



SELL AND STAY®: A UNIQUE PATH FOR UNIQUE GOALS

The Sell and Stay® path is an often overlooked, gradual exit option floating around in the larger pool of internal succession, mergers, and external sales. Sell and Stay® allows an owner to continue working and earning an income without having to worry about matters such as management, day to day operations, or compliance.

A Sell and Stay® transaction falls somewhere between a merger and an outright sale. It involves an owner selling his or her practice, but instead of walking away once the sale is complete, they stay on as an independent contractor or employee earning wages for work performed. This allows an advisor to continue to work with clients and earn an income without the full obligations of being an owner in charge of the operation.

This path can be a good option for single owner practices where the advisor wants (or needs) to pull back from the practice to some degree. Advisors who find themselves in this situation often suffer from client attrition and end up either selling their practice earlier than they'd like or working to exhaustion, almost always resulting in a negative impact on the practice. A Sell and Stay® can offer a better way.

Common Sell and Stay® Situations

Love the Clients but Dislike the Day to Day Obligations of Ownership

Owning and running a financial practice can be satisfying and lucrative, but it requires commitment to the clients and to the operational side of the practice (e.g., compliance, payroll, personnel management). While some advisors thrive on wearing many hats, others—while capable of wearing these hats—would much rather spend their day working directly with clients.

If you've been feeling trapped by the management needs of your practice, a Sell and Stay® path can help you concentrate on the aspects of financial advising you do enjoy.

Choosing a Sell and Stay® path in this situation can be a breath of fresh air in an advisor's career, but you must be ready to let go of your "owner mindset" and support someone else as they build upon your foundation.

Transitioning into an "Encore Career"

Many advisor/owners like you are natural entrepreneurs. It's that entrepreneurial spirit that allowed you to work tirelessly for many years to build a successful practice. This spirit also has the tendency to plant seeds of other ventures that are sometimes hard to ignore.

Some advisors have reached a point in their career where they are ready for a new chapter, which for some includes starting a new business venture. As you already know, starting a new venture from scratch takes capital, time, and dedication. For those reasons it may be difficult to simply make the switch from advisor to founder of a whole new business endeavor.

In these circumstances, a Sell and Stay® strategy could allow you to invest the initial money from the sale of your practice to jumpstart your new one while staying on during the transition period as your new business grows.

Ongoing/Chronic Health Issues (For You or a Loved One)

Most advisors account for permanent or prolonged periods of illness or injury in their continuity plans. But in reality, some health issues can cause brief but debilitating episodes that come and go. For a sole proprietor, managing a chronic condition—for themselves or a loved one—can prevent them from devoting the necessary time to their clients and the operation of their practice.

During these unexpected circumstances, you can leverage your practice and client relationships. By employing a Sell and Stay® strategy, you can remain in a career that you enjoy, continue to earn an income, and reduce any stress you may have about periodically taking time away from work. The key in this situation is creating an independent contractor or employment agreement that accounts for the time you need to address whatever unplanned life event you face.

Gradual Retirement While Preserving Value Without a Successor

So many advisors take the gradual route to retirement, slowing down a little at a time. Some have succession or

merger plans in place but not all advisors have established multiple owners or nurtured key employees to take over their business. Most advisors are (as we discussed earlier) the sole owner in their practice.

As a sole proprietor, gradual retirement is still an option through a Sell and Stay® strategy. You can lock in value now, hand off control, and continue to work, earning an income at reduced hours for a set amount of years before fully exiting.

You Can't Have Your Cake and Eat It Too

On this path, you will have to make adjustments to the way you're used to doing things, including how you are compensated. As an independent contractor or employee (not an owner), you'll most likely be taking a reduced salary depending on the terms of your employment agreement. By selling your practice and receiving its value, you are giving up control. Your mentality, therefore, must change. You are no longer making decisions about the practice's operations or future, and you must operate within the new vision of the new owner(s). It is difficult for some advisors to remain and work for a business they no longer own, so the Sell and Stay® model isn't for everyone.

Remember, along with the benefits of creating an independent contractor or employment relationship and receiving value for your practice, you are no longer an owner and you will no longer be eligible for the salary, control, or equity benefits that come along with ownership.

How It Works

Again, a Sell and Stay® path is in the M&A family, but it is neither a merger nor an outright sale that you get to walk away from after the typical one-year consulting period. It is essentially a combining of resources and expertise, but not control. It relieves an advisor of the responsibility and obligations of ownership but not their advisory career or their income.

FP Transitions' Sell and Stay® strategy involves performing a formal valuation on your practice and determining what your desired exit will look like in terms of timeline and projected employment level. We search for the right buyer using the same tools and expertise as that of a traditional buyer search either on the Open Market or through a private survey. We

offer a non-advocacy approach during the negotiation and documentation processes to ensure the success of the deal as a whole, as well as for all parties.

During a Sell and Stay® transaction, the buyer and the seller must be willing to work together for a longer period of time than is required in a traditional acquisition. Additionally, the seller must be comfortable with relinquishing all controlling interest in the practice he or she spent years creating. For those reasons, finding the right fit is of utmost importance. There must be a mutual trust to ensure that there will not be any "power struggles" or ego issues as the practice continues to evolve under new ownership.

The FP Transitions buyer search methodology is rooted in the idea that by finding the perfect match, the transaction will be more successful. Our Transactions Team spends time with each and every seller to learn about their unique practice, investment philosophies, and goals. Using what we've learned, we can help find the most qualified and best match within a large pool of interested buyers.

What's In It for The Buyer

A Sell and Stay® strategy offers many benefits to a seller and can create a unique relationship between a buyer and a seller without the former owner's full exit. However, there are many benefits to a buyer as well.

The largest benefits of Sell and Stay® are scale, institutional knowledge, and client retention. By having the former owner on staff, a new owner has acquired a skilled team in addition to new clients. This can be especially beneficial for a buyer who's not ready to build up the infrastructure immediately after closing. Buyers can tap into the previous owner's expert knowledge of not only the industry, but the unique practice and clients, which helps smooth the transition and operations. Additionally, by keeping the previous owner on staff, you can increase client retention and trust, thus preserving value and cash flow.

Not all advisors looking for an acquisition are open to working with a seller in this unique situation. Potential buyers who are open to it will find themselves with more acquisition opportunities and reduced competition.

As you look ahead to the end of your career and consider your options, keep an open mind to find the perfect path for your personal future.

FP Transitions is the nation's leading provider of equity management, valuation, and succession planning services for the financial services industry. Based in Portland, Oregon, FP Transitions operates the largest open market for buying and selling financial service practices in the U.S.



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