRG's Seller Advocacy Program and team.

HIGHLIGHTS

CUSTOMER PROFILE

Alan Kolnik began his second career in 2005 by becoming a financial advisor and had a keen eye for assisting those around him. With his background, Alan was able to quickly analyze his client's unique goals and determine their best strategy towards retirement.

Jon Kuttin has built Kuttin Wealth Management into one of the largest firms inside Ameriprise – with a team of over 28 and several locations nationwide. His growth strategy is to continue his exemplary client service to his employees, clients, and partners while expanding through acquisition efforts.

TERMS

3.09 Multiple, 4-year seller financed note with interest, no contingencies, lease retained by buyer, no fees on seller's brokerage accounts, 95% capital gains treatment.

With the support of Alan's broker-dealer, Ameriprise Financial, SRG went to work determining his key buyer criteria, as well as his goals for the transition and beyond. SRG prepared a detailed listing prospectus highlighting Alan's business and his initial asking price.

SRG identified 51 advisors interested in the business, focusing on a few key items:

- 1) broker-dealer affiliation;
- 2) buyers AUM, revenue, and no. of staff;
- 3) staff expertise; and
- 4) location.

Using SRG's Buyer Matrix, Alan was quickly able to ascertain which buyers were the best fit, and the pool was reduced to four "elite buyers" that submitted offers. SRG then actively negotiated on Alan's behalf to receive the most competitive offers from each buyer. This was an important component for Alan, as he wanted his relationship with the buyers to remain healthy and happy for the transition, which can be challenging when negotiating directly.

OUTCOME:

Alan received four offers at least 6.25% above asking or greater, despite an aggressive initial asking price, with no clawback or retention clauses, a six-month transition, and his lease assumed for a full-year.

SRG worked with the buyers to prepare offers that provided for a significant down payment but also including a portion of the price paid in the future, allowing Alan to be taxed at the 15% capital gains rate on this portion instead of the 20% tax rate had he received an all-cash deal. With all four candidates being a good fit, Alan was forced to make a very tough decision, ultimately accepting the offer from Jon Kuttin of Kuttin Wealth Management, a Barron's Top 100 advisor based in New York.

SRG facilitated due diligence, provided customized purchase agreements, and facilitated the financing. During this time, Alan, Jon, and Jon's team were able to craft a rollout plan leveraging SRG resources and samples in SRG's 9-Steps to Success.

TESTIMONIALS

WHAT OUR CLIENTS SAY

"As a firm, we are extremely pleased to become the successor of Alan's practice. It was clear to all of us how much Alan cares about the well-being of his clients. Ashley Lang will do her very best to continue to serve Alan's clientele with the attention to service and detail they have become accustomed to. Working with SRG made the entire process seamless. We are looking forward to our continued relationship with SRG and growing our practice through additional acquisitions."

— **Jon Kuttin**
Buyer



About Succession Resource Group

Succession Resource Group, Inc. (SRG) is an award-winning succession consulting firm with decades of combined industry experience. SRG possesses a unique combination of skills, resources, and expertise to provide turnkey solutions helping advisors understand the value of their business, develop strategies to improve that value, protect the value with proper agreements and plans, grow through M&A, and create/execute their exit strategy.



Seller Advocacy

Looking for a suitable successor to take care of your clients and grow your business? No risk and no cost — we help advocate for your business, find and filter through potential buyers, negotiate, and close the deal.

Learn More:

<https://successionresource.com/seller-advocacy/>

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