



FP TRANSITIONS®

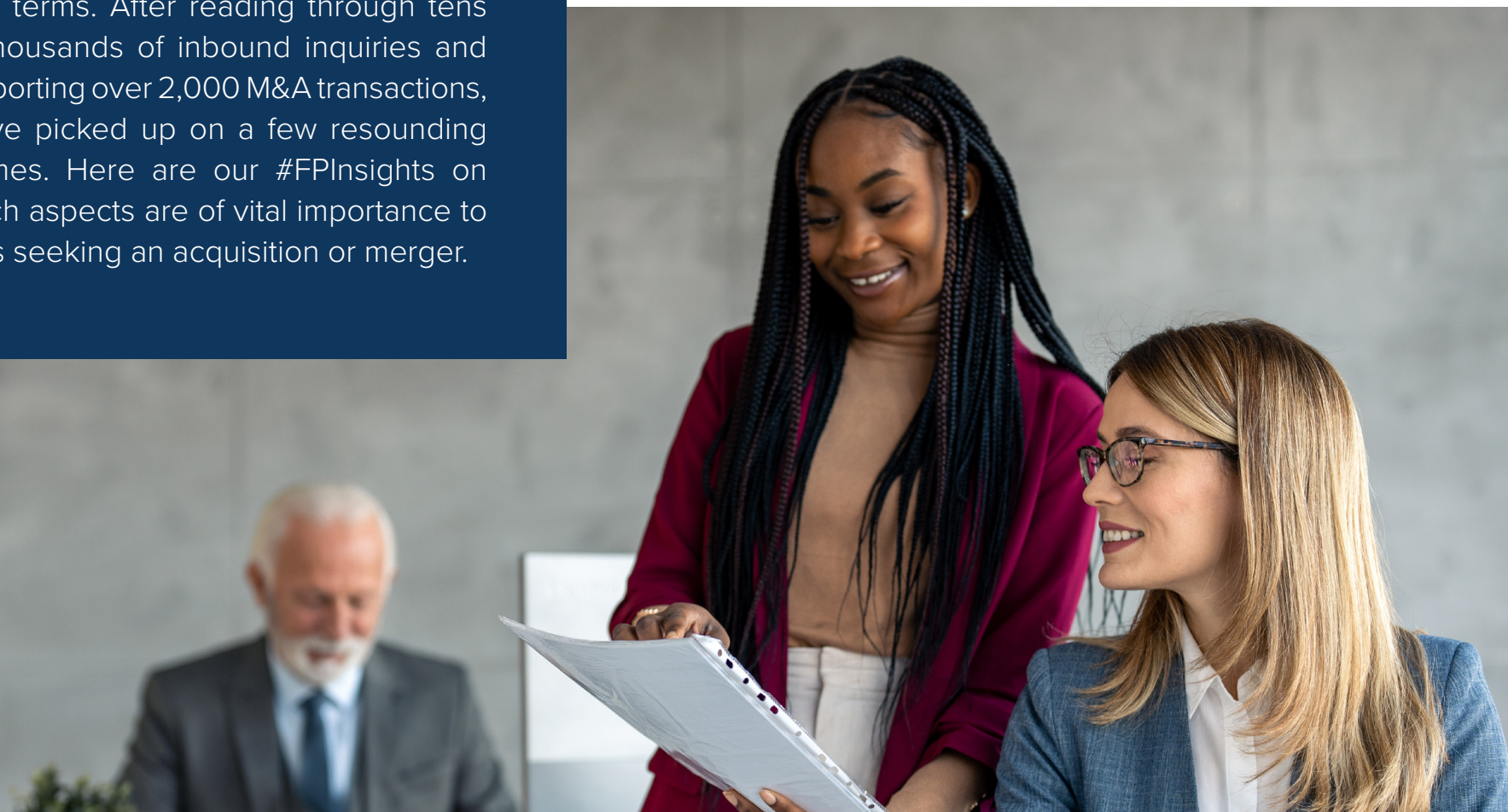


# SIX ELEMENTS OF A PERFECT FIT

*#FPINSIGHTS*

## **Finding “the perfect fit” is paramount.**

While price plays a role in deals, it has much more to do with the merging or acquiring entity’s vision and proposed deal terms. After reading through tens of thousands of inbound inquiries and supporting over 2,000 M&A transactions, we’ve picked up on a few resounding themes. Here are our #FPInsights on which aspects are of vital importance to firms seeking an acquisition or merger.



# SIX ELEMENTS OF THE PERFECT FIT

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## 1. SERVICE MODEL & CLIENT EXPERIENCE

Two major trends shaping our industry will continue to have an impact on client experience and service models. The first of these being that advisors are moving to independent models (typically within an RIA) at rapid speed. Financial advisors are also finding great success in targeting niche client markets such as doctors, dentists, women entrepreneurs or high-tech professionals.

When we talk about service models, we are referencing things like how frequent you meet with clients, the depth of your planning and investment management guidance, and how you manage client expectations on execution, communication and annual reviews.



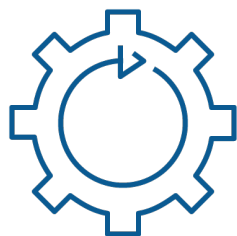
## 2. FEE STRUCTURE

Do you charge clients by the hour, by the plan, on a retainer or AUM basis, or some other formula? For example, it's estimated that about 25% of financial advisors are currently charging for the creation of a financial plan, and overall rates for planning and advisory services can range from \$150-\$350 per hour, or \$1,210 - \$8,000 per retainer. The expectations each entity has built with their client base is vitally important to consider when merging or acquiring. Adjusting when and how your firms are paid can be challenging, especially if your firm is billing in advance and their firm is billing in arrears.



### 3. INVESTMENT PHILOSOPHY

This could be a major point of disruption between firms. Many firms are sharing their investment policy statements on their website either verbatim or through an explanation around their client services. The depth and breadth of investment offerings reflect active or passive strategies, and discuss rebalancing strategies, risk tolerance, and investment vehicles. Because much of this could be affected by any broker-dealer or parent entity affiliation, this review should allow buyers to note challenges or opportunities that are potential deal-disruptors very early on in the process. In fact, this ‘fit’ factor is one of the primary reasons sellers like to keep their business within the same broker-dealer entity, and therefore are slow to consider any offers from buyers on other platforms.



### 4. TECHNOLOGY & ADAPTABILITY

Utilizing the same technology platform is not essential, but it certainly helps. Because there are more than 100 different technology solutions in financial services, its likely you won’t have exactly the same tech stack. While technology alone doesn’t necessarily hinder a deal from moving forward, the attitude buyers and sellers take around cultivating adaptability and technological infrastructure now- and in the past- should be considered. Do employees embrace technology, follow compliance guidelines, and generally take your same approach towards tech?

If clients have come to expect a level of transparency and insight into their finances through a robust digital application (think Orion, Envestnet, or other RIA-facing wealthtech solution), then onboarding another set of clients into this solution (whether it’s your current clients or your newly acquired clients) will take time. There are several ways to mitigate frustrations around technology, one being to hire a consultant that would facilitate and oversee a seamless experience for clients upon completion of the deal. This type of information should be discussed and then addressed within the terms of the deal.



## 5. STAKEHOLDER ALIGNMENT

Are the owners/partners all aware of the likely timeline, the goals, and the key decisions that need to be made? Having everyone on the same page is essential to wrapping up the deal in an efficient manner. Firms can accomplish this through clear and consistent communication between all parties.



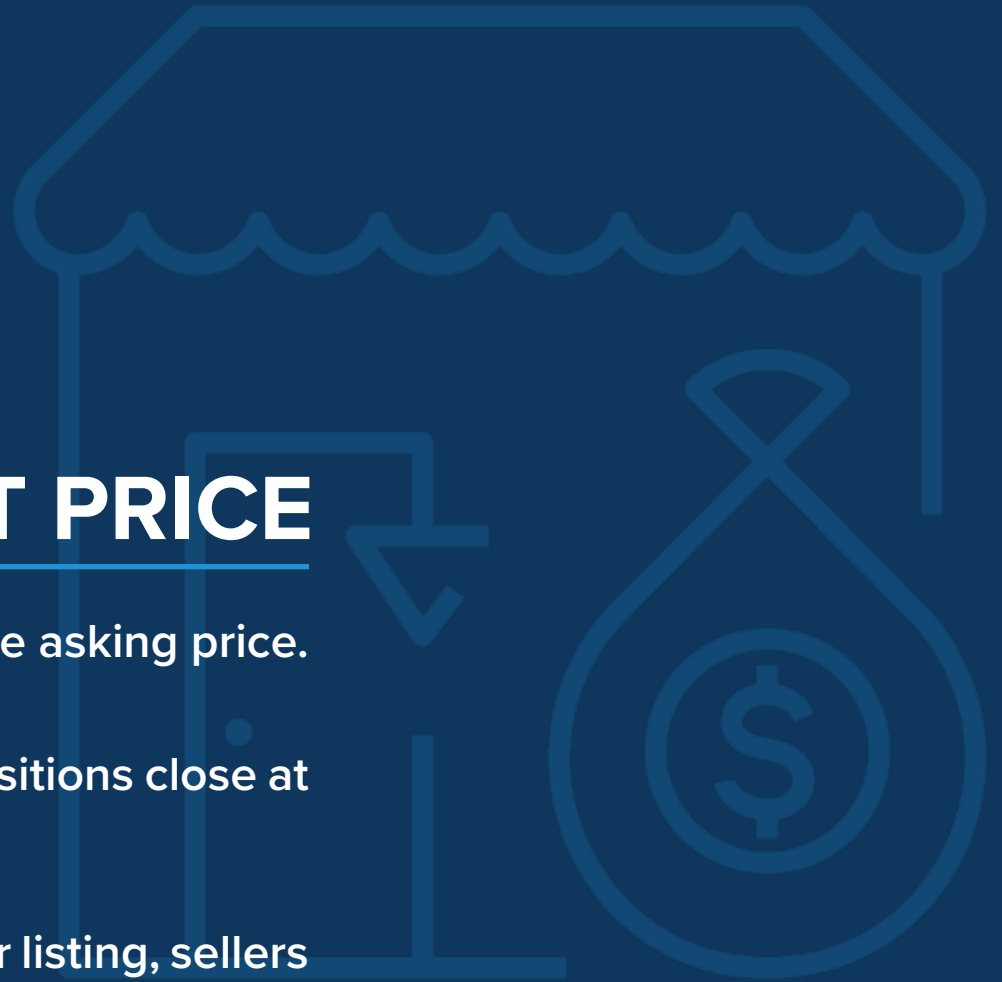
## 6. CULTURE

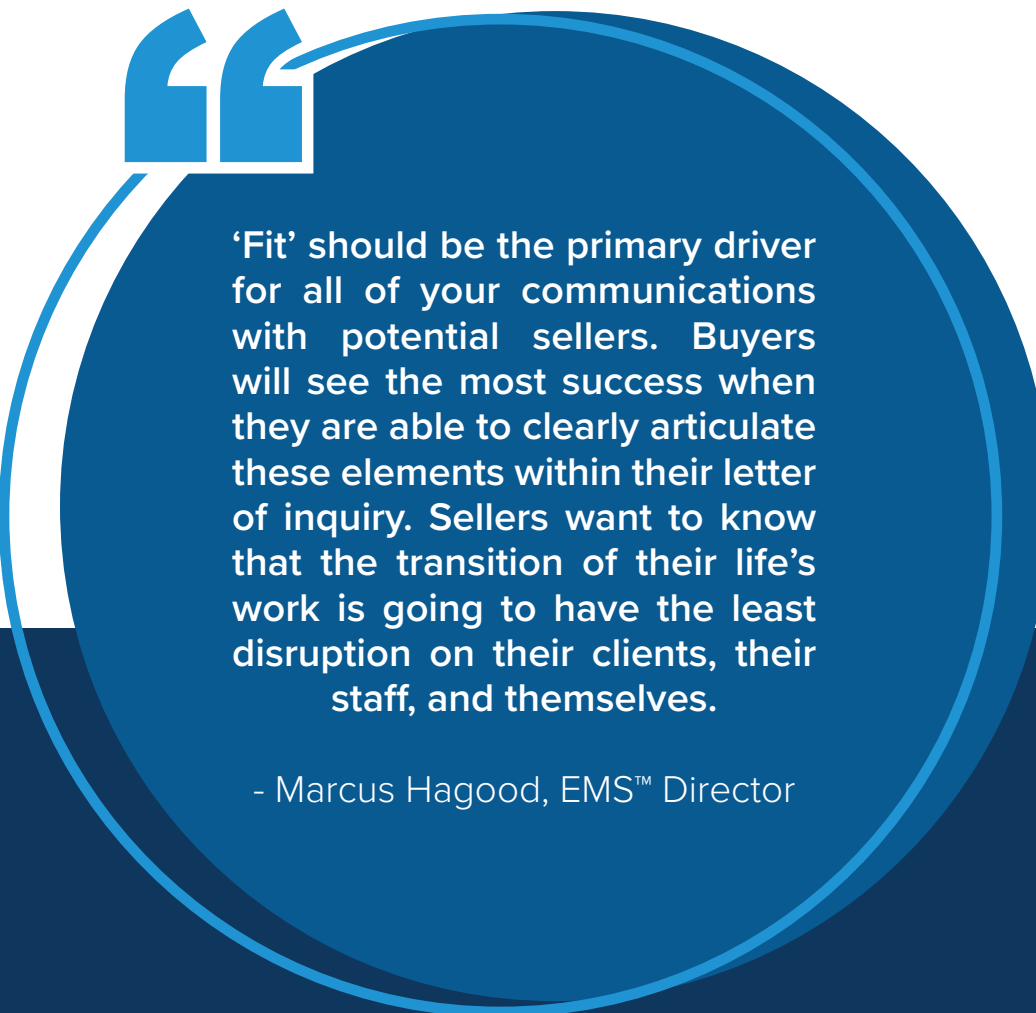
Perhaps the most important, and yet hardest to measure, component of “fit” comes down to whether a firm’s culture is complementary to yours. This could be reflected in how employees communicate with each other and with clients and by looking at a firm’s recruitment or retention statistics. There are many ways to evaluate a firm’s culture, but until you experience and directly interact with it yourself, it may be impossible to truly know if it’s a positive fit for you. Having more interaction virtually and in-person when possible, will allow you to more effectively assess the overall fit between your two firms’ cultures.

## THE TRUTH ABOUT PRICE

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- ▣ Most buyers are willing to meet the asking price.
- ▣ 98% of sales facilitated by FP Transitions close at or above the listed asking price.
- ▣ With an average of 50 inquiries per listing, sellers must look at other compelling factors in securing the right business partner or acquiring an entity.





‘Fit’ should be the primary driver for all of your communications with potential sellers. Buyers will see the most success when they are able to clearly articulate these elements within their letter of inquiry. Sellers want to know that the transition of their life’s work is going to have the least disruption on their clients, their staff, and themselves.

- Marcus Hagood, EMS™ Director

To better prepare your firm to be a strong acquirer, check out our **EMS™ program**.

To check out our current offerings, visit the **FPT Open Market**.

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