



Advisor's Practice Sale Preparation Checklist

Selling a financial practice is a significant decision that requires careful planning and preparation. Whether you're looking to retire or continue to run the business, having a structured approach to preparing your business for sale can help maximize its value and help to ensure a smooth transition for both you and your clients. This checklist aims to provide a guide to help you prepare your practice for sale.

Basic Steps

1. **Review Client Relationships:** Evaluate the strength of your client relationships and identify any potential areas for improvement. Ensure that client records are up-to-date and well-organized. Familiarize yourself with the account agreements and assignment language as well.
2. **Assess Business Valuation:** Begin assessing the anticipated value of your practice by considering factors such as recurring revenue, client demographics, assets under management (AUM), and growth potential.
3. **Organize Financial Records:** Gather and organize all financial documents, including income statements, balance sheets, tax returns, and client contracts. Make sure you have at least the last 3 complete years of documentation and that they are accurate and easily accessible. We recommend creating a "clean" version of your profit and loss reports removing any one-time or personal expenses to show true operating costs.
4. **Legal and Regulatory Compliance:** Ensure compliance with all relevant legal and regulatory requirements, including licensing, registrations, and disclosure obligations. Address any outstanding compliance issues promptly.
5. **Document Business Processes:** Document key operational processes, workflows, and client service procedures to provide clarity to potential buyers and facilitate a smooth transition post-sale.

Financial Preparedness

- 3 Years of Financials (P&Ls, Tax Returns, Balance Sheets, etc)
 - Remove personal expenses
 - Identify and remove large nonrecurring expenses
 - Review and adjust line item categories so that they are easily identifiable
 - Identify revenue by source (Advisory, Brokerage, Annuity Trails vs Commissions, Insurance, etc)
- Historical AUM for past 3 years
 - Identify any major influx or loss of AUM and provide reasoning

- Historical Client Count for past 3 years
 - Identify any major influx or loss of clients and provide reasoning
- Detail any outstanding debt and promissory notes
 - Include payment amounts, expected pay-off date, and outstanding balance

Legal Preparedness

- Employment Contracts
- Client Agreements
 - Identify who owns your clients. This may be found in your agreements with your broker-dealer, RIA, or employer.
- Operating Agreement
- Stock Agreements

Practice Preparedness

- Top 20 Clients By Revenue
 - Identify the following key areas, but do not identify the client
 - Annual revenue
 - AUM
 - Age of client
 - Source of client
 - How long they've been a client
 - Location of client
 - Type of client (such as HNW Individual, Institution, Trust)
- List all vendors, what service or product they provide, and cost
 - If you are locked into any contracts with a vendor, include those details
- Organization Chart
 - Include the following details on the individuals organization
 - Name
 - Role/Title
 - CRD #
 - Advanced Designations
 - Salary
 - W2 vs 1099
 - Identify who can be a successor advisor to you
 - Include the entity structure (LLC, S-Corp, C-Corp, etc) and detail all owners and their percentage of owners

In preparing to sell your financial practice, thorough planning and organization are paramount to ensure a successful transition. Our checklist covers essential steps from evaluating client relationships to organizing financial records and ensuring legal compliance. We advise

reviewing and adjusting financials for accuracy, identifying revenue sources, and detailing outstanding debts for financial preparedness. Legal readiness involves assessing contracts and ownership agreements. Additionally, practice preparedness entails profiling top clients, vendors, and charting the organizational structure. For comprehensive assistances in navigating these steps and maximizing the value of your practice, contact us today. Let us guide you through this process seamlessly, ensuring a smooth transition for both you and your clients, and the ideal fit for you culturally and monetarily.