



ASSETMARK™

M&A Essentials

Continuity & Succession Planning

M&A Essentials

Welcome



Rico Casares

Rico Casares, CFP®, CLU®

Vice President – Practice Management Consultant

Rico has nearly 20 years of experience in the financial services industry. Before joining AssetMark, he was responsible for the growth of over 200 OSJs throughout the southeast at one of the nation's largest independent broker-dealers. Rico now consults with advisors on human capital, operations, business management and business transition topics. Rico holds a BS in finance from the University of South Florida, an MBA from Notre Dame, and series 7, 24 and 63 licenses.

Welcome



Dana Burkhardt

*Vice President,
Director of Practice Management*

Dana oversees AssetMark's practice management team in its mission to provide quality consulting strategies and resources to advisors and their businesses. For more than 20 years, Dana has worked with and for numerous firms and shared her business management and consulting experience with countless business owners.



ASSETMARK

\$39B

Assets on the platform*

*As of 09/30/2017

\$30M

Investment in technology**

**Over the past three years

7,000+

Advisor relationships

20+

Years of experience

Asset Management Excellence

Innovative approach to risk management

An **open-design platform** to create custom portfolios

Professionally managed pre-built Guided Portfolios

Compelling Technology

Partnerships with **leading technology providers**

On-demand reporting

Client account opening and maintenance

Thought Leadership

Business planning **tools** and **resources**

Interactive peer-to-peer workshops

Industry leading research

Deep Relationships

Highly tenured specialists dedicated to **supporting your practice**

Nationwide workshops, **events** and **webinars**

Driving Growth: M&A Essentials

Webinar series

Aug 10th

Successfully Preparing for a Merger or Acquisition

- Watch a replay by visiting AssetMark.com/drive

Oct 3rd

Understanding and Improving Your Value

- Watch a replay by visiting AssetMark.com/drive

Dec 5th

Planning for the Future: Continuity & Succession

- Explore industry stats on business succession planning and understand the risks of not having a plan in place
- Learn the key elements of a succession plan
- Review common deal structures and options

Understanding options for succession and continuity planning

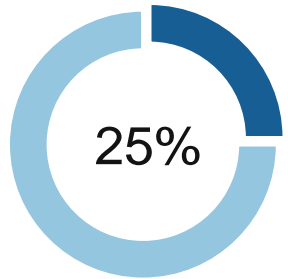
“Change is the law of life. And those who look only to the past or present are certain to miss the future.”

John F. Kennedy

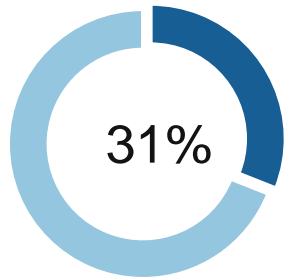
Understand the difference between continuity and succession planning

Continuity Plan	Succession Plan
Emergency plan in case of incapacity	Tactical plan for next generation after you exit
Protects you and your family in case of an unforeseen event	Helps you structure and build business objectives over time
Provides confidence that clients will be served even in your absence	Communicates your firm's long-term stability to clients, employees and referral sources
Has potential to increase practice value	Has potential to increase practice value

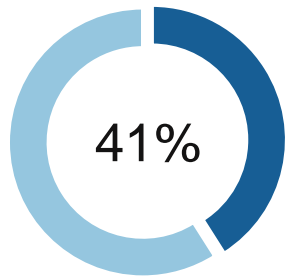
Few advisors are prepared for a sudden transition



About 25% of advisors have a formal succession plan



The number increases slightly to 31% for ages 60-64

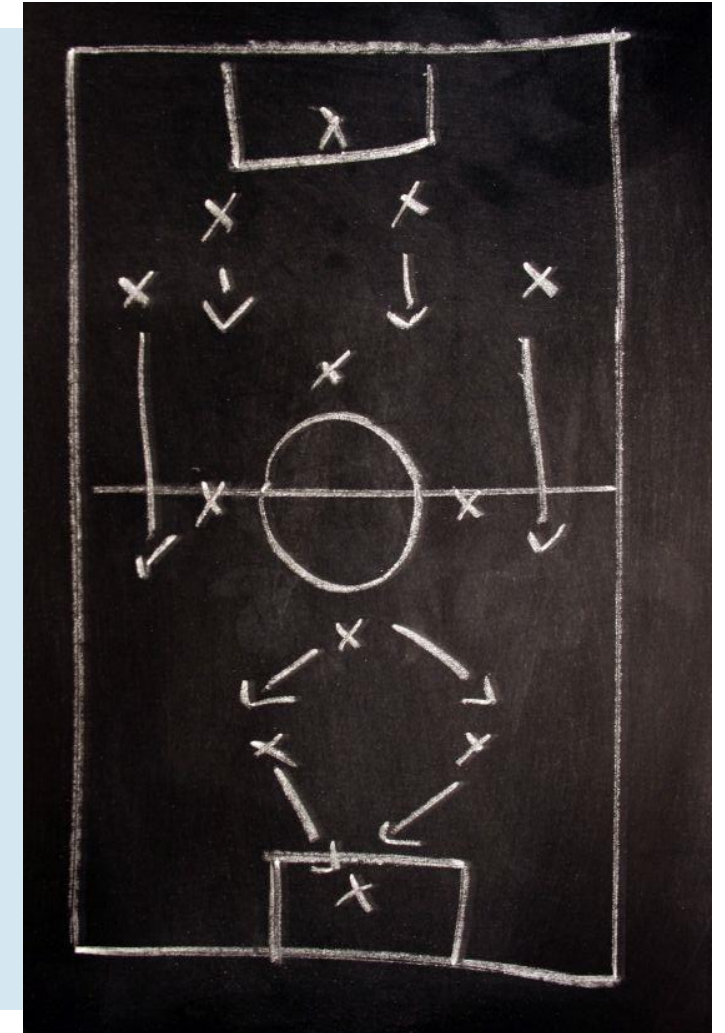


And at age 65+, only 41% of advisors have a succession plan

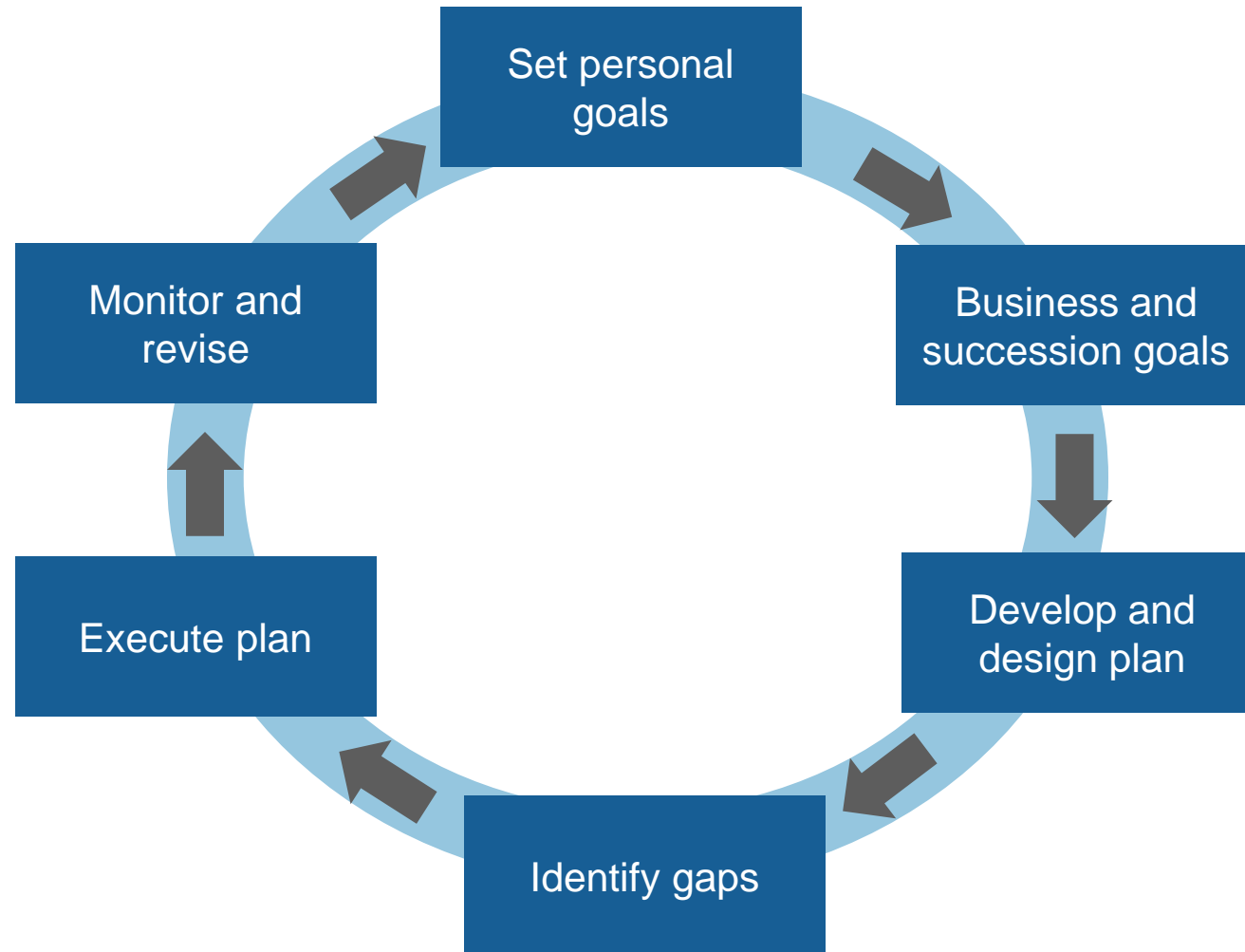
- Loss of practice value
- Client risk
- Lack of employee commitment
- Negative family impact
- FINRA does not allow commissions/fees to flow to a non-registered spouse

Employ key elements of a tactical plan

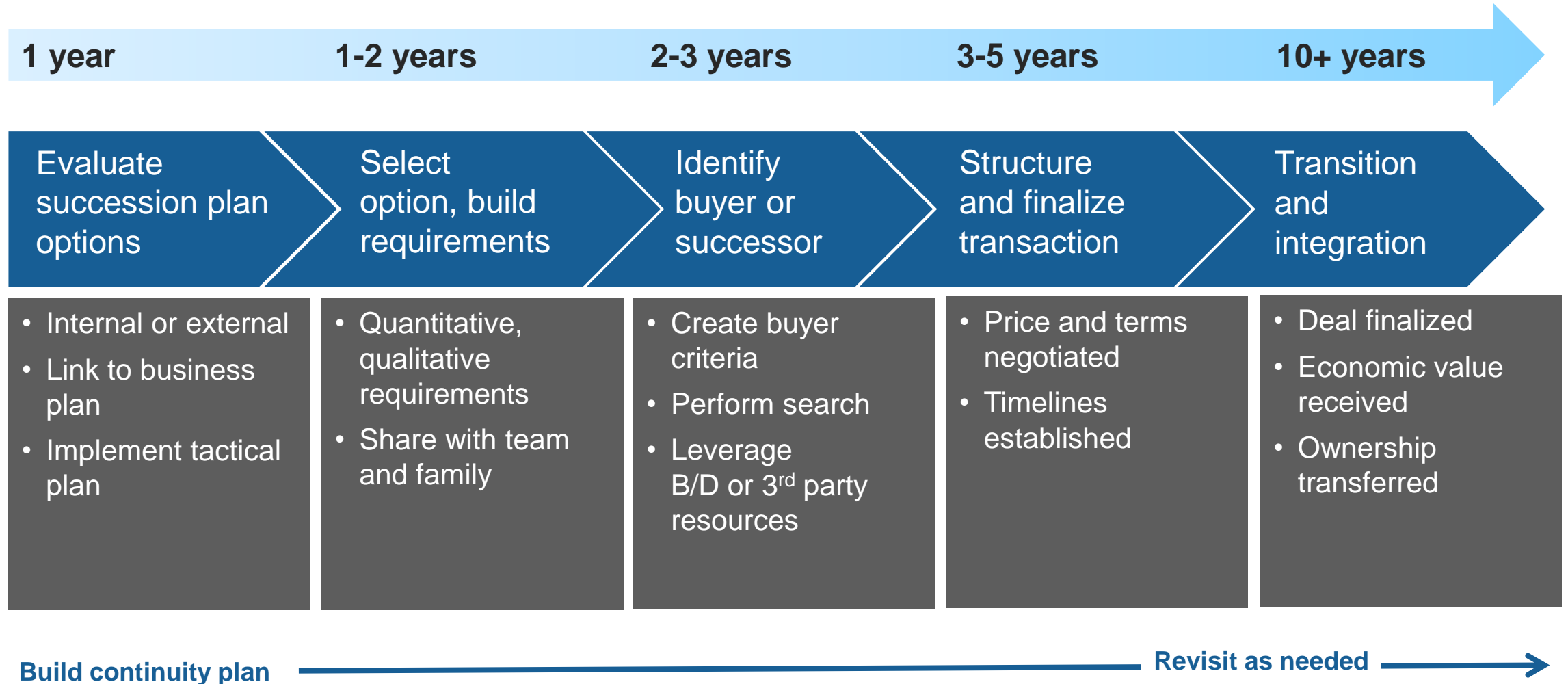
- Immediate certainty in case of an emergency
 - Price and terms are predefined and outlined
 - Spousal agreement and consent is in place
 - You can communicate with clients in advance
- Your B/D or custodian may have resources to help
- Advisors may take “key man” insurance on each other to help with purchase price



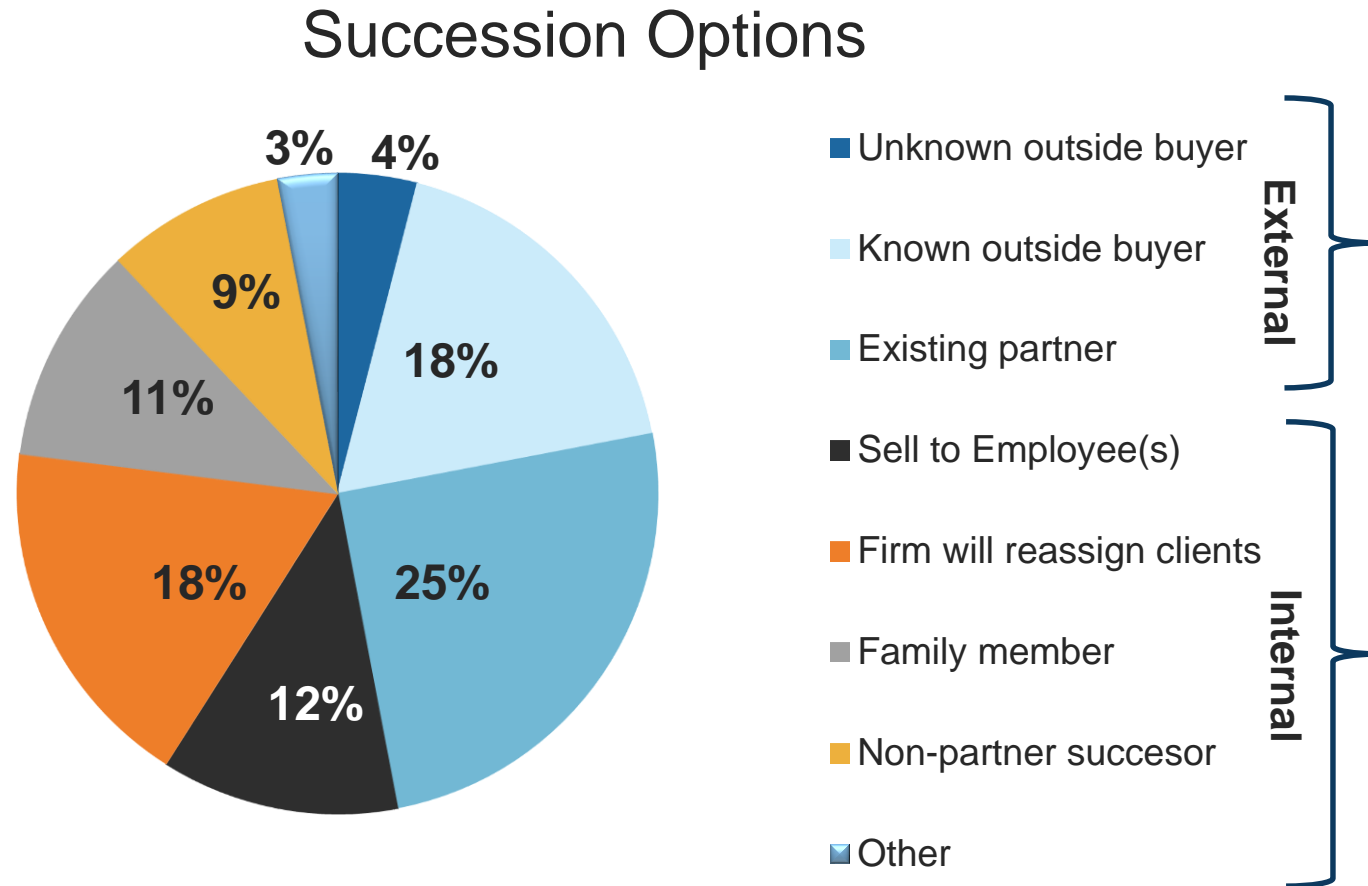
Succession planning is part of business planning



Succession planning **can** be a ten year runway



Internal vs. External Succession



Source: Cerulli, Advisor Metrics, 2014

For use with financial advisors. Not for use with clients.

Internal succession

Know your succession options: internal succession

Benefits

- Control
- Client retention
- Ensure legacy

Risks

- May sell for discount
- Lack of financing
- Advisor alignment

Financial Transaction

- Cash and earn out
- Flexible time period
- High seller risk

Client Impact

- Low
- High retention
- Opportunity for owner to stay

Qualities of an internal partner

When a firm member is able to **demonstrate their key leadership skills and abilities** are in line with firm goals and values, he or she is ready for partnership consideration.

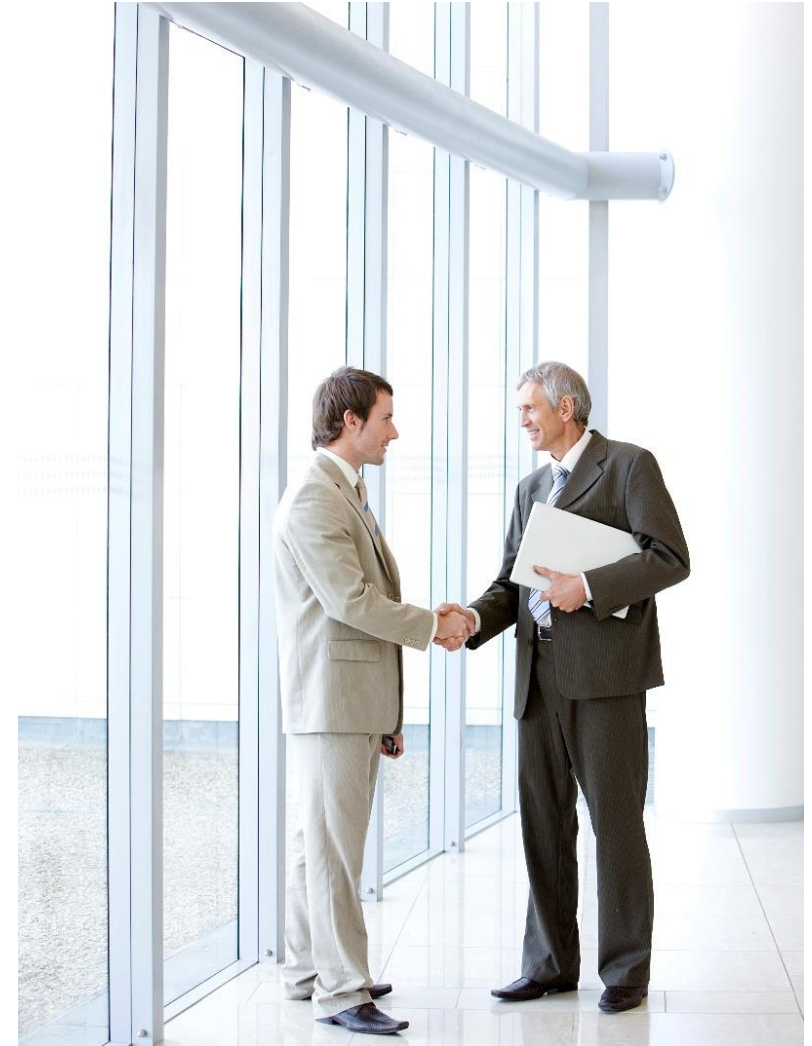
- Attract ideal clients
- Manage other team members
- Lead and propose marketing and business development initiatives
- Ethics, personality and drive in line with firm values
- Firm has necessary compensation and partnership structure outlined

Sellers: finding a successor

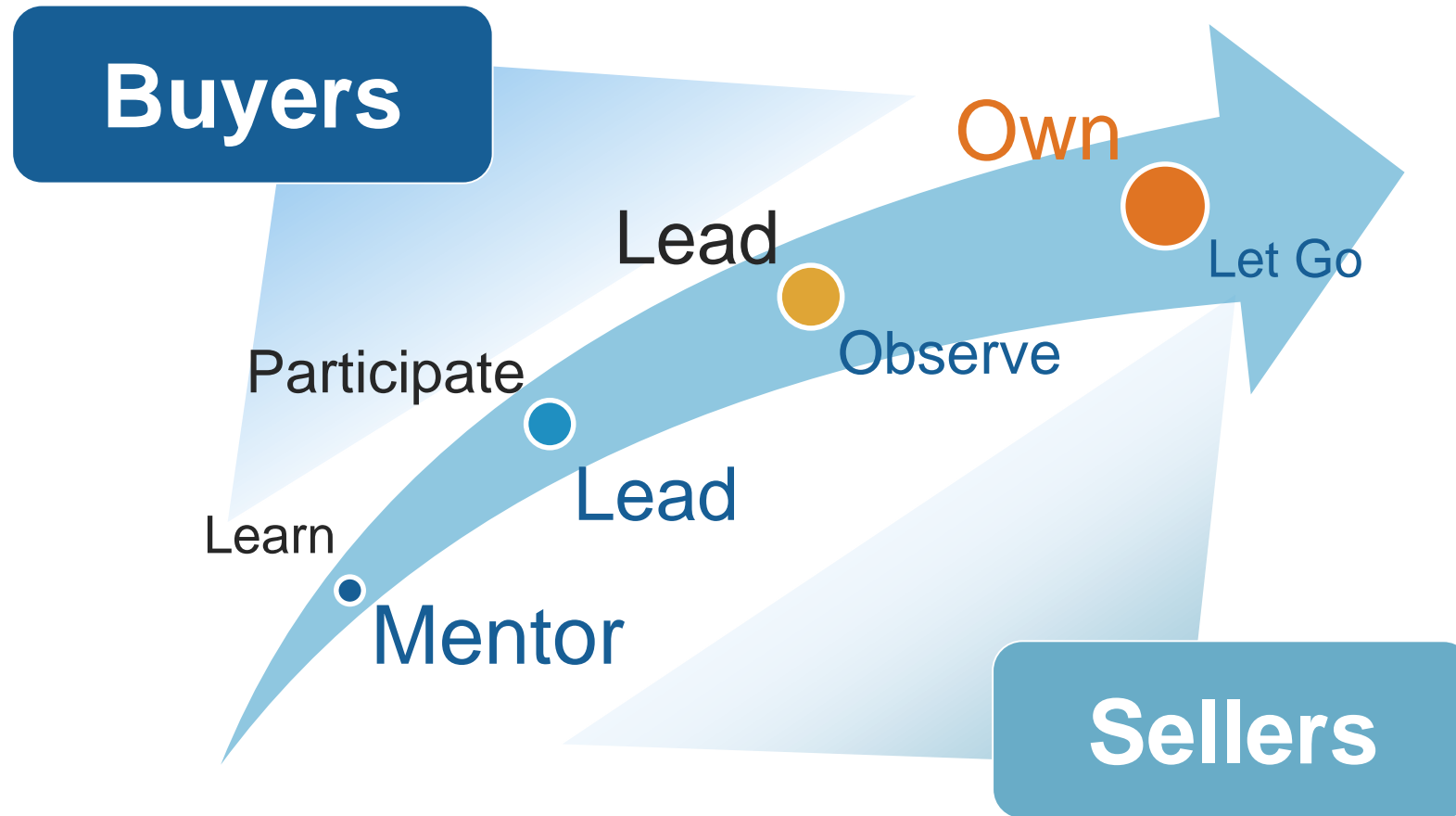
- Identify the skill set needed to run the business
- Communicate the required traits to would-be buyers so they understand the implications of succeeding you
- Provide your successor with sufficient training and knowledge to support continued business growth

Once you find a potential partner

- Make sure both sides are committed
- Understand how each side benefits from the deal
- Understand the expectations each has for the other



Phases of an effective transition



Positioning the successor

Clients need to see that ...

- ✓ ... exiting advisor and successor are peers and equals
- ✓ ... there is agreement in how to engage, interact and provide solutions
- ✓ ... both advisors have mutual respect and trust
- ✓ ... the exiting advisor is confident in the abilities and experience of their successor
- ✓ ... systems and processes will be consistent
- ✓ **... both advisors are committed to an outstanding client experience**

External succession

Know your succession options: external succession

Benefits

- Maximizes value for seller
- Defined exit for seller

Risks

- Contingent payout
- Client retention
- Employee retention

Financial Transaction

- Cash and earn out
- May be equity in acquirer
- Defined time period

Client Impact

- Medium to high
- May require platform change
- B/D network may help

Preparing for a sale

- Document your **WHY**
- Write out what **you** want from the sale
- **Educate yourself** about valuation methods and due diligence on a potential buyer
- Write down your “**value** drivers”
- Understand each potential buyers **WHY** and determine if it aligns with yours

Sellers: finding a buyer

- Document the skill sets needed to run the business
- Seek buyer with similar vision and values
- Consider buyers with elements in common (same Broker-Dealer, fee structure, business model, etc.)
- Make sure both sides are committed

Elements for external sales

Transition planning and **exit-strategy decisions** call upon you to make key decisions at the start of the process and set strategic objectives for a successful outcome.

- Control during the transition period
- Timing of payment and transition
- Economic considerations, including price and tax
- Risk for each party
- Third party financing for buyer
- Post succession transition (role of departing owner within the firm)

Taking Next Steps

Taking next steps

- Integrate your business goals and planning with your ideal vision of a future succession plan
- Focus on building scalability and systemization to maximize transferability and value
- Take advantage of the marketplace becoming more robust for buying and selling practices as a means to exit
- Evaluate all components of deal structures to maximize value for buyer and seller

Resource: Selling due diligence questions

Selling Due Diligence Questions

Practice Management



Selling Your Practice: Discovery and Due Diligence

Once you have identified a potential buyer, you should begin the diligence process by having an initial "Discovery" meeting. The following are questions you want answered, or at least discussed, by the end of this first meeting.

Alignment Questions

- 1) Do the buyer's business values and operational philosophy seem to fit with mine? Do we share the same values?
- 2) Is the buyer committed to buying?
- 3) What does the buyer's ideal acquired firm look like? Can the buyer give specifics as to what he or she is looking for in a business to purchase?
- 4) Is the buyer interested in me participating for a period of time after the purchase? Is it expected?

Q&A

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