



Ebook for Financial Advisors

# Seller Readiness E-Book

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# Know Your Numbers

The sale of any business comes down to the buyer's expectation of a return on their investment, so understand your financials and start preparing materials for due diligence:

- Registered Reps: Put GDC on your P&L along with line items for recurring and non-recurring revenue sources and make BD costs line items as COGS.
- Review your Profit and Loss Statement, eliminate non-essential or personal expenses.
- Separate owner's compensation (owner's salary, owner's insurance, owner's payroll taxes, owner's retirement plan contributions, etc.).
- Review debts of the business and long-term obligations a buyer would need to assume, including things like your lease.
- Verify total assets under management, including a breakdown of where assets are held and what type of products those assets are in.
- Prepare a pro forma P&L for any potential purchaser showing what expenses would look like going forward.
- Review historical revenue growth rates (explain anomalies).
- Review revenue sources for last twelve months and determine if revenue is transferable.
- If you sell alternatives that will take years for a liquidity event or have annuities with long surrender charges, be ready to provide data and explain.
- Be able to explain any uniquenesses in your business.

# Value Your Business

The value and payments you receive for your business will be a big part of the decision and timing for a sale. Consider the following:

- Learn about most common valuation methods for financial advisors, as well as industry average valuation “rules of thumb.”
- Obtain a 3rd party valuation of your business. Even if you have a good idea what you think it’s worth, or what you want, buyers will likely want verification and lenders will require it.

## M&A Data

### Average Multiples of Revenue



# Spring Cleaning

## Getting Your House In Order!

- Verify and document internal processes.
- Review value detractors identified in valuation and prepare a pre-sale 'to-do' list of areas to work on. Primary areas of focus in general:
  - Shift as much of the revenue to recurring sources as possible.
  - Identify areas for potential growth.
  - Work on sustaining growth in the years prior to sale.
  - Reduce overhead.
  - Eliminate long-term obligations.
  - Create documentation and manuals for everything you do!
- Assemble your M&A Team.
- Avoid floating the 'idea' of selling to your network. When ready, leverage an advocate like SRG who can commit the time and resources to screen as many possible candidates as possible – you will only do this once and you owe it to your clients to be sure you have selected the best possible successor/buyer.

## Planning for Change

Change causes uncertainty, no matter how much planning we do. Selling your business, giving up control to someone new, and turning off your income can be unnerving. Consider the following to help prepare you:

- Why are you thinking about selling?
- What do you plan to do in retirement?
- Will you be able to trust someone else with your client relationships?
- Will you have enough money for retirement?
- Is your counsel supportive of your decision?
  - Family
  - CPA/Accountant
  - Lawyer


## Know What You Want


- Determine your ideal transition plan.
  - Internal vs. external.
  - Partial sale versus entire buy-out.
  - Shorter term consulting or longer term employment.
- Figure out how long you think it will take to hand off the relationships (typical transition period is 6-18 months and 500-700 hours).
- How much of the value would you like to receive as a down payment?

### Consider


- More cash = lower price.
  - Tax implications as it relates to the timing of payments.
- Understand typical deal structures for financial service practices so you are able to negotiate with full information.



 **VALUE**      FA CMA Valuation  
FA Appraisal

 **IMPROVE**      Entity Support Service  
Employment/Teaming Resources

 **PROTECT**      Contingency Planning

 **GROW**      Deal Support      Offer Letter  
Buyer Program      Lending Support

 **EXIT**      Seller Advocacy  
Succession Blueprint  
Employee Ownership Plan

**Let's Talk.**

Click to schedule a call with our team.

## 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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