

One Key to Selling Your Practice: Preparation, Preparation, Preparation

By Brett Dearing

CERITY PARTNERS

You've built a thriving RIA practice, but lately, you're wondering if it's time to wind down and sell your business. The decision to sell something you've spent a significant part of your life building may be one of the most difficult ones you'll ever make. That's why the preparation leading up to this decision is vital. And the sooner you start, the better. It can take up to two years to properly prepare your exit strategy and ready your practice for sale.

Laying the Proper Foundation

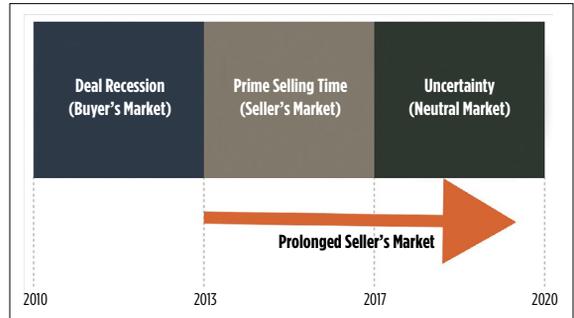
As a certified exit planning advisor (CEPA) who has been helping business owners craft their exit strategies for nearly 30 years, I've learned that achieving your desired outcome depends in part on having the right transition team. You need people on your side with the expertise to help you build the right exit plan, compile potential buyers and make sure your business is positioned to receive maximum enterprise value. Effective transition teams generally involve a CEPA, trust and estate attorney, tax specialist, investment banker, accountant and wealth advisor.

Understanding the Market

Besides knowing who you should work with, you're probably debating whether it's the right time to sell. As an RIA, you advise clients not to time the markets. This same advice applies to selling your practice. Preparing for the sale should be based on ensuring your business is at its maximum value irrespective of the current markets. That said, it's important to note we are in the midst of the seventh year of a seller's market with valuations nearing historic highs due to dry-powder of approximately \$2 trillion, a low interest rate environment and lack of market supply. Private market cycles historically run about 10 years and consist of three phases:

Preparing Your Practice

So, how do you prepare your business for sale and take advantage of market cycles?



- 1. Have a preparedness assessment completed on your business.** The assessment process helps identify potential issues that may cause a buyer to discount the value of your business or make your business unsellable.
- 2. Gather key documents and records.** Most buyers want to examine at least three years of financial reports, operational processes, technology and growth planning to ensure the business is well run. Buyers also want to see these processes and key performance indicators implemented and incorporated in the business over a long period. Not having these elements incorporated can impact your enterprise value.
- 3. Make sure you are personally prepared.** You'll want to have the proper tax planning in place to maximize the net proceeds from the transaction. It's also good to have a personal plan that lays out your life post-transaction to help you mentally transition.

Start early and engage an exit planning professional who can assist you throughout the process to ensure you are not leaving money on the negotiation table. The process of selling is not an easy one, but with the proper planning and transition team, it can be a tremendous experience and stepping stone to solidifying your legacy. ■

Brett Dearing is a Partner and Head of the Business Owner Advisory Group at Certy Partners, a national wealth management and investment advisory firm.

The foregoing is limited to general information about Certy Partners' services, which may not be suitable for everyone. For more information about the firm, contact us or visit www.adviserinfo.sec.gov.

Learn more at certypartners.com or email bdearing@certypartners.com.

