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Today's  
Presenter



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FP Transitions



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# END-TO-END CONSULTING SOLUTIONS



CONSULTING



M&A



SUCCESSION



BENCHMARKING



MULTI - GEN GROWTH



ENTITY STRUCTURE



COMPENSATION DESIGN

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# Key Takeaways

- What is your Business Worth and how to Increase Value
- Good, Better, Best Plans for Death & Disability
- Intentional Foundations for Succession
- Elements of Internal Succession





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# What Drives Value?



## Value Drivers

- Recurring vs. non-recurring revenue
- Client demographics
- Revenue and client growth rates
- Average AUM and revenue per client
- Firm profitability
- Projected revenue and expenses



# Common KPIs Based on Scale

## SOLE PROPRIETOR

- Revenue
- Recurring revenue %
- Recurring growth %
- New client growth %
- Average fee
- Profit per client

## PRACTICE

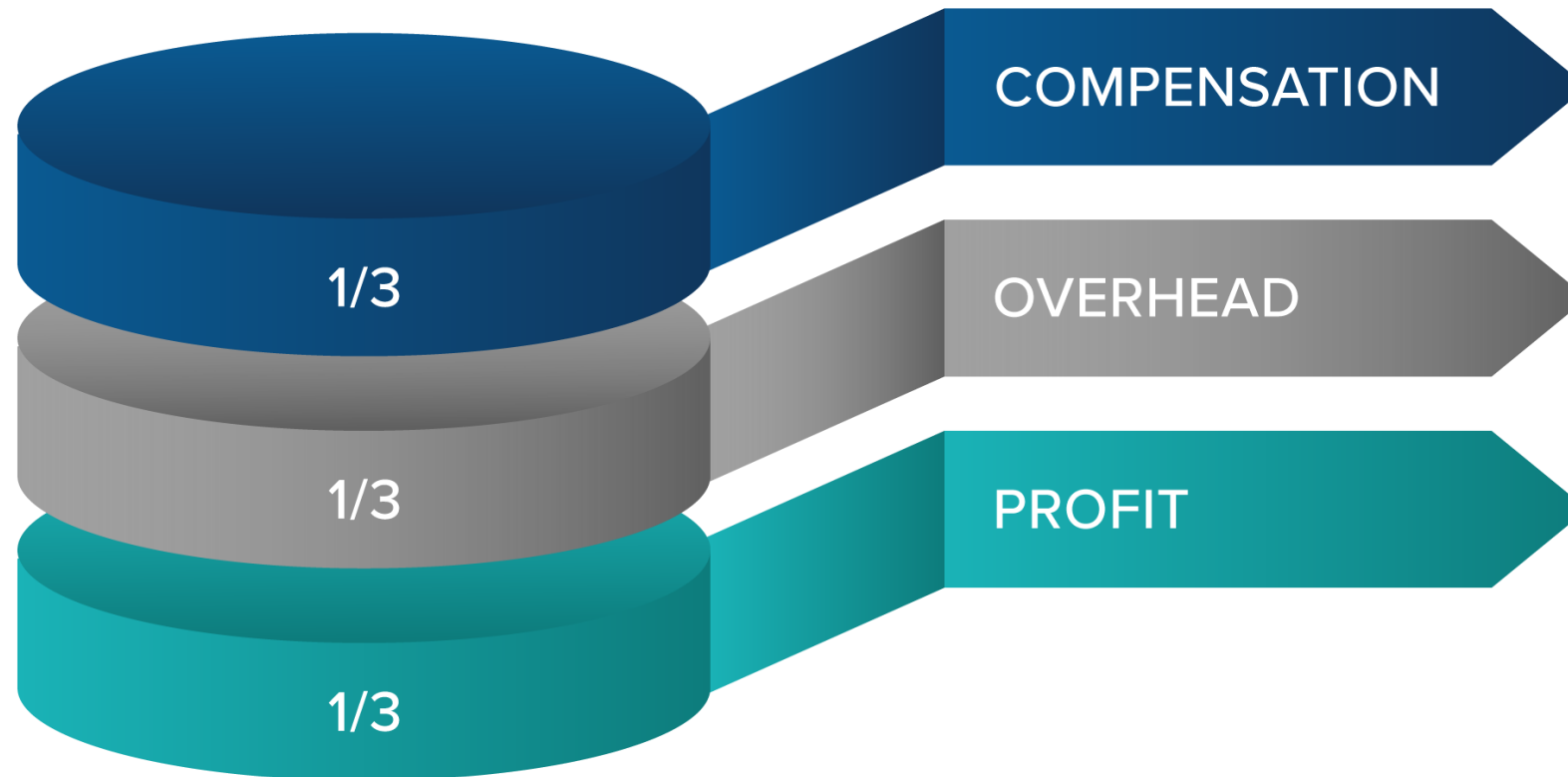
- Client affluence
- Expense percentage
- Revenue per client
- Clients per professional
- Profit per professional

## ENTERPRISE

- EBITDA
- EBOC/SDE
- Expense ratios
- Compensation ratios
- Client acquisition cost



# Optimal Compensation, Overhead & Profit Ratios for Sustainable Equity Value







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# Succession Dress Rehearsal: Continuity Planning

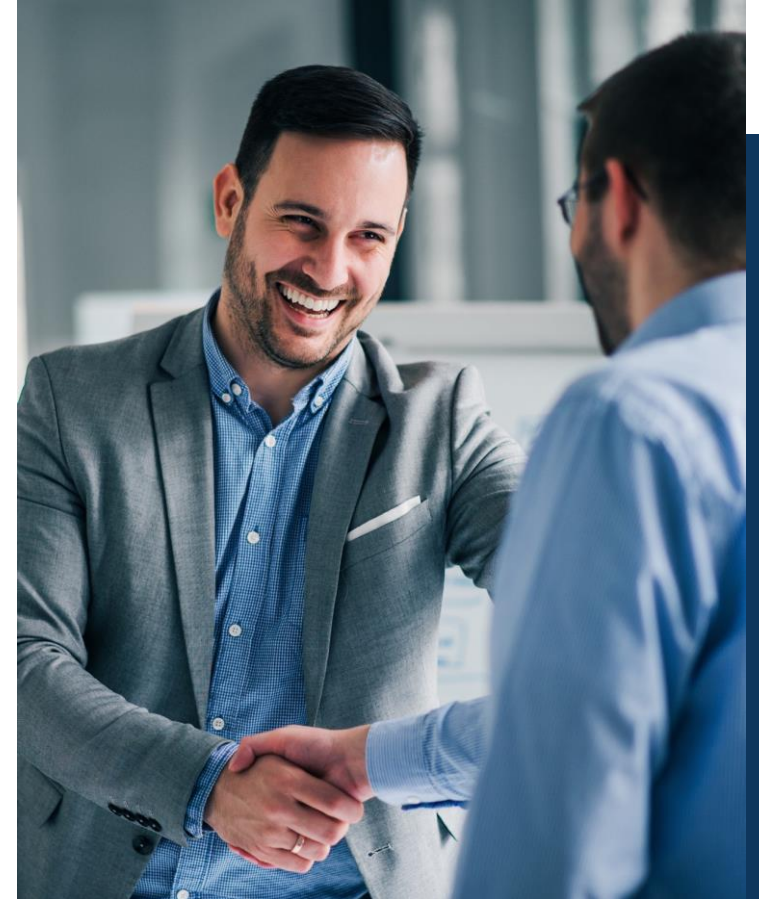
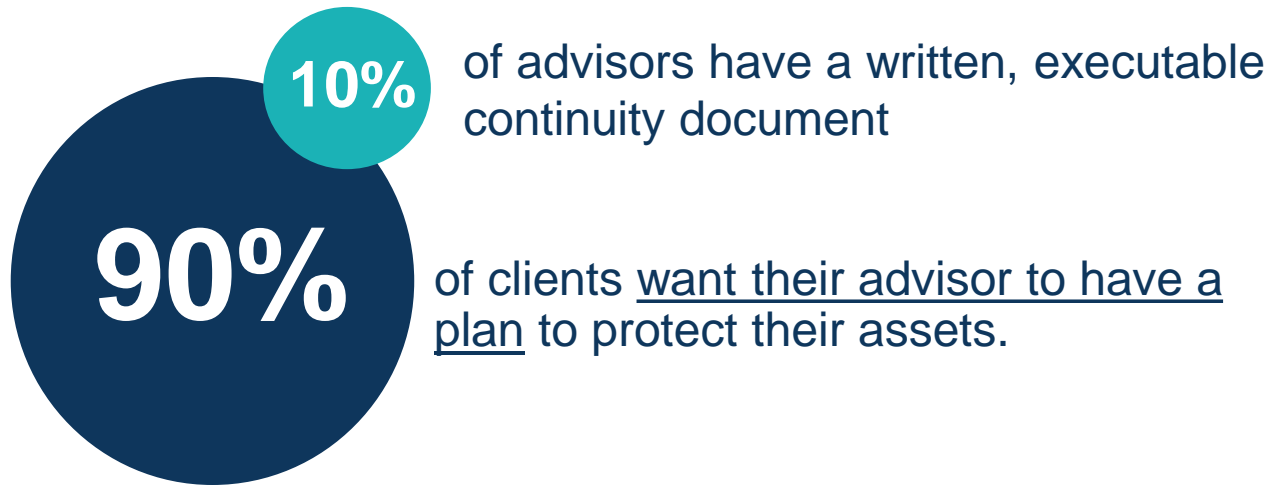
All advisors need to have a continuity plan for the unexpected.

- Thoughtful, capable, long-term guardians
- Ability to execute and care for clients seamlessly
- Valuation and benchmarking inform an accurate, fair price
- Precise and formally documented
- Reviewed bi-annually to ensure feasibility



# What is Continuity Planning?

The common objective is preserving client service and asset management continuity in the event of natural disaster, national emergency, or exit of the licensed principal.





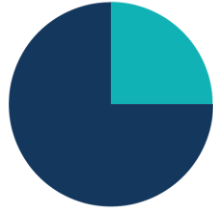
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# Importance of Continuity

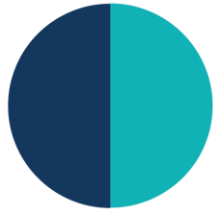
It's about documenting what you want to happen because you will not be actively participating in the process.

- Protecting your clients & their assets
- Protecting your team
- Protecting your family
- Protecting your value

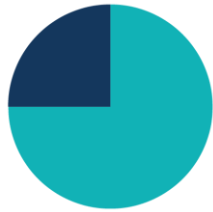
# Good, Better, Best Scenarios



**Guardian Agreement**



**Buy – Sell Agreement**



**Buy – Sell & Guardian Agreement**



**Internal Succession**





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# Guardian Agreement

Assigns a guardian to run the business and service clients for a set period while the estate can secure a buyer.



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# Buy-Sell Agreement

Defines deal terms of a sale to a qualified partner to purchase the business if a triggering event occurs.

Mandatory purchase obligation



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# Buy-Sell & Guardian Agreements

Combines the Buy-Sell and Guardian agreements. Assigns a guardian to run the business and service clients for a set period. It also defines the deal terms of a sale to that same guardian who will commit to purchase the business if a triggering event occurs.



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# Internal Succession

Builds a multi-owner, sustainable business with continuity and succession incorporated into the entity's operational documentation.



# What is Succession Planning?

Succession planning is not about winding down and walking away, or about selling what you've built.

Succession planning is a professional, written plan designed to build on top of an existing practice or business and to seamlessly and gradually transition ownership and leadership internally to the next generation of advisors.

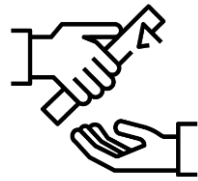


# Internal Succession is Optimal



## Battle for Talent

Solved with modern entity structure, compensation design and equity pathways



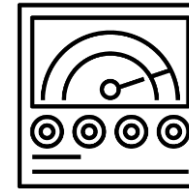
## Next Gen Readiness

Provide opportunities to learn & grow, with calculated transference of control



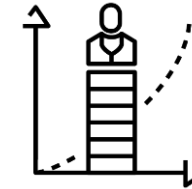
## Growth

Motivators and influencers of profit growth



## Capacity

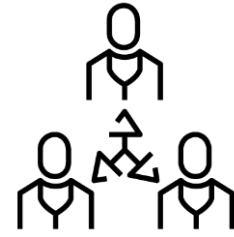
Having enough talent to serve client needs throughout the transition



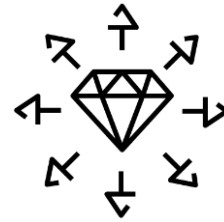
## Sustainability

An enduring business that supports advisors and clients beyond the owner's years

# Elements of Internal Succession



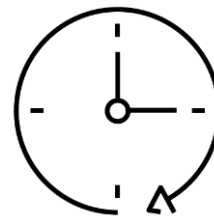
Plan your trajectory



Valuation and Benchmarking

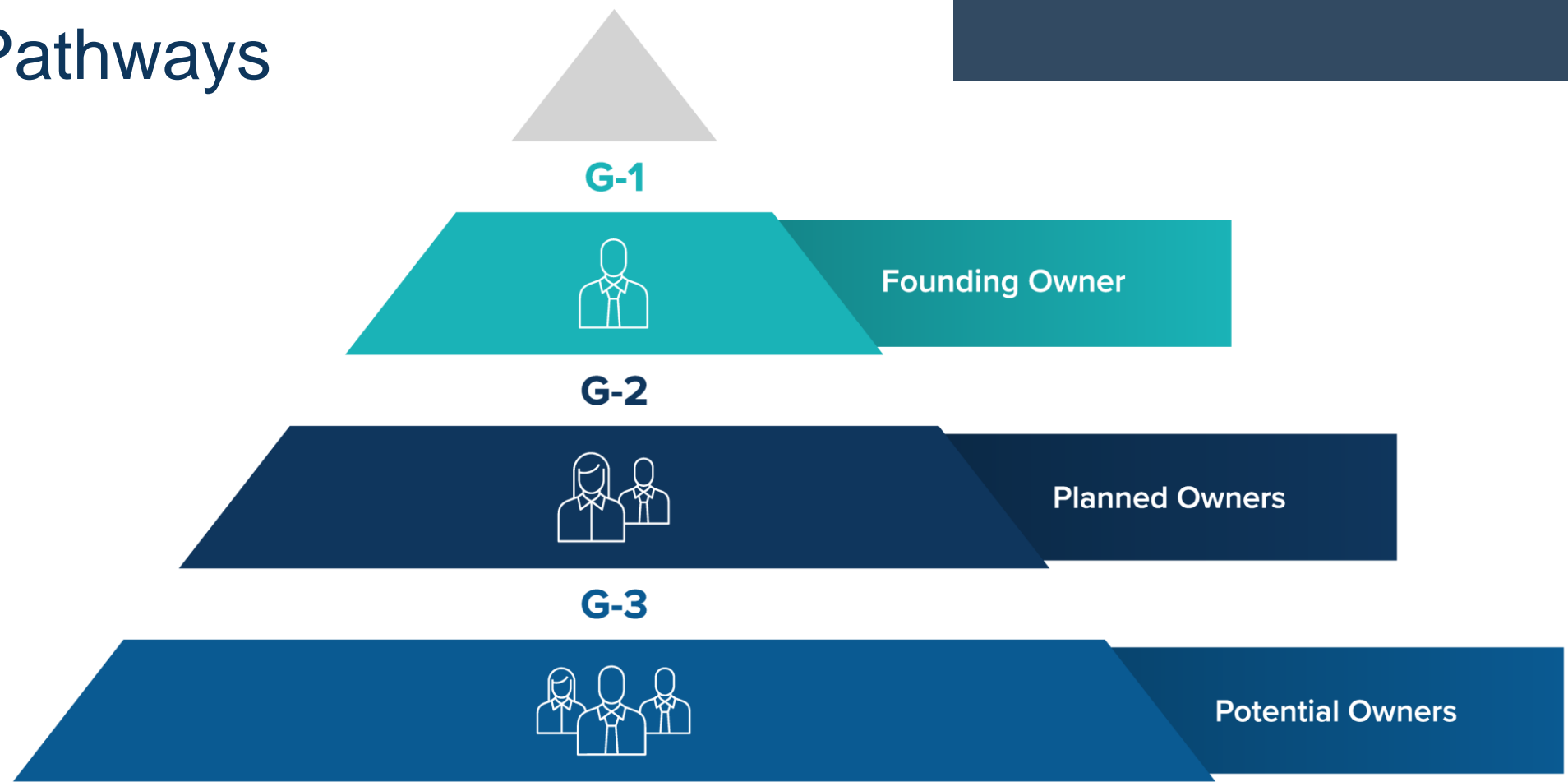


Est. Goals and Timeframe



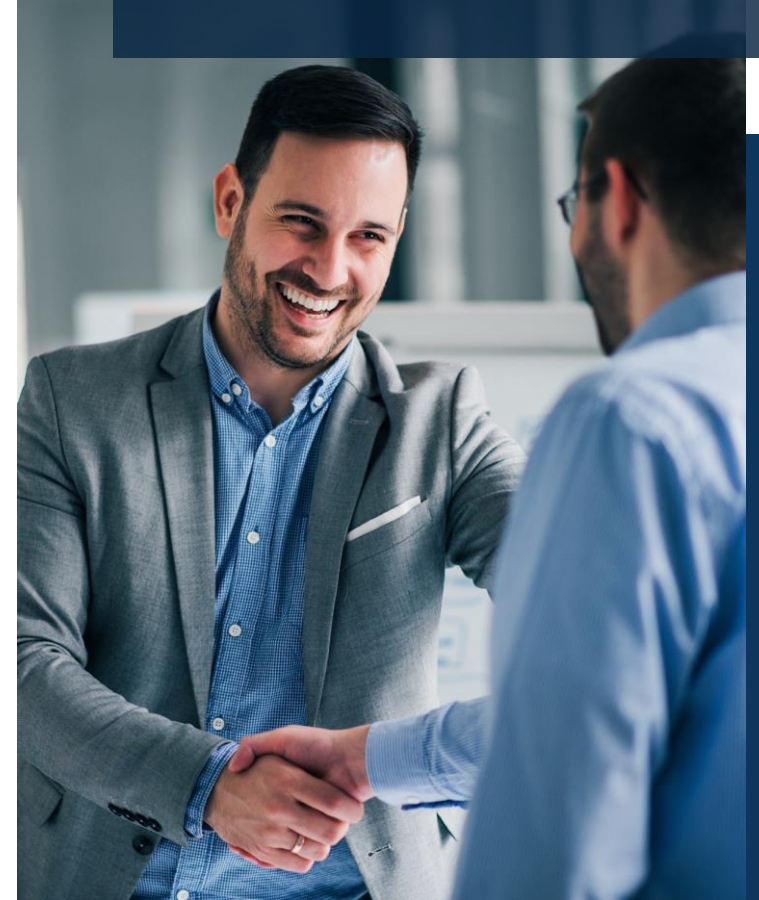
Design and Implement

# Ownership Pathways



# Ownership Qualities

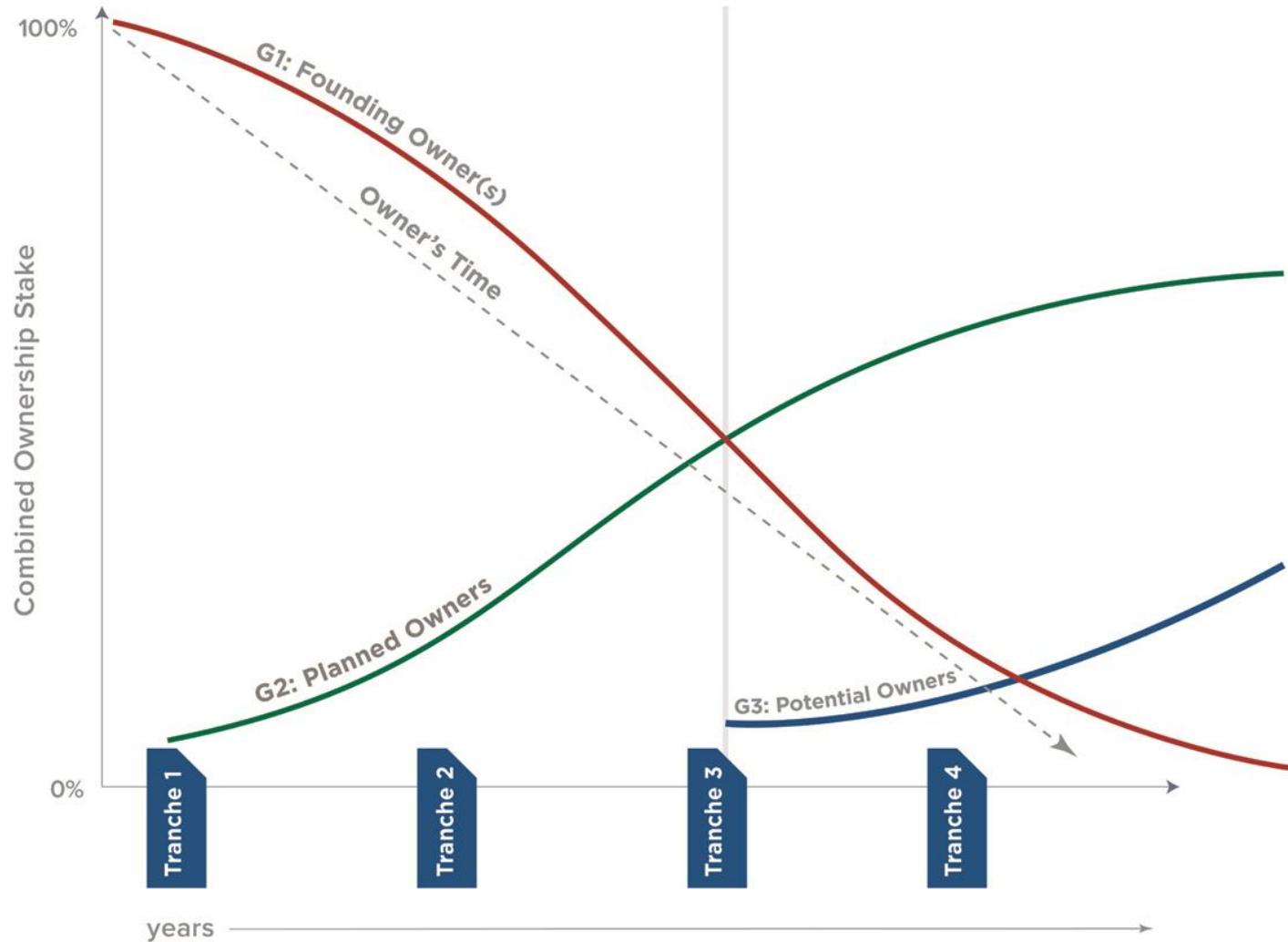
- Shared Values
- Leadership & Communication
- Commitment & Work Ethic
- Long-Term Vision
- Need to be ready



FPT INSIGHT Don't search for another version of yourself.

## Selling in Tranches

- Timeline
- Ownership percentage
- Financing







# Primary Succession Planning Challenges for Owners





# Course Corrections

## Life Happens. What to Do If:

- **Founder plans change**
- **Successor plans change**
- **Moving from Plan A to Plan B (or C)?**
- **Majority Shareholder stays in control**

## Together, Leaders Focus On:

1. Clients
2. Protecting the Business
3. Growth
4. Long-Term Vision



# Equity Management Solutions<sup>®</sup>



## EMS<sup>™</sup> ESSENTIALS

Annual Market-based Valuation Report

Annual Continuity Plan Updates

Annual Coaching Call



## EMS<sup>™</sup> PROFESSIONAL

Annual Equity-based Valuation Report

Annual Benchmarking Report

Quarterly Coaching Call

Annual Continuity Plan with Updates

Additional Market-based Valuation to Apply to Acquisition Target



Questions?

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