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Members

330

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this Month

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Six Tips For The Retiring Independent Advisor



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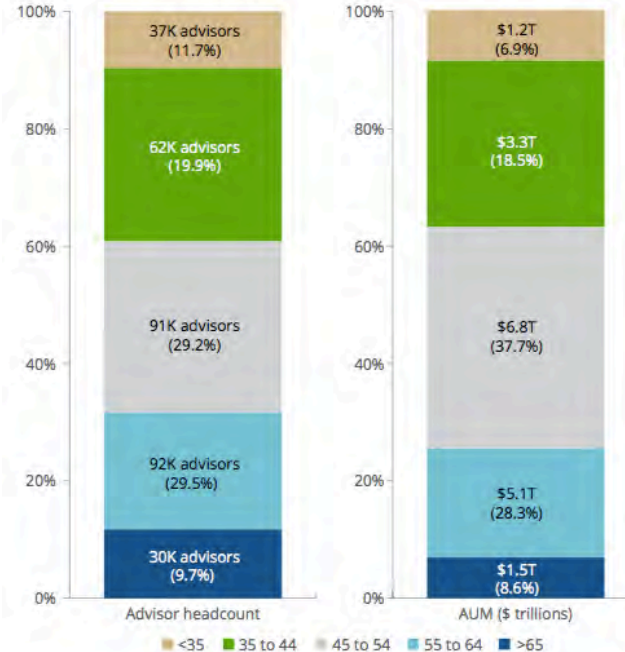
Fact: Advisor Retirement is on the Rise

- **1/3** of advisors planning to retire in the next 10 years are **unsure about their succession plan***
- Advisors **55 years or older** account for **more than 39% of all advisors**
- Advisors in the 55+ age group manage **\$6.6 trillion** of clients' assets.

*Cerulli Associates U.S. Advisor Metrics 2017: The Next Generation of Planning
<https://www.wealthmanagement.com/industry/baby-boomer-advisors-near-retirement-many-have-no-game-plan>

Exhibit 3.01 Advisor Age, 2016

Sources: Cerulli Associates, Meridian IQ, Investment Company Institute, Insured Retirement Institute, VARDS, Strategic Insight/SIMFUND, Investment News, Judy Diamond, Department of Labor, PLANSPONSOR, S&P Capital IQ MMD, Financial Planning, Financial Advisor Magazine, Investment Advisor Magazine, and Cerulli Associates, in partnership with the Investment Management Consultants Association, WealthManagement.com, and the Financial Planning Association® (FPA®)



1

Make Your Retirement Goals Clear



1 Make Your Retirement Goals Clear



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How are you going to receive your payout?

- Will you opt for a shared revenue stream (earn-out)?
 - Seller Stay On?
- Seller Financing?
- Lump sum payment?
- Payout with no seller financing or shared revenue stream?

2

Get Your Books in Order



2

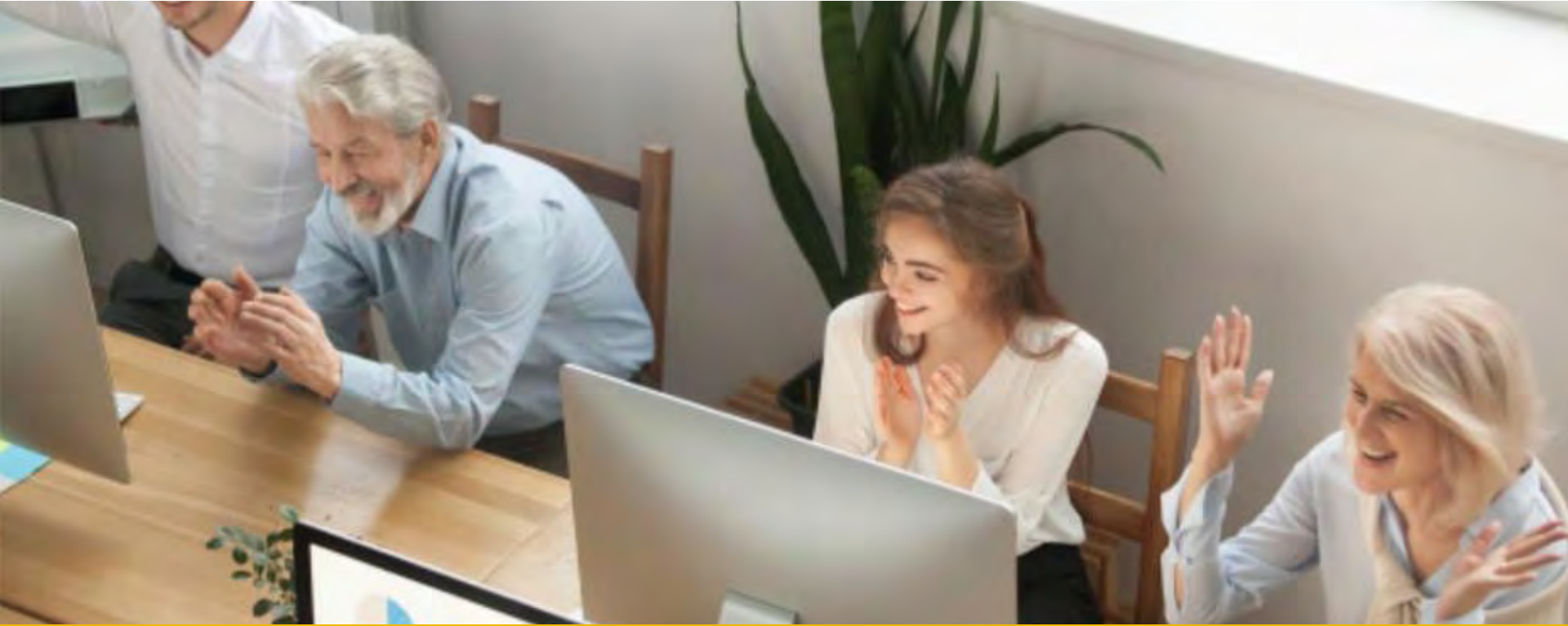
Get Your Books in Order



- **Entity Documents**
 - Bylaws, Articles of Incorporation, Certificates of Good Standing
- **Financials - Past/Present/Future, Bank Statements**
- **Tax Returns**
 - (business and personal) (2 years)
- **Book of Business detail**
 - 12-24 months of statements from B/D or RIA
- **Client Demographics**

3

Tie Talent to the Firm



3 Tie Talent to the Firm



**Share
Equity,
Not Control.**

4

Allow Enough Time



4

Allow Enough Time



10 years

5 years

Retirement

Long-Term Team Succession

5-10 years

Hire and develop successor
Identify a mentor/
seasoned FA

Merger

3-5 years

Integrate practices
with the goal of
one partner selling
to the other

Outright Sale

1-3 years

Sale with limited
transition period

4

Allow Enough Time

“He who fails to plan
is planning to fail.”

5

Find the Right Buyer



5

Find the Right Buyer

- **Consider Compatibility**
 - Investment philosophy, location, business mix, AUM, clearing firm
- **Personality Match**
 - Take your time
 - “Date around”
 - Self Value Proposition

Leverage technology to find your absolute best match!



Do Your Due Diligence on Your Potential Buyer's Book!

- Ask for financial statements
- Look into previous M&A history
 - Reputation
 - Branding
- Do they have cash? Will they borrow?
 - Pre-approved if borrowing?



Financing Options

Small Business Administration Lenders

- SBA Loans
 - 10 year repayment
 - Variable rate (prime + 2-2.75%)
 - No pre-payment penalty



Non-SBA Lenders

- Conventional Loans
 - 5, 7 or 10 year repayment options depending on lender
 - Fixed and variable rate products
 - Pre-payment penalty varies by lender and product



6

Generate Your Exit Strategy



6

Generate Your Exit Strategy



1. Consider Grooming a Junior Advisor

- How much time do you have?

2. Working in Retirement

- You may not want to sell but that doesn't mean you shouldn't know what your business is worth

3. Retiring Outright

- Compatibility with purchaser (tech, custodian, philosophy)

4. Merging your Business

- Helps build the bridge and may afford you with the perfect balance of work/retirement mix

Don't Forget!



- 1. Make a decision and have a plan.**
- 2. Collaborate and build trust to ensure the future of the practice.**
- 3. Execute a communication strategy to announce the changes.**

Six Tips For The Retiring Independent Advisor

1. Make Your Retirement Goals Clear
2. Get Your Books in Order
3. Tie Talent to the Firm
4. Allow Enough Time
5. Find the Right Buyer
6. Generate Your Exit Strategy



**Diana
Cabrices**



Shawn Rogers

THANK YOU!

Q&A

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