



# Buyer Preparedness

Self-Assessment Workbook

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## Self-Assessment Workbook

### Overview

You've shifted your mindset and developed a different approach to growth – an approach focused on acquiring another business. Even though you're the buyer, it's time for you to get into sales mode!

Start by coming to the discussions with a list of the attributes that add value to your business – the unique things that will entice the potential seller. Lead with your business's value proposition. What is it, in addition to monetary compensation, that you can offer the seller and their clients? Why would they choose you and your business over the many other buyers?

A mutual assessment of fit will set the stage to ensure the business models align. It's quite possible the person on the other side of the table is actually quite happy, which is why they are having a hard time letting go. The advisory business market feels like a tight housing market; patience is required. Lead with your value proposition; it will differentiate you.

### Goal

To create a list of your business's attributes, you need to be able to describe the culture, and concisely present your business's value proposition. The questions on the following pages will help you identify your key differentiators and succinctly promote your core attributes and value proposition.

# Business Attributes

Are you a solo advisor or on a team?

Solo advisor

Team

Other

What is your contract type (FP, FPE, FPA, 1099)?

Where are you located? If not in a metropolitan area, how close to the nearest city?

Location

Proximity to nearest city

## Business Metrics

AUM

GDC

Recurring Revenue %

Number of households

Describe your staff. How many advisors? How many support staff? What are their roles?

Number of advisors

Number of support staff

Support staff roles

Do you have documented systems and processes?

Yes

No

Do you have a documented client service model?

Yes

No

Do you have a documented plan for client growth?

Yes

No

**Do you have a plan for obtaining multi-generational client relationships?**

Yes

No

**Do you have a documented plan for growth?**

Yes

No

**Do you have a documented succession plan?**

Yes

No

**Do you have a documented continuity plan?**

Yes

No

**Is your book of business segmented and delegated?**

Advisors

Business

## Cultural Attributes

A summary of the answers to these questions will help describe your business's culture.

### Affiliations

Which professional affiliations do you maintain that help define your business's culture?

**Examples might include:** CFP, CFA, CHFC and CLU

### Staffing

**Do you have hiring specifications for partners and staff?**

Yes

No

**Do you have family members on your team?**

Yes

No

**Do you tend to hire from a particular university?**

Yes

No

**Do you have an onboarding process?**

Yes

No

**Do you provide mentoring?**

Yes

No

**Is there a career path?**

Yes

No

## **Working Atmosphere**

**Are internal meetings typically scheduled and agenda based?**

Yes

No

**Is your team at maximum capacity or is there additional bandwidth?**

Maxed out

Additional bandwidth

**What is the leadership style? Collaborative, hierarchical?**

Collaborative

Hierarchical

**Do you have regular staff activities for team building?**

Yes

No

## **Technology**

**What technologies do you use?**

Examples: ClientLink, ClientWorks, PA Connect, MS bookings, and Jump AI

**What level of technological literacy do you require of your hires?**

# Client Service

## **What services do you provide?**

Examples might include: fee based financial planning and wealth management

## **Do you serve a particular target market/niche?**

Can you identify the percent of each type of client that you serve?

## **What is your fee structure?**



# Investment Philosophy

What is your investment philosophy? Active? Passive? Focused on a particular investment factor (value, momentum, defensive, etc.)? Top-down sector analysis or bottom-up security analysis? Core and explore?

What investment vehicles do you use? Individual securities, ETFs, mutual funds, alternatives?

## Success Metrics

How do you define success?

How do you measure your success? What methods or tools do you employ?

Are you quantitatively driven or qualitative?

☐ Quantitative ☐ Qualitative

# Business Value Proposition

What is it, in addition to money, that you can offer the seller?

What can you offer the seller's clients? Is it lower fees, more services, a deeper team bench?

What is the future vision of your business? What are the growth goals?

Why do you want to be a buyer? What do you hope to accomplish?



What can you offer the seller's staff?

How well capitalized are you to accomplish the acquisition goal?

Do you have an integration plan for the seller's clients, staff and business (e.g., leases, technology contracts, etc.)?

Do you have an internal team with the bandwidth and capabilities for integrating the acquisition?

# Acquisition Analysis

## Collect financials from the potential seller:

- Current fee schedule of each client and household, by abbreviated name, client AUM, fee rate and fee amount
- Client breakouts: by age, by AUM, by account type (taxable, retirement, trust, 529)
- Current and three years prior P&Ls and income statement
- Staff ownership, roles, compensation-salary and bonus, and length of service
- Company info, including: years in business, retirement time frame, any recent substantial business changes in ownership, formation, revenue, etc.
- Confirm seller's existing debt; like Transition Assistance, real estate (mortgage, lease); SBA
- Request valuation

## Profitability:

- Identify the seller's profitability by client, asset and revenue growth rates? Their client retention?
- For the staff that is going to be retained post-close, are the compensation levels in an acceptable range?
- Where are the synergies between the businesses that can reduce costs?
- Engage with LPL M&A Solutions to create a financial model and potential capital needs.

## Pulling It All Together

1. Clearly define your business's value proposition to clients and to staff.
2. Identify the target ideal seller, attributes, philosophy and culture.
3. How will the seller's attributes, philosophy and culture impact the future profitability of the acquisition?
4. When in discussions with a potential seller, be sure to ask and be able to answer what the seller is trying to solve for.
5. Does the seller need a liquidity event? Are they trying to care for their family's or staff's future needs? Is the lack of a succession plan causing unease with clients or staff?

**Contact us at [MA.Solutions@lplfinancial.com](mailto:MA.Solutions@lplfinancial.com) for assistance.** Our team of industry experts looks forward to working with you.

We wish you success as you prepare to be a buyer! We're available to guide you through the preparation process so your efforts are efficient, effective, and successful.



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