

Practice Management & Succession Planning for Advisors

Goal of Today's Presentation

■ To improve awareness of Advisors

- sales person to business person
- job to multi-faceted business
- provide an overview/introduction to retooling or fine-tuning your practice
- abbreviated version of first part of one-day workshop giving hands-on practical information on practice management and succession planning

Observations about Business Transfer

- More Sellers than *qualified* Buyers
- Most Sellers not *emotionally* or *financially* ready
- Most Buyers don't have *clear strategy*
- Breakdown often due to philosophical or emotional issues
- Sellers have inflated ideas about value of business

A Transfer of Trust

Business transfer

- Transition vs. transfer from existing to new advisor
- process vs. event
- both a science and an art
- not what most advisors think it is

A transfer of trust (cont'd)

- Face to face with key clients (define who is key and why)
- Transition vs. transfer from existing to new advisor
 - old advisor available for consultation or support for set time or certain situations
 - ensure the transfer does occur
- letters to other clients (process vs. event)

Creating Equity

- Your biggest challenge is to design your business so that you can assist your clients in maintaining a high quality consistent experience while securing your profitability in these changing times.

Value-Building Strategies

1. Plan ahead

- need to understand how practices will be valued -- then design practices accordingly
- huge value created by developing systems that help create equity ASAP
- develop or review your vision and mission statement

2. Maintain good financial records

- Monthly reports of what was budgeted, actually spent, and the variance between the two.
- To potential buyers, credibility of financial statements based upon what firm prepared them.

3. Be profitable

- Think long-term profits versus short-term transactions.
- Focus on free cash flow as the primary determinant of value.
- To maximize valuation, be solidly and consistently profitable.

4. Make yourself dispensable

- Build a client base that is transferable
- Most important factor in creation of equity and improving quality of life
- If firm revolves around owner, business cannot be transferred to anyone else
- Consider establishing an investment committee you chair
- Do the same with employee benefits and group(ed) programs
- Consider doing the same again if you stratify your clientele and delegate day-to-day support and work to others

5. Monitor key ratios

assets under management, revenue & free cash flow

review monthly

staff and others important to the business

Other key indicators include:

number of new accounts	Errors
Any closed accounts	Average fee
Additions	Cash position

5. Monitor key ratios and review monthly (cont'd) Still more key indicators to review including:

Persistency (13,25,36...)

Conservation

Additions

Withdrawals, loans, cash values

Average face amount

Errors

concepts used

graph reports

for trending and possible action

6. Apply business management techniques

- building in the right systems
- communication -- internal & external -- must do
- employees -- firm's most valuable assets

- set goals for staff
- For best results, goals should be:
 - specific, measurable, achievable, results-oriented, and time-bound
 - build in rewards

7. Maintain service, responsiveness, and consistency

- Quarterly client meetings
- Move from transactional based to service based operations
- Client relationships - reactive to proactive
- It's about adding value
 - If clients have no reason for continuing to pay
 - buyer not going to pay much of a premium

8. Establishing the fit

- bottom line --- strategic fit?

9. Facilitate the transfer

- a long-term decision... Do not expect to sell and be out in 90 days.
 - Eg. For large investment blocks at a minimum, the transition about two years (More often four years.)
- thinking about selling? ...plan out timetable to accomplish goals.
(One year to organize a retirement in five years)

10. Embrace Compliance & Education

- reputation, credibility and professionalism of vendor and purchaser critical to:
 - client retention, minimizing work/optimizing value proposition (Duty of Care, market conduct, and compliance)
- incorporate PIPEDA regs & guidelines into practice and valuation
- willingness/consent of clients when assessing/ transferring files

Value-Building Strategies one more thing

Get Help

- e.g., a CA who understands this business and valuations
- Most importantly, assistance should come from someone familiar with mergers and acquisitions
- Get to know people who have had similar experiences
- do it for yourself... not by yourself

One day workshop offering

interactive format

up to 7 CE credits

handouts, samples, reference material, worksheets

- Building Value, Practice Management
- Legal Issues and considerations
- Valuation Formulae and considerations

Lifecycle of a Practice

Transferability & Sustainable Value

What is Being Sold? A **business** or a **book of business**?

Conclusion - Focus on Creating Equity

- Whether or not a firm is ever going to be sold, a focus should be put on creating maximum value as if it were going to be sold.

relationship, trust & opportunity

- Looking forward to an even more productive and compelling relationship
- let's grow together