



# HORIZONS

SUCCESSION PLANNING PROGRAM

**AUSDAL**  
FINANCIAL PARTNERS





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# SUCCESSION

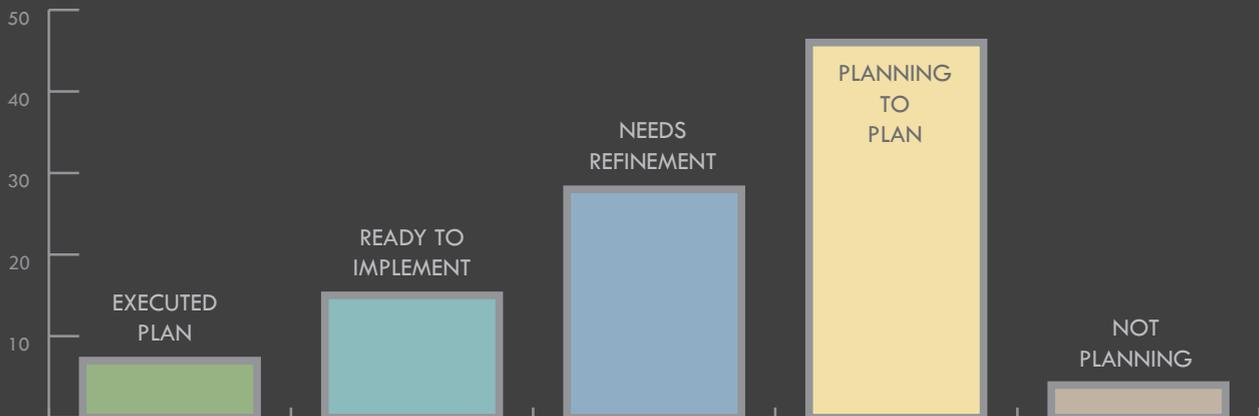
Nearly all independent financial professionals recognize the need for exit and business succession planning, but comparatively few have taken steps towards executing a plan. In fact, recent industry studies indicate that more than half of all advisors expect their business to contribute significantly to their retirement funding, yet fewer than ten percent have actually executed a plan.

Business succession doesn't just set the stage for retirement. A comprehensive plan will protect against unforeseen circumstances, ensure continuity of service for your clients, build equity value in your business, maximize it's ultimate value and most importantly, allow you to retire on your own terms.

With AFP Horizons, Ausdal Financial Partners has developed the resources and relationships necessary to help you integrate succession planning into your practice and provide a solutions that are appropriate for you and your business regardless of where you are in your career.

## SUCCESSION PREPAREDNESS

2012 IN/Moss Adams Advisor Solutions Succession Planning Study





# BUILDING EQUITY

“Begin with the end in mind”

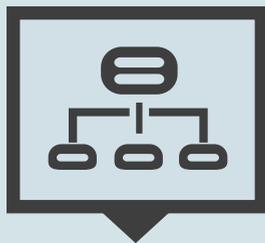
-Steven Covey

The value of financial services practice is seldom determined solely by cash flow. In fact, many top producing advisors are shocked to learn that regardless of their practices success and revenue stream, it is of comparatively little monetary value at the end of their careers.

Equity in a financial services practice reflects the value the firm brings to a potential buyer. It is determined by the quality of the practice's clients, cash flow stream, infrastructure and most importantly, ability to sustain itself and compete into the future.

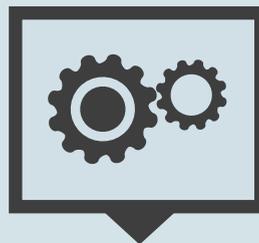
Consequently, advisors looking to build a practice of enduring and transferable value are well advised to look beyond cash flow and focus on building an organizational structure that enhances the organizations ability to remain viable outside of the key individual's efforts.

Building a practice focused on building equity requires a time, effort, foresight, and the proper preparation. AFP's consulting partners can provide the analysis and direction needed to develop a business plan and end game strategy.



### Structure

A strong organizational structure can collect income, pay operational expenses and compensate employees for work performed will build organizational value.



### Business Mix

A consistent investment philosophy, plus an emphasis on building ongoing revenue streams and repeatable marketing systems will boost value to a potential successor



### Service & Staffing

Building a strong service team and next generation of talent can boost client satisfaction and reduce dependence on a key personality, ultimately optimizing equity.

# GROWTH AND ACQUISITION



## BUYING A PRACTICE

An acquisition may be the fastest way to grow your business. Baby boomers are aging and nearly a quarter of advisors are expected to retire within the next decade. However, finding a business to purchase can be challenging. Buyers are plentiful and independent advisors enjoy deep personal ties to their business. Many established advisors have come to rely upon the relationships, lifestyle and income stream their practice provides and often chose to remain active into their seventies and beyond.

For the advisor hoping to grow via acquisition, the challenges are formidable, but it is important to be persistent and not get discouraged. Successful acquisitions depend heavily upon the match between buyer and seller and their shared ability to work toward a common goal. It should be no surprise that the majority of successful transitions take place between advisors who were personal contacts before the deal and more than 65% of all transitions occur between members of the same firm.

## AFP HORIZONS

AFP's Horizons program and internal broker-dealer resources present the simplest and most direct solution for the advisor hoping to grow through acquisition.

In addition to being able to introduce interested parties, our long-standing relationships with advisors and knowledge of their practices can help streamline the process. In the event that you are unable to find any opportunities at Ausdal, our Horizons partners will work with you learn about your needs, and identify quality prospects from open market listings. Once a seller is identified, AFP can provide consulting support to help you gather information, evaluate the deal and execute the transaction efficiently. Should you require some additional cash in the process, our banking partners are available to provide funding.



# EXIT PLANNING

Return On Effort

## SUCCESSION

Every business owner needs a succession plan. However, many financial professionals avoid succession planning largely because they perceive their options are limited to selling their practice for a small multiple of earnings and walking away or simply curtailing their activities and allowing the practice to decline over time.

A solid succession plan can accomplish much more. With the proper strategy and time line, it can help establish a long-term growth strategy allow the owner to build the practice, maintain control, work less, optimize value and eventually create opportunities for liquidity.

Developing your exit strategy and implementing an effective plan involves strategic, financial and cultural considerations and requires a good deal of expertise and time. AFP and our partner firms offer consultation that will provide a comprehensive analysis of your practice , establish time lines and help identify key personnel and future partners.

## FACTORS IN SUCCESSFUL OWNERSHIP TRANSITION

2012 IN/Moss Adams Advisor Solutions Succession Planning Study





## SELLING YOUR PRACTICE

For many advisors selling a practice can be a daunting and emotional experience. A well designed plan should consider the impact transition will have on your life, clients, family and staff. It is important to give consideration to the way in which the transition is executed to ensure relationships remain intact and that both seller and buyer achieve the value desired.

Should the time come to sell your business and walk away, AFP and our consulting partners will be there for you. Through AFP, you will gain access to potential suitors within the broker dealer and should it be necessary, additional prospective buyers available through our partner's open market listing services. Once a suitor is identified, the AFP team can provide consultation, valuation, and industry-specific contracts to help minimize costs and close the deal with minimal headaches and delays.

# PROTECTION

## More Than Insurance

### CONTINUITY PLANNING

A solid business succession plan involves more than establishing a casual agreement with an associate or asking your broker-dealer to pay trails to a surviving spouse—especially given today’s strict regulatory environment. To truly protect your practice, one must think in terms of maintaining continuity in your practice in the face of numerous contingencies.

When most advisors think about protecting their practice, thoughts turn to the impact a catastrophic event or loss of a key individual’s ability to work would have upon the income generated from the business itself. These concerns can be addressed with proper insurance planning but provide only a partial solution. Insurance will replace missing income, but completely ignores the equity value of the practice itself.

A fully integrated business continuity plan compliments insurance planning by establishing guidelines to effect a smooth, efficient transition to a potential guardian or successor. This requires that the plan address issues related to changes in operating control, employee compensation, and internal processes necessary to continue the practice in the absence of a key individual. Moreover, most financial services practices have been built by the efforts of one individual who typically manages both assets and client relationships and in their absence, special care must be taken to assure a consistent client experience, maintain confidence and protect the businesses greatest asset— it’s customers. For all these reasons and more, the plan needs to be professionally drafted, put into writing and adjusted periodically.

In teaming with recognized leaders in business continuity consulting, AFP can help you develop a customized plan to suit you and your practice and insure that your legacy is protected no matter what the future holds.

# VALUATION

## Looking Beyond Revenue

Most financial professionals consider their practice to be one of their most valuable assets, but few know what their business is really worth or the factors that drive equity. Within the financial services industry, the value of a practice is usually conveyed as a multiple of gross revenue but there are a numerous factors that may contribute to the ultimate value of a practice including:

- Transition Risk - the match between buyer and seller and it's effect on client retention
- Revenue Sources - the amount of recurring revenue and predictability of the income
- Business Quality - the firms infrastructure, marketing systems, personnel and hard assets.
- Business Model - marketing systems, investment philosophy and client service standards
- The Client Base – demographics, attrition rates, satisfaction and quality of relationships

Other practical concerns may also become a consideration like location, broker-dealer and custodial relationships, and marketplace demand. With all this in mind, it is imperative that a credible business valuation is performed by professionals to facilitate a smooth transaction and transition.

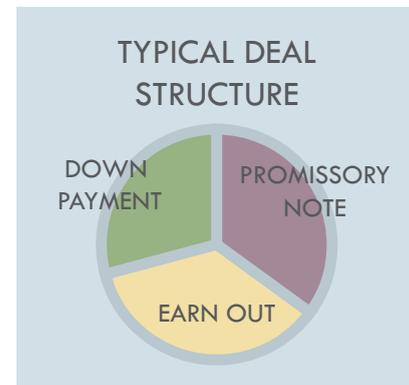
## MERGER & ACQUISITION STATISTICS



# DEAL STRUCTURE

## SELLER FINANCING

Seller financing is the most common funding mechanism employed in financial practices. While no two deals are alike, most incorporate the common components of cash, promissory notes and earn-out arrangements. Cash is provided by the buyer as a down payment or earnest money to initiate the transaction. Promissory notes represent a certain sum to be paid by the buyer over a period of time. Finally, the “performance-based note” or earn-out arrangement allows the buyer to pay the seller a percentage of future practice revenues for a period of time. This creates flexibility and motivates both the buyer and seller to work to their fullest capabilities to optimize the transition. This codependency often results in sellers choosing highly qualified buyers who are excellent matches in terms of practice style, business model, investment philosophy and personality. This in turn, leads to high client retention rates and successful transitions. In these cases, internal broker dealer relationships and resources can contribute significantly to the succession equation.



## BANK FINANCING

Bank loans are emerging as a viable option in financial services transactions and AFP has established some key banking relationships to offer additional funding alternatives. It is important to note that contingent financing options like earn-outs and adjustable notes are not usually available in bank funded transactions.

# RESOURCES

AFP Horizons Partners



## SUCCESSION RESOURCE GROUP

SRG is a boutique firm specializing in consulting, retained seller searches, merger/acquisition support, business valuation, and death and disability planning, as well succession planning. SRG offers the breadth of knowledge, resources and personal service necessary to provide efficient, cost effective solutions to help you plan for and effectively manage the transition of your business.

## FP TRANSITIONS

FP Transitions' consultants guide advisors in planning for the inevitable end of their careers by developing a plan of succession designed to simultaneously realize value for the founder and perpetuate the business for the next generation of advisors. FP Transitions has also created and continue to operate the largest open market for buying and selling financial practices.

## PPC LOAN

PPC Loan has distinguished itself with a unique understanding of the financial services industry and willingness to craft an individually-tailored financing solution. Their Investment Advisor Financing Program provides financial professionals with funding for acquisition, merger, succession plans, refinancing transactions and working capital.

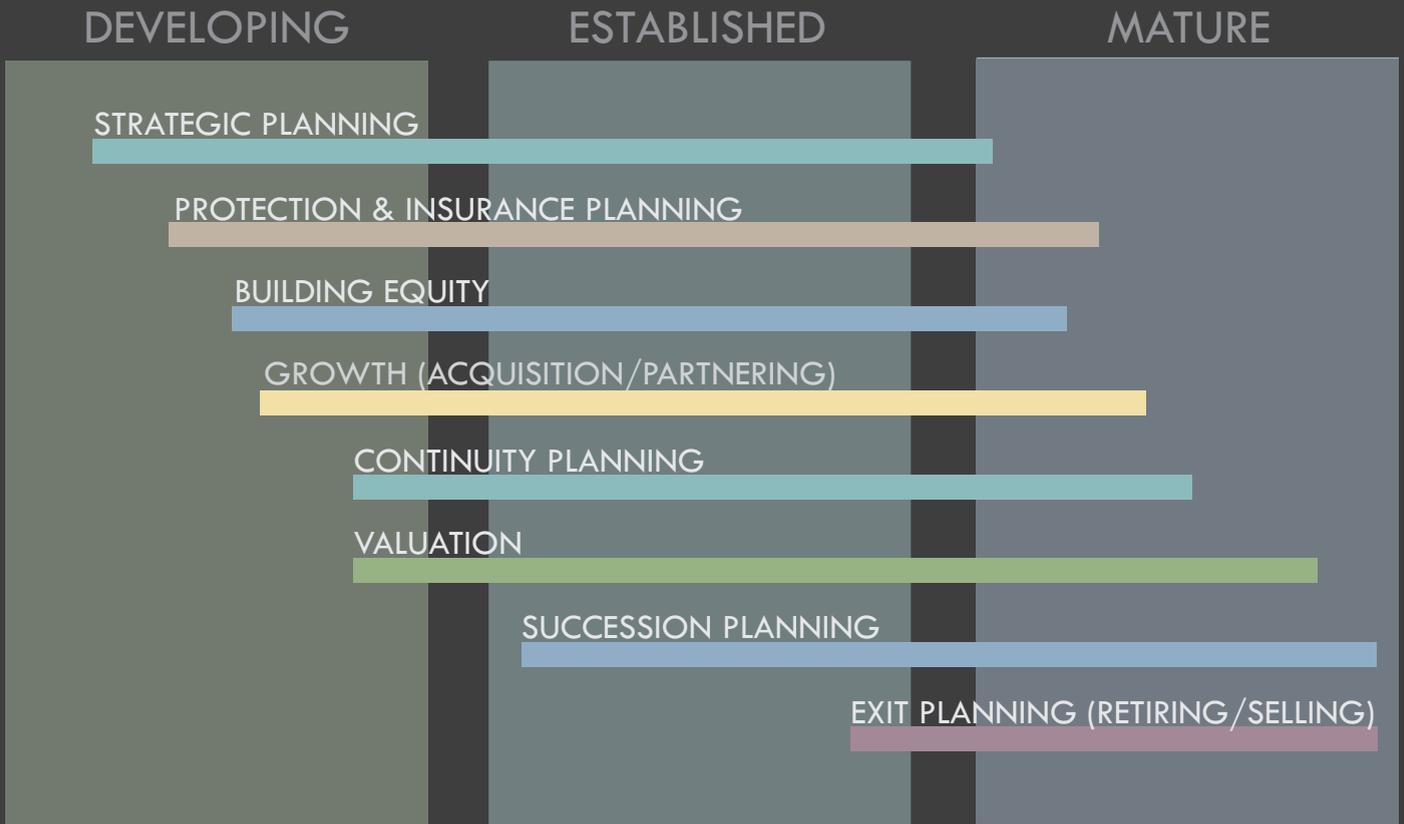
## LIVE OAK BANK

Live Oak Bank works exclusively in providing business loans to independent business people. Their Investment Advisory lending team has years of experience providing loans and business guidance exclusively to financial professionals addressing: merger & acquisition, succession funding, partner buy-in/out, expansion, and operating capital.

# STAGES

A LIFELONG PRACTICE

Business succession planning doesn't start at retirement. The challenge of building, protecting and monetizing the value of your practice should be a consideration for developing, established and mature practices.



# GET STARTED

Worthy endeavors are seldom simple  
But the AFP Horizons team is behind you  
And there really is no time like the present

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