



Creating A Path To Ownership

A Guide For Nextgen Advisors and Founders

Table of Contents

Nextgen Advisor

Taking the Ownership Leap Pg. 3

Approaching the Founder(s) Pg. 6

Owner Advisor

Why Encourage Nextgen Ownership Pg. 9

An Overlooked Avenue of Growth Pg. 10

Know What Your Practice Is Worth Pg. 12

Doing the Deal

Affordability of Phased Successions Pg. 14

Financing Options Pg. 18

Loan Structure Pg. 20

Risks and Protections Pg. 21

Keys to Success Pg. 22



Nextgen Advisors

Taking the Ownership Leap

Transitioning from a support staff or Junior Advisor role to that of owner and leader requires a significant mindset shift, as well as a new set of skills to be effective. You have to be able to see and think about the whole business, not just your own tasks and clients. You must be able to make strategic decisions, to see the costs associated with those decisions, take responsibility for mitigating risks, and be able to guide a team toward goals.

As an owner you are equally responsible for the gains as well as the losses of the practice. Its not enough to be good with clients or good with investing. You must develop the skills and attitude of a business owner and a leader. That means developing a CEO mindset, crafting systems thinking, managing business financials and metrics, and honing your ability to build and communicate a brand and a company culture that attracts the right talent and clients.

A CEO Mindset

As you move into a leadership role, your focus should naturally shift from handling the day-to-day needs of your clients to running and building your practice at a strategic level. There will likely be a period in which you serve a hybrid role as both a client servicing advisor and as a practice leader. This can last for years, depending on how quickly you grow the practice and how you and your partners choose to structure the firm. As a leader, you must be smart with your time and make sure that your energy and efforts are being put to their highest and best use, while delegating the rest.

Making the shift from advisor to owner and practice leader means learning how to delegate and distribute tasks to the team and how to keep your time and energy focused on defining the path of the organization, setting goals, and leading the practice toward those goals. You also need to learn how to make very difficult and strategic decisions that will strengthen the organization and help it grow through an ever evolving and, at times, tumultuous economic climate. This means building an understanding of the market, how to run an organization, how to develop and execute strategic plans, and how to recognize and prioritize opportunities while mitigating risk.

Systems Thinking

In a team practice, operational performance becomes a major focus of the practice leader's time and energy. To efficiently scale a financial advisor practice, you need reliable, flexible systems that can support every aspect of operations and that can grow as the practice grows. As the practice leader you need to learn to identify and source financial services technology, develop processes and procedures for key operations, create compensation structures, and establish, train, and maintain standards for delivering client services.

Brand and Culture Management Skills

For a team-based practice to be successful, the leaders of the practice must establish a clear brand and practice culture that attracts and retains talent and clients. A brand and culture extend beyond the personality of the founder or any single advisor. They are based in clearly defined values, a powerful mission, and in the norms and behaviors that are developed and reinforced by the entire team. As the leader you need to know how to define the brand and culture, how to communicate the elements of that brand to clients and staff and be able to define and reinforce expectations so the organization can live up to the desired culture.

As a Junior Advisor moving into a partner role, you will need to work closely with the founding partner(s) to develop the brand and culture for the firm, as well as the long-term vision for how the practice will grow and evolve. Creating a shared vision is crucial for aligning partners and staff around a common goal, and for establishing a culture that attracts the right staff and clients. To be successful, you as a leader must learn the elements of culture, how to cultivate and communicate a compelling vision, how to align team members to core values, and how to communicate a compelling brand story to clients.

Financial Management Skills

As you evolve from solo advisor to practice leader, you must become more adept at managing the financials of the practice, not just client portfolios. You must become knowledgeable in the factors that drive practice value and profitability and know how to manage and influence those factors. This means knowing how to read financial statements, understanding how client composition impacts practice revenue, securing business valuations, and managing practice expenses to maintain profitability.

As the old saying goes, what got you here won't get you there. Your practice will evolve over time and go through many phases of practice development, which will require you to evolve and change as well. To manage and grow an effective practice, you need to develop new skills that will help you become a leader, not just a skilled financial advisor. This may require you to take a class or to engage a coach to help you develop the mindset, skills, and vision to become an effective leader.

Engage a Coach

A coach can have a tremendous positive impact on an advisor's success before, during, and after the close of a partner buy-in deal. An experienced coach can provide an objective perspective and specific knowledge about what works, is able to help the advisor foresee and mitigate potential challenges, and helps the advisor identify and fully exploit opportunities he or she would not be able to on their own. They can also help an advisor develop the leadership skills necessary to step into an ownership role.

Specifically a coach can help the advisor in the following ways:

- Honing your message before approaching the owner
- Understanding your options and how to negotiate a deal
- Educating you on proper terms and the process
- Developing a transition plan
- Identifying any structural changes or opportunities
- Serving as an ongoing confidant and objective third-party
- Developing a vision and plan to execute that vision
- Holding you and your team accountable

Some coaches specialize in certain areas, or are part of a team of coaches that can help meet all needs of a leader or practice, while other coaches serve as generalists helping guide the advisor through all areas. It's best to seek out a coach who has experience in the advisor space as well as one who has experience with facilitating partner-buy ins and preparing leaders for their new ownership role.

Approaching the Founders

Making the Case for Partnership

In some cases, a founding advisor has actively recruited a junior advisor for the purpose of cultivating a successor. As a result they often already like you and trust you and see you as the future leader of the practice. Even still, they may not feel that an advisor is ready to graduate to the level of partner, or they may have concerns about the risks involved with taking on a partner. No matter your role in the firm or your relationship with the founder, it's important to take the time to develop an approach, one that takes the needs and concerns of the founder in place and which positions you as a qualified and committed candidate.

Start By Defining Your Why

Before approaching an owner, you need to define your reasons for seeking a partnership. The first reason for defining your why is it serves as a foundation for setting goals and defining your path forward as an advisor and practice leader. The second reason is that Senior advisors will ask you why you want to pursue a partnership role. They want to know that your why aligns with theirs, and that it will support or enhance the direction of the practice.

This is why it's important to know your owner well. The more you know and understand their motivations, goals, and values, and how those manifest in the way they do business and serve clients, the more able you are to draw the connections between their motivations, style, values, and goals to your own. This allows them to view you as the right candidate to carry the torch and to preserve the legacy they have built in their practice.





Communicating Your Interest To The Owner(s)

When it comes to approaching the owner, it's important to remember that your reasons for buying into their practice won't matter to them unless you can connect your values and goals to their personal needs and goals and the needs and goals of the practice. They will choose a partner or successor whom they believe is the best candidate, who has their client's best interests at heart, and who best aligns with the values and strategies they used to build their book of business.

Make it Personal

Share real life stories about why you got into the business, how you go above and beyond to serve customers, and how you envision your role growing in the practice. Make sure to tie your role and your changing respon-

sibilities to the vision and goals of the practice. What new tasks or activities will you engage in as a partner? How will you help the practice grow or meet its goals? What risk are you willing to assume as an owner?

Address the Owner's Concerns

It's key to ask the owner if they have any concerns either about you or about allowing a partner into the practice. Address their concerns with care, making sure to demonstrate that their concerns are valid and how you will mitigate those concerns.

Put It In Writing

Draft your case, complete with personal stories and how you will take care of clients, in a written letter to the seller.

Owners



Building A Legacy

Your practice is one of the largest, if not *the largest* asset you own and signifies years, if not decades, of hard work and investment. Many advisors want to leave behind a successful client service legacy, as well as enjoy the fruits of their labor in their retirement years. A significant part of that legacy is the process by which you hand the torch to a successor, be it an external buyer or by passing the torch to a Nextgen advisor within your practice. There are no one-size fits all solution. However, there are a number of benefits that are specific to a phased internal succession that owner advisors should consider.

Why Encourage NextGen Ownership?

You get to mold your successor.

A common concern for founding advisors is finding an advisor who will provide their clients with the same level of care and service as they have provided. There is no better way to ensure that than by cultivating a successor from inside your practice. By training them and guiding them, you instill your values and style into how they do work.

Develops ownership mentality and accelerates growth through shared value.

When an advisor or staff member takes an ownership stake in the practice, they officially have skin in the game. At that point, they start to behave differently, and are more motivated to do what is necessary to drive growth and meet practice goals. They also become more mindful of managing risk to the practice as well as managing expenses.

In terms of accelerating growth, we have seen a dramatic increase in the number of clients and in revenue following a partner buy-in. This translates to higher profit margins and operating income, as well as increased value for the practice. As a founding partner, this increase the value of the shares you sell over time, often increasing the overall equity realized by the founder compared to if an owner engaged in a full practice sale as a single event.

It allows you to retain talented staff.

Talented staff are drawn to opportunities to grow and improve. Often that includes achieving a leadership or ownership role in a practice. Providing talented advisors and staff with the option to buy-in to the practice allows you to retain valuable team members who other-

wise would leave to start their own practice or join a competing firm.

It creates trust and removes silos of interest. As team members become owners, they become unified in the vision and goals of the practice. Instead of acting in their own self-interest, they have an incentive to act in the best interest of the practice. This includes sharing information, taking care of all clients instead of just their own, and looking for joint opportunities that will benefit the whole practice.

Lays the groundwork for a seamless transition and more rewarding succession.

Advisors are constantly reminded of the need to put their own succession plan in place, yet less than 18% of advisors have a written succession plan. Advisors have many options for succession planning, but internal phased successions provide a “best of all worlds” scenario that leads to higher returns for the founder and a better transition and experience for clients and staff. Specifically this translates to less client attrition and less staff upheaval.

As the Nextgen advisor moves into a leadership role, they take on a greater number of clients and start building a personal relationship with each one. This allows the founding partner to gradually step back while empowering and endorsing the Nextgen partner. Clients who have a strong relationship with the successor are less likely to leave when the founder ultimately retires. The same is true of staff, who start to become comfortable with the Nextgen advisor as the leader of the practice and who know that a change in ownership will not result in uncertainty or job loss.



An Overlooked Avenue of Growth For Advisors

When it comes to growing a financial advisory firm, growth strategies usually land into two camps: organic and inorganic growth. Organic growth generally involves client prospecting and business development efforts while inorganic growth focuses on mergers and acquisitions. Between these two paths lies another overlooked avenue for growth for financial advisors – next generation leaders within the firm.

Next generation leaders are largely an untapped resource, or at the very least, are underutilized and under incentivized as it relates to the metrics that drive growth in a financial advisory firm. A firm with a single owner can quickly reach capacity, even with a team under them, as a single owner or leader can only do so much to drive growth on their

own. An upcoming advisor who has an ownership interest in the firm will work harder, longer, and more intentionally than one whose performance isn't tied to growing revenue and profitability. Too often advisors plug in Junior team members in order to simply manage a piece of the business. But, if the advisor is able to purchase an equity interest and tie themselves to the long-term success of the firm, they are now more incentivized to take great care of their existing client base and take a more involved role in the future growth of the firm.

The key to tapping into this overlooked resource is to pick growth minded advisors and properly align the rewards to important metrics, while properly sharing risk.

Identifying NextGen Leaders

Not every junior advisor is fit to become a potential partner in the practice. Candidates are those who are not only skilled at delivering financial services, but who possess or who can develop strong people and leadership skills. As a partner they not only need to develop new clients, they must also effectively lead and manage a team of professionals. If they don't already have these skills, there must be a process in place for them to develop these skills. They must also care about and understand what drives revenue growth and profitability in a firm and how to evaluate business financials and reports. Professional development in these areas can be used as a prerequisite for consideration for partnership and help weed out any potentials who look good on paper but ultimately won't deliver.

Structuring Incentives

When building a path to ownership, it is important to structure incentives so that they encourage the right activity and behaviors that ultimately drive growth. There must be clear expectations and standards set, along with methods for reporting on those standards and defined penalties if they are not met. If a firm designs a compensation structure that isn't tied to metrics that actually matter, they may find themselves overpaying junior advisors and minority partners. If compensation is tied to what matters most to the organization and not just to what the advisor wants, the advisor is more likely to do what it takes to generate new business and properly manage and serve existing clients.

Assigning Risk

Ownership in any business naturally comes with a certain amount of risk. Even minority owners, which NextGen leaders often begin as, should assume a certain portion of risk properly aligned with the rewards of ownership. Tying compensation to firm performance ensures that the advisor is only rewarded if the company does well and not rewarded if the company declines for any reason. This ensures that all owners, no matter what percentage stake they hold, are motivated to do what is needed to keep the firm growing and profitable.

Again, the firm can only grow to the extent it has enough leaders who are motivated to grow it. Building out a pipeline of next generation leaders ensures that the business is not only growing and profitable today, but that it can persist after the founder has gone. By doing so, you not only build a business, you also build a legacy.



Know What Your Practice Is Worth

Before engaging in any serious discussions with a Nextgen advisor or any potential partner or buyer, it's important to know what your practice is worth. Too many advisors try to rely on averages or other indicators as a determination of value. Often this can seriously undervalue the practice, which can lead to problems later on in the process. Too often **averages and other common methods can lead to a firm being valued for as much as 60% below the normal selling price for a practice.**

Instead of relying on guestimates, a professional valuation gives both the founding advisor and potential partners concrete information to work from. For the seller, a proper valuation can inform the timing of the succession and its phases, especially if it indicates that the value of the business is shrinking due to an aging client base. A professional valuation also ensures a fair market price for both parties.

Many factors influence the value of your practice, including revenue and revenue sources, staffing, client composition, client assets, liabilities, and numerous others. As a result, the valuation can also serve as a business planning tool for you and your new partner.

Specifically, a professional valuation shows financial advisors:

- The composition of their client base and how it drives revenue now and in the future. Specifically, the percentage of high-net-worth clients in relation to mid and low-level clients, and the average age of clients.

- Practice profitability. Namely how efficiently a practice is managing expenses compared to revenue.
- How other firms of comparable size rank in key benchmarks, including client composition and profitability.

With this information, advisors can make critical business decisions including but not limited to:

- Which clients to keep and which clients to either sell or transfer to Junior Advisors
- Strategies for marketing to key populations that represent their most profitable clients
- Where to eliminate or reconfigure expenses in order to improve profitability
- Where to increase services or product sales in order to increase revenue and profitability
- If the firm has the right staff size and mix to support the current client list

Of course, as it relates to Nextgen advisors, **valuations can be a tool for creating discussions around compensation structures and partner buy-in opportunities.** The valuation shows a Junior Advisor what it takes to make the business grow and be profitable. It also allows both parties to set realistic expectations about responsibilities and to structure incentives that drive practice value. As partners and staff see the numbers improve year over year, they get excited to do more to help drive practice value and growth. This leads to more opportunities and financial rewards for all parties.



Making The Deal

Structuring and Financing a Partner Buy-in

Like with anything, there is no one size fits all solution to structuring a partner buy-in. There are many things to consider, including how shares will be divided and valued, how the junior advisor will purchase those shares, how many phases will the successions go through and when, as well as any other criteria the parties deem necessary. For the purposes of this guide, we will focus on the most common methods for structuring and financing a partner buy-in.



Affordability of Phased Successions

Many Junior Advisors face significant challenges when it comes to doing a 100% purchase of the practice. Often Junior Advisors making their first move into the ownership role will lack the overall personal financial strength to borrow millions of dollars and have no equity in the business itself to contribute towards the transaction. This presents several key hurdles for an advisor to overcome including:

Tighter Cash Flows

Due to the increase in both the size of practices/firms and the increase in valuations, a majority of the distributions to the Junior Advisor

will be committed to satisfying debt payments on the bank loan and/or seller note used to acquire equity/shares. This can create a scenario where there is limited excess cash-flow sufficient to meet the requirements for your typical loan requirements and approval.

Difficulty Accessing Capital

As young professionals, most Junior Advisors aren't positioned financially to borrow large sums of money from traditional lenders. In an internal transition, this limitation may require the selling advisor to finance a larger percentage of the purchase price vs. working with an external buyer who has the ability to offer more cash at closing. This leaves the Junior Advisor beholden to the selling advisor longer and puts the selling advisor into the role of financier. The selling advisor also must forgo a larger liquidity event that they could have realized with a lender financing more, if not all, of the purchase price.

Difficulty Competing With External Buyers

External buyers with an existing book of business or established firm can leverage their lendable equity and drive prices beyond the reach of an internal buyer with no equity or limited third-party financing to draw on. Furthermore, inside buyers cannot base price on their ability to create scale by way of acquisition.

The solution is a phased internal succession. This creates a win-win situation for both parties, one in which the owner maintains control over their succession and where a junior advisor has the ability to transition into a ownership role with incurring financial hardship or jeopardizing the business.



How Phased Successions Improve Affordability for Internal Buyers

Improves Cash Flow

A phased succession improves cash-flow for the Junior Advisor both in the short-term and long-term as they are better able to manage debt payments by financing a lesser amount for their initial purchase. As the Junior Advisor pays down debt and earns more opportunities to acquire equity, they are able to take on more debt for future purchases.

Increases Wealth And Leverage

As the Junior Advisor secures equity, they have the opportunity to create wealth by way of increased income and building a debt free equity position in the practice. This also puts them in a better position with third-party lenders who will see the Junior Advisor as more qualified with an equity stake and improved income to support debt repayment.

More Cash to the Seller

Phased successions can provide the seller with more cash over time without the need for them to provide seller financing. Often, the Junior Advisor helps to grow the practice and improve the value of the firm as well as profits, resulting in bigger payouts over time as additional equity is transferred from the Founder to the Junior Advisor. Its important to note that sellers are more willing to sell equity when they don't need to provide seller financing and when they can secure more cash at the close of each tranche sale.

To illustrate the affordability and benefits to both parties, we have outlined an example in the following pages based on an actual phased succession.

For the first phase of the sale, the founder transferred 45% of their ownership to three Junior Advisors.

Phase 1: Buy-In & Equity Purchase

The founding partner is selling 45% of their ownership interest to 3 minority owners

RIA Overview

AUM	\$250,000,000
Revenue	\$2,000,000
Valuation	\$6,000,000

Deal Structure

Bank Financing	\$2,700,000
Seller Financing	\$0
Buyer's Injection	\$0
Bank Loan Term	10 years

Ownership

	Pre-Sale	Post Sale
Founder	100%	55%
Minority Owner 1	0%	15%
Minority Owner 2	0%	15%
Minority Owner 3	0%	15%

Created a liquidity event for the Founder without having to sell out completely.

NOTES

The Founder received all cash at closing and was not required to sign a personal guarantee

Each Minority Partner provided a personal guarantee in conjunction with a corporate guarantee from the RIA

PPC LOAN funded 3 separate loans in the amount of \$900,000 allowing each Minority Partner to manage the repayment of their individual loan at their desired pace.

Purchase Price: \$60,000 for each 1%

In the second phase of the succession (~7 years later), the owner transferred the remaining shares at a much higher valuation. This is the result of strong year-over-year growth which increased the overall value of the firm between Phase 1 and Phase 2.

Phase 2: Buy-Out

The founding partner is selling remaining 55% of their ownership interest to 3 minority owners

RIA Overview

AUM	\$550,000,000
Revenue	\$3,750,000
Valuation	\$11,250,000

Deal Structure

Bank Financing	\$6,187,500
Seller Financing	\$0
Buyer's Injection	\$0
Bank Loan Term	7-10 years

Ownership

	Pre-Sale	Post Sale
Founder	55%	0%
Minority Owner 1	15%	33.333%
Minority Owner 2	15%	33.333%
Minority Owner 3	15%	33.333%

NOTES

The Founder received all cash at closing

One loan funded to the company with the guarantees of the 3 remaining partners

Borrowers are much more qualified when considering their personal financial strength (they now own debt free equity) and cash-flows.

Purchase Price: \$112,500 for each 1%

Nextgen Ownership Outcomes

Performance Comparison



In the end, the practice saw tremendous growth thanks to the NextGen leadership. This resulted in a better final payout for the Founder, while maintaining affordability for the minority owners, who were able to better cash flow the purchase and debt payments for the second phase of the succession.

"I'll tell you as an owner, you definitely think differently. Once we had some skin in the game we've gotten more aggressive with our marketing and prospecting. Now our prospect list is several pages long."

-Heath Hightower, Financial Synergies Wealth Advisor

Financing Options For Phased Successions

Self-Financing

One option is to finance the purchase yourself. The benefits are that you don't have any liabilities moving forward and you remain in total control of the business. The downside is it limits the size of business you can purchase and ties up much needed capital.

Seller Financing

For many years, seller financing was a popular option, if not the only option in some cases. However, few founders are willing to carry a note, and if they do it is usually at five-year terms. Shorter term equals higher monthly payments, which can significantly impact cash flow. Sellers may still provide a seller note for a portion of a deal, which is often required for certain transactions, but rarely are sellers serving as the sole financier of an equity purchase.

Securing a Loan

For many years, lenders shied away from providing loans for financial advisor equity deals. This was largely due to the fact that they didn't know how to value and structure deals for this industry, especially in a way that was financially viable for an advisor with no commercial assets or with limited liquid capital.

However, in recent years many lenders have entered the field and are providing a variety of loan options to advisors. More importantly, they are offering loans that have terms up to 10 years with interest rates and fees that allow advisors to preserve cash flow while expanding purchasing power. Because of this, most partner buy-ins are financed through loans from specialty lenders.



The Importance of Shopping Around

Lenders are just as varied as any other business, and there are many factors specific to the individual lender that can impact the terms and services they are willing to or capable of offering to you.

Knowledge and Understanding of the Business

Most traditional lenders focus their loan portfolios on “typical” businesses with hard assets such as real estate, inventory and equipment. As a result, typical lenders don’t know how to value and assess financial advisor practices, whose business is largely based on the goodwill of the clients they serve and lacks the traditional tangible forms of collateral. Because they don’t understand the industry or how the business operates, they are unable to creatively structure loans that make sense for a financial advisor’s needs.

Willingness to Assume Risk

There is risk inherent in any loan. However, just as with investors, different lenders will have different levels of risk they are comfortable assuming. The level of risk is also influenced by the composition of their loan portfolio including how diversified it is, the total volume, and how its performing. Their understanding of the risk and their willingness to assume risk is reflected in the loan terms they offer. Therefore, identifying a lender that has a track record of lending to advisors or similar types of goodwill/cash-flow based businesses will be valuable to advisors who need a consistent source of ongoing capital.

Preferred Loan Products

Lenders have preferred loan products. Each loan product has its own standard terms and structure that may or may not be favorable to the advisor’s needs. This is particularly true for lenders who do not specialize in the advisory space and have designed their standard loan products for other industries and business types. Lenders who offer government guaranty loan products must also adhere to strict guidelines issued by the SBA. Because of these limitations, many are not able to provide loans for equity buy-ins by junior advisors with no pre-existing equity in the business.

Lending Criteria

Lastly, each lender has established their own criteria for evaluating and providing credit. Some of this is influenced by the loan products, their portfolio, and their willingness to assume risk. However, some of it can be influenced by an individual credit analyst or manager tasked with structuring and/or approving a loan. This adds a great deal of variability between lenders, even when all other items are equal.

Bottom line, don’t assume that what is true for one lender is true for all. Always look at several lenders when considering a loan. Secure their loan terms and compare them to see what is best for your situation. Be sure to include at least one specialty lender who actively engages with and lends to the financial advisor space. Often, they are the most flexible and willing to lend to financial advisors, especially for phased succession loans.



Nextgen Loan Structure

Because so much of the value of an advisory business is based on goodwill, the value and equity lie primarily in the client relationships and lacks the tangible assets most banks require as collateral. Therefore, this requires an in-depth understanding of the advisor industry and unique loan structure so these can be funded without the personal guarantees of the selling partner(s) or those not taking part in the purchase or sale.

The typical structure for a NextGen loan is as follows:

Borrower

The borrower is the individual acquiring equity in the practice. They are required to make a personal guarantee for the loan.

Guarantor

This is the RIA or BD entity (not the actual broker dealer). A corporate guarantee is required since we don't offer unsecured personal loans. However, no personal guarantees are required from the selling partner or any other partners who are not in need of financing. They are only required to sign on behalf of the entity in which they hold an ownership interest to acknowledge it will serve as a corporate guarantor.

Collateral

The lender will hold blanket first lien security interest over all business assets of both the Borrower & Guarantor.

Risks and Protections

The most common question raised from the remaining partners of the firm who will not need financing is, "Aren't I inadvertently responsible as a ____% owner of the entity serving as a corporate guarantor?" The basic answer is yes; they would be inadvertently responsible. However, it's important for those partners to understand the potential risk, or lack thereof, and how they can protect themselves using the buy/sell agreement. Here are a few standard ways firms have addressed these issues:

1. In terms of protection, most firms will add a default clause to the buy/sell agreement that outlines what happens to a partner's equity in the event of death, disability, and default. In the event of death or disability, the equity or shares would be sold at market value. In the event of default, a discount could be applied where the remaining partners could force the partner defaulting on their loan to sell at a discount to market value (i.e. 10%, 20%, 30%, or any amount agreed upon).
2. Language could be added to the buy/sell agreement allowing the firm to withhold income and/or distributions from the partner in default which would protect the other partners income/distributions from being impacted by the partner in default.

If a default situation ever became a reality, most lenders work with the advisors to find a solution that is favorable for all parties. In most cases, it would not be difficult for a specialty lender to help the firm, or another partner purchase the shares from the partner in default. That is why these financing needs are looked at very favorably and considered to be much less risky when compared to a firm owned by one person with no potential partners or successors.

Know The Rules Specific To Your Platform

Whether you operate under a B/D agreement or are an RIA operating under one of the major custodians, it's critical to know the rules governing your type of transaction. Many organizations have internal succession departments that can advise you on the rules, or you can select an independent coach or succession expert who is experienced in facilitating transactions for your specific platform.

There are also many rules and regulations that govern how different lenders must operate and how different loan products must be packaged and distributed, so it's important to engage a lender early and identify any requirements ahead of the deal. Knowing the rules ahead of time helps you stay ahead of any speed bumps in the process.



Keys to Success in Phased Successions

Start the Conversation

The first step toward a quality phased succession is to have conversations. An open dialogue between senior and junior advisors helps to establish a foundation for understanding and trust, to develop clear expectations, and to determine the best path forward for both parties. Knowing that the interest is there is the key to opening up those conversations and setting in motion the events that need to happen to develop a plan.

Leverage Experts

The other key to success is the knowledge, experience, and resources that a team of succession and lending experts bring to the table. A qualified M&A consultant can help both parties develop deal terms and a transition plan that minimizes attrition and disruption to the business. An experienced specialty lender can provide the capital and guidance necessary to navigate each phase of the succession as well as resources to fuel future growth.

Meet the Authors



Todd Doherty

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As VP of Acquisition and Legacy Planning, Todd Doherty helps advisors navigate the entire M&A process from start to finish. With over 15 years of senior leadership experience in financial advisor firms, Doherty knows first-hand what it takes to grow a successful practice. His specialties include growing practice value, succession and acquisition strategy and planning, business valuation analysis, and operations. Doherty works closely with his team to help advisors make smart decisions and successfully execute practice sales and acquisitions.

To learn more visit
<https://www.advisorlegacy.com>.



Dustin Mangone

Managing Partner
PPC LOAN

As the Managing Partner and Director of the Investment Advisor Program, Dustin spends 100% of his time focused on the acquisition financing needs of investment advisors nationwide. With over 14 years of experience as a cash-flow lender, Dustin has evaluated and underwritten more than \$500 million in funded loans supporting hundreds of business owners across the country that are looking to grow their business by way of acquisition. He shares his experience as an expert source for a variety of advisor industry events and publications.

To learn more visit
<https://www.ppcloan.com>.



Looking for a **NextGen** Loan?

Are you considering buying an equity interest or acquiring more equity in your investment advisory firm?

Whether you're an employee or part-owner of the firm, equity financing can equip you with the flexibility to increase ownership in the business without becoming strapped for cash. PPC LOAN's **NextGen Loans™** allow you to grow your stake in the firm while maintaining a strong financial base.

Our team works with you to design a personalized solution that complements your purchase goals - be it partial equity or a complete partner buy-out. So if you are looking at a one-time equity purchase or have ongoing needs for future equity purchases, we can be the capital partner you can count on.

Faster path to financing

We strive to get you funding quickly. Our investment advisor funding experts have the knowledge and experience to help you acquire the equity you need.

Tailored approach

Traditional banks rarely understand an advisor's business. But at PPC LOAN, we understand your business and can tailor a financing package to suit your specific needs.

Reasonable rates and flexible loan terms

We offer competitive rates paired with flexible loan terms designed to meet the unique needs of your firm and the deal.

Learn more and apply by visiting

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For advisors selling to an associate advisor within the practice, we've designed a flat fee service to support you and your successor.

For our Turnkey NextGen Deal Support Service, we work directly with the selling advisor and their associate advisor(s) who is already working within the practice. With this service you receive:



Our award winning practice valuation that is used both for a basis for negotiating a deal and for securing bank financing.

M&A Consulting

Support with one of our M&A coaches to help the advisor and their successor develop a term sheet and review the deal earnings model. Includes **four meetings with the M&A expert**, supported by email communications.

Legal Agreements

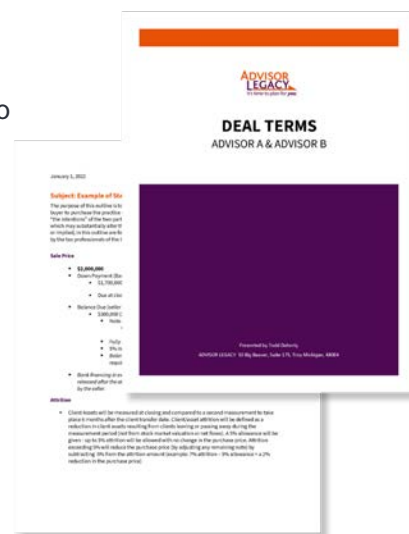
Once the term sheet is developed, an attorney will create the formal legal agreement.

Transition Planning

Two meetings with an Executive Coach to discuss transition planning considerations.

Total Flat Fee - \$12,995*

**Client pays 65% of the fee at the time of purchase. Initial payment is non-refundable once the service has commenced. The balance is invoiced when the term sheet is signed and the attorney is engaged. Invoice for second payment is cancelled if legal support is not engaged.*



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About Advisor Legacy

Advisor Legacy is a comprehensive M&A firm, helping financial advisors grow, protect and transition their practice. With our personalized, consultative approach and over 150 years of combined experience in the financial services industry, our team of experts have successfully handled hundreds of transactions. Most of all, we understand that your practice is more than a business, it is your legacy.

To learn more, go to www.advisorlegacy.com.

About PPC LOAN

PPC LOAN has been serving financial advisors since 2007. We offer competitive rates and flexible financing for a variety of needs. We are committed to your firm's success, which is why our specialists ensure the quality of your financing option is second-to-none. Transparency underpins every interaction you have with PPC LOAN. We're upfront with you about any concerns or issues that might emerge, because we value the trust you place in us. Let us be your lending partner and help your practice grow.

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