



## Seven Effective Practices for Buyers and Sellers

Over the next decade, more than 100,000 advisors plan to retire. That represents 37% of Financial Professionals in the industry and 39% of total assets under management.\* Whether you are considering retirement or looking for ways to grow your practice, now is a great time to start planning for the future.

Mergers occur when two practices join together whereas acquisitions are one practice acquiring another practice outright. This could involve acquiring another advisor's client base or acquiring the exiting advisor's equity in their practice.

### Deal Valuations

Valuing a practice can seem like a monumental task. After all, it's not just looking at the number of clients and assets, but the relationships with clients and future opportunities within the book.

There are several ways to assess value, but two common approaches are simply a multiple of the revenue generated or a multiple based on EBITDA - Earnings Before Interest, Tax, Depreciation and Amortization. Regardless of the method, there are additional considerations such as tax liabilities and projected revenue that can impact the sales price. It is important to consider different valuation methods and what may best represent the firm.

### Seven Effective Practices for Buyers and Sellers

Buyers and sellers have much to consider, and pre-planning is a key to a successful transaction.

- 1 Define Your Economic and Personal Goals** —This includes what you hope to achieve, how much money you need (whether buying or selling) and what success at the end of the deal looks like. When considering a sale price, it's important to consider the entire package. Ongoing consulting fees after the sale can be substantial but may provide additional support and continuity during the transition.
- 2 Educate Yourself** — Do your homework before approaching an M&A opportunity. Connect with your network to discuss the process with M&A veterans or learn from credible podcasts and internet articles.

- 3 Determine the Value** — An essential point to keep in mind regardless the valuation method used is that the proposed purchase price doesn't have to match the valuation amount. The valuation sets a foundation, a starting point from which you can apply additional risk or stability factors to accurately assess the opportunity and align with your goals.
- 4 Find the Right Partner and Embrace Change** – While you can't replicate yourself exactly, finding a suitable buyer or seller is essential. Look for someone who shares your core values, investment philosophy and concern for your clients. The quickest way to derail a succession plan is for the founder to insist that the successor cannot make the changes they perceive as necessary for the business. Ultimately, the successor should not merely execute the original founder's vision but should also have the opportunity to leave their own mark.
- 5 Understand the Terms of the Deal** – When creating or evaluating a deal, it's vital to understand the terms of the sale. Deals may include performance requirements, timeline of payment, growth projections and other factors that impact the sale price.
- 6 Build a Transition Plan** – A vital part of buying or selling a practice is ensuring client services are unaffected during the process. Keeping clients informed throughout the process and properly introducing the transition can help build trust, which is an essential component of the transition.
- 7 Partner with Experts** — M&As are complex and partnering with the right experts can help minimize risk and maximize value. Look for professionals, including lawyers and valuation experts who specialize in M&A, to help navigate and guide you through the process.

## The Need for Succession Planning

Succession planning isn't just relevant for Financial Professionals who want to safeguard their practice or sell their businesses. It can also be a path to significant growth. Whether you are on the buying or selling side, one of the biggest components of a well-crafted plan is a seamless transition. That's where a reliable, like-minded partner can make all the difference.

As a partner to thousands of Financial Professionals across the country, Avantax can be your strategic resource for your next opportunity. Our extensive network of buyers and sellers, Avantax Planning Partners acquisition model, and access to guidance and resources, you can feel confident that your next M&A will be a transfer of trust for you and your clients.

**Whether you're ready to talk, or you simply have more questions, don't hesitate to contact us at 800-742-7950 or [businessdevelopment@avantax.com](mailto:businessdevelopment@avantax.com). We're happy to discuss how we can help you plan for a successful future.**

\*Source: Cerulli

Avantax is a distinct community within Cetera Wealth Services, LLC. Securities offered through Cetera Wealth Services, LLC (doing insurance business in CA as CFGAN Insurance Agency LLC), member FINRA/SIPC. Advisory Services offered through Cetera Investment Advisers LLC, a registered investment adviser. Cetera is under separate ownership from any other named entity. 3200 Olympus Blvd., Suite 100, Dallas TX 75019, 972-870-6000

Financial professionals affiliated with Cetera firms are either Registered Representatives who offer only brokerage services and receive transaction-based compensation (commissions), Investment Adviser Representatives who offer only investment advisory services and receive fees based on assets, or both Registered Representatives and Investment Adviser Representatives, who can offer both types of services.

100825