



Buying or Selling Your Book? Four Steps You Must Consider

After building a multi-million-dollar practice in the U.S. as one of North America's first fee-based Financial Advisors, Lloyd Williams sold his business, and began a successful consulting career, helping Advisors grow, transition, and sell their practices – advice he shares with Insights.

The Best Way to Grow a Business Today is to Buy One

There are two types of years in the market: “client years,” when the Advisor spends their time focused on deepening existing relationships. And then, once or twice a decade, there's a “prospecting year.” With a year like 2015, very few investors are satisfied right now. People got hurt, and they're searching for a new approach. It is quite likely that there will be more money transitioning in 2016 than in the last five years combined. The three biggest years of my career followed the corrections in '87, '90 and '97. In each of those subsequent years, we doubled our practice!

So with that backdrop, consider that the sole practitioner – the lone wolf with an assistant – is a dead model. Given the sophistication and volatility of today's markets, clients are looking for a sense of infrastructure to give them comfort, and help them achieve their vision – an advisory team they can trust to provide solutions on multiple levels: investment, tax, insurance, legal, etc. Right now there's a real opportunity – a younger generation of fee-based Advisors who are more aspirational, and ready to merge, acquire, and build up bigger, better practices. The reality is, the fastest and best way to grow a business today is to buy one. Bar none.

Grow, Transition, Sell: Four Steps You Must Consider

1. Find a personality fit

The first thing to consider is basic human nature. Some of us are wired for communication and persuasion; others are analytical, wired for administrative and operational details. Finding compatibility between buyer and seller is so critical that personality fit should be assessed BEFORE anything else. If clients are used to a certain style, the flipside is not going to bode well for success. Of course, the new Advisor will bring fresh ideas and techniques to the business (and this can be a great thing), but to introduce a significant change in fundamental personality traits is a recipe for disaster. I've been brought in many times – after the fact – to a transition that has not gone well to assess why so many clients are leaving. My first question, “What was the seller's personality and how does it compare to yours?”

2. Prepare clients – way, way ahead

If retirement is on your mind, engage clients, well ahead of any announcement. At your next quarterly review, start a series of conversations that take place over time: I'm thinking about my future; I've been meeting with successful younger colleagues; here are the styles of the firms approaching me, and the advantages... what do you think? In other words, involve them in the process, and make it the best possible experience for them. I've seen it work well time after time. The result will be your clients actually giving you “permission” to retire. You can imagine how this vastly increases the value of your business to your successor.

I also recommend the buyer and seller work together over a 12-month “transition” period. Unfortunately, most sellers don't seem to want to do that, despite the fact that it's a nice transition for clients, who experience a “partnership” that instills confidence, and the seller and buyer both stand to gain from client retention and an energized/optimized portfolio. This period is even more critical if the transition is from a primarily transactional to a fee-based business.

3. Don't make clients move twice

In reality, most sales are done in two parts. If you buy a book, you personally are not looking to take on 350 households – more like the top 75% or 80% of the assets, let's say 100 households. Once you carve that out, the rest goes to a less-experienced Advisor or are just left to find a new Advisor. There is a clear opportunity for rookie Advisors at your firm, if they are set up to take over the smaller accounts from the outset. They're going to work that part of the book as hard as you work yours – with calls, service and ideas.

Carving away accounts is a process best done up front, so that clients don't have to move twice. I'm surprised that's not a matter of course, because it's a smart idea, and in the best interest of clients, who may feel a sense of rejection anyway, given the first transition, let alone a second.

4. Pass the baton without fumbling

As a book buyer, you should incent the seller with a bigger payout if he/she helps to ensure retention through a personal introduction – and endorsement – for the top households. Think of the transition like in a relay race, where if you fumble the baton, you rarely win the race. As a retiring Advisor, you should talk up “the new era” and both set up some differentiators (how your successor is bringing new valuable skills and knowledge), as well as some consistencies (that the portfolio will be managed exactly how you would do it, if you were continuing in the business). For other client tiers, if applicable, a group seminar, conference call, or webinar could serve as an introduction. And, if the three steps I’ve outlined have been implemented, the client already presumes change – so there are no surprises. In my experience, clients have no problem moving firms if they’re brought into the process.

If the baton is being passed from commission-based to fee-based, there are, of course, other nuances to the conversation: groundwork to lay about alignment, new approaches, styles, tools, technology and investment vehicles that didn’t exist earlier in your career; endorsement of your successor’s approach; a vote of confidence that if not for retirement you’d retool in exactly the same way.

Don’t Sell Your Book for 60 Cents on the Dollar

The average fee-based client has one Advisor, whereas the transactional Advisor may have, at best, 60% of a client’s assets. For a book buyer, that’s a diamond in the rough. Pitching the fee-based approach – transparency, risk management, aligned compensation and reporting – to commission-based clients could mean a retiring Advisor’s million-dollar practice may actually be worth a million and a half.

Transactional Advisors can literally increase the sale price of their book by either transitioning to a fee-based model themselves, if they have enough lead-time, or help to optimize the practice while passing the baton, by fully endorsing the new approach.

For guidance on our unbiased solutions for Advisors who are commission-based, fee-based or both, contact your Regional Sales Representative. To contact Lloyd Williams, please visit wloydwilliams.com.



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A dedicated lifetime learner, attracted to many interests. Lloyd Williams is the author of *Attract Clients: A Financial Advisors' Guide to Building and Running a Practice*. He is an international speaker, executive coach, and the creator of the Exponential Business Model and the Relationship Conversation. He has conducted workshops for advisors of more than fifty top financial service firms. He coaches a select group of executives and entrepreneurs. His coaching guides them toward positive, exponential results in both their personal and professional lives. Lloyd divides his time between Canada and the United States.

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