ADVISOR LEGACY

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Selling Your Practice in 2026

What Advisors Need to Know About Value, Multiples, and Real Outcomes

If You're Considering Selling, Start Here

If you're thinking about selling your financial advisory practice in the next one to five years, you've likely heard a wide range of opinions about what practices are worth. Some conversations suggest multiples of 4–5x revenue are common. Others are more conservative. The truth lies somewhere in between.

The purpose of this brief is simple: to provide a clear, realistic summary of what drives practice value in today's market—and what ultimately determines what you will walk away with at closing.

The Short Answer: What Range Is Realistic?

Across the past several years, most financial advisory practices have sold between 2x and 3.5x gross trailing 12-month revenue. Results above that range are possible, but they are uncommon and typically involve additional risk, contingencies, or equity participation.

Rather than focusing on headline multiples, sellers should focus on the underlying drivers that determine what a buyer can reasonably pay—and what a lender will finance.

Average Sale Results by Transaction Type (3-Year Data)

Unlike much of the anecdotal information circulated in our industry, the chart below reflects actual three-year average transaction data, broken down by how the practice was sold.

Multiples	2.00			2.50			3.00		3.50		4.00		4.50		5.00
Open Market										3.59					
										$4.08					
Professional						2.74									
						$3.12									
NextGen			2.41												
			$2.74												
Closed		2.29													
		$2.60													
Valuation	2.23		2.4		2.69										
	$2.54		$2.73		$3.06										

Key Takeaways:

- Closed (DIY) transactions averaged 2.29x revenue ($2.60M in our example)
- NextGen transactions averaged 2.41x ($2.74M)
- Professionally supported transactions averaged 2.74x ($3.12M)
- Open Market processes averaged 3.59x ($4.08M)

On a practice with approximately $1.13M in revenue, the difference between selling independently and running a competitive process has exceeded $1 million in average outcome.

Why 4–5x Revenue Is Rare

Every acquisition must work financially for the buyer. That means the deal must cash flow after operating expenses and debt service. Lenders underwriting these transactions require sufficient margin of safety to ensure repayment.

Higher multiples are difficult to achieve because they reduce the buyer's post-acquisition cash flow. When 4x or higher multiples are achieved, it is typically due to one or more of the following:

- The buyer injects significant cash into the transaction.
- The seller accepts equity in the buyer's firm instead of full cash payment.
- A portion of the purchase price is contingent (earn-outs or performance hurdles).

In other words, higher price often comes with higher seller risk or delayed monetization.

What Actually Determines Your Value

Unlike much of the anecdotal information circulated in our industry, the chart below reflects actual three-year average transaction data, broken down by how the practice was sold.

1. Cash Flow

Buyers build earnings models that project revenue growth, operating expenses, and acquisition debt service. After expenses and debt, the remaining cash flow must provide an acceptable return relative to risk. If the numbers do not work, the multiple does not matter.

2. Deal Structure

Price and terms are inseparable. A higher stated multiple may include longer payouts, performance-based earn-outs, or equity rollover. A lower multiple may provide cleaner terms and greater certainty.

3. How the Practice Is Sold

The method used to bring your practice to market has a measurable impact on outcome. Closed (DIY) transactions often reflect relationship-driven negotiations. Professionally managed processes introduce structure, competitive tension, and reduced execution risk.

The difference between selling independently and utilizing professional support can represent a meaningful premium—not just in price, but in reduced risk and improved deal completion.

Three Common Mistakes Sellers Make

1. Fixating on headline multiples instead of net proceeds and risk.
2. Ignoring how expense ratios and growth assumptions impact valuation.
3. Waiting too long to prepare financials, succession plans, and client transition strategy.

Preparation and clarity well in advance of a sale typically lead to stronger outcomes and smoother transitions.

Monetization Is Still Strong in 2026

Despite the noise around exaggerated multiples, monetization of equity in the advisory industry remains healthy. Financing is widely available for qualified buyers, and demand for well-run, recurring-revenue practices remains strong.

The advisors who achieve the strongest results share common traits: clean financials, stable recurring revenue, clear transition planning, and professional deal guidance.

If You're Considering Selling Within the Next Five Years

Understanding your current value—even if you are not ready to sell tomorrow—gives you control. A professional valuation aligned with both market and income approaches provides clarity, improves negotiating position, and allows you to prepare intentionally rather than reactively.

Appropriate expectations, grounded in data and disciplined financial modeling, lead to appropriate outcomes. The goal is not to chase exaggerated headlines—but to structure a transaction that reflects the true value of what you have built.

About the Author

Todd Doherty
VP of Acquisition & Legacy

Todd is an M&A Expert with a special focus on growing practice value. He helps advisors through all aspects of succession and transition planning. Having owned businesses himself, he is able to help advisors make solid decisions.

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