



MID-CAREER OPPORTUNITIES

PUTTING MID-CAREER ADVISORS ON THE MAP FOR ACQUISITIONS

If you're a mid-career advisor and you're looking to expand your practice through acquisitions, Advisor Development is looking to identify you and your business as an organization that is ready to compete for practices that need successors in the FRGIS ecosystem. For the next decade, as the baby-boomers move through the demographic python, a big wave of acquisition opportunities will become available to those who are prepared.

Work with your Business Consultant to throw your hat in the ring by filling out your profile on the Advisor Development portion of the FRGIS website, then schedule and complete an interview with Advisor Development. Advisor Development will help you gauge your preparedness and capacity for competing for an acquisition and provide a list of recommendations to bolster your market presence in competitive situations.

IT'S SIMPLE

Advisors that have identified themselves as having interest in acquiring a practice need to be prepared. Are you fully licensed, what designations do you have, what niche are you in and does it align with the seller's practice. Do you have a clean record, are your tax returns, P&Ls and books and records up to date? Are you growing, do you have staff, do you have the capacity to take on the practice, and how important is geography in the transaction, along with a host of other variables.

Keep in mind that for one potential acquisition, based on your practice and the seller's, you may be listed in the top three we recommend for seller interviewing, but for the next potential acquisition, because of different business specialties, size differential or geographic challenges, you might not be in the running.

This is why every mid-career advisor should complete their profile. It gives everyone a shot at taking advantage of succession and acquisition opportunities.

WE'D LIKE TO PLACE AN EARLY CAREER ADVISOR IN YOUR OFFICE

The early career training put on by Advisor Development provides another opportunity for you to expand your practice. FRGIS in partnership with LPL is recruiting college graduates to bring into the business and to put on an "Advisor Track". Some graduates will be placed inside LPL in Fort Mill, SC or San Diego, CA to work on the service desk, or the IFS desk during the day, and study at night for their licenses, their CFP® and to get through our early advisor training.

Some of these graduates we'd like to place in your office if you have the need. These are all accounting, finance and economics majors looking to get started in the business with the hopes of becoming financial advisors one day. If you have a need for any sort of support staff that will work for you by day and train to become financial advisors in off hours, we'd like to place them in your office as well.

Note that to successfully recruit young people into our businesses, we need to deliver a consistent value proposition when recruiting them. If you hire one of these "proto-advisors", you will need to pay them \$60k and provide benefits. Once they're in production you'll have the opportunity to negotiate an override on their business in exchange for your support. Also, once embedded in your practice, you have a good chance of retaining them or even partnering with them, depending on their level of success.

SMARTER BUSINESS PRACTICES

Running your practice as a siloed business or in a small partnership has a lot of advantages and freedoms. It's how almost all financial advisors operate in the independent space. However, this structural

approach to the marketplace has some significant limitations relating to the value of your business. Because you are a sole practitioner or small partnership, you are considered a high-risk business in the eyes of an underwriter because of the small pipeline in which revenues flow into the business. If something happens to you, the cash flow stops.

This means that in a valuation, or when you get underwritten for an acquisition loan, you're at a disadvantage relative to an organization of say, 15 advisors operating as a unified business. With 15 advisors that have formed a legitimate company, with operating agreements and Boards to run the business, if something happens to one of them, the firm is fine. This is why siloed or small partnership businesses garner a 2X to 3.5X multiple in liquidity events or in underwriting, and a regional footprint, non-siloed legitimate company commands 4X to 6X, often more. Participants often double the value of their business.

FRGIS and Advisor Development want to provide the opportunity for our advisors to consider participating in these larger, regional, correctly governed (and more valuable) enterprises. The legal and accounting blueprint is in process and the first of these larger entities will be launched in the northeast in the spring of 2024. Once established, we'll clone the process and replicate in other areas of the country.

As these businesses come online, we'll be looking for advisors that would be willing to be a part of something bigger than their own, siloed practice. We encourage you to fill out your profile in the Advisor Development portion of the FRGIS website and identify yourself for consideration into these larger organizations.

MID-CAREER FAQ'S

1. What if I hire a recent college grad and they aren't working out?

Fire them. FRGIS will make every attempt to replace them.

2. Why do I need to pay a recent college grad \$60k plus benefits?

When FRGIS and LPL recruit them, we need a consistent value proposition. Also, this is reasonable for entry level positions offered to finance, econ and accounting majors coming out of college today.

3. What sort of preparations can I make in my practice to get ready for an acquisition?

Watch the videos on the Advisor Development web pages for mid-career advisors as a starter. Also, Advisor Development will periodically be holding educational events on the topic.

4. How common are acquisition opportunities available at FRGIS?

Advisor Development is creating a succession ecosystem specific to FRGIS. When combined with the opportunities LPL's Premium Buyer program delivers, the opportunities are significant and will be accelerating over the next decade. Currently we're seeing one or two deals every week internally, with additional opportunities found through outside vendors such as SuccessionLink and FPTransitions.

5. I'm interested in participating in a regional, larger firm with bigger multiples, but I don't want to lose my independence.

Most participants need to adjust to "working well with others" in a business context. Because these firms operate with Boards and solid operating agreements, there will be demands on expense reductions and growth goals that participants will be held accountable to. Additionally, these firms typically operate according to the recommendations of an investment committee that unifies the value proposition of the firm and the investment and product strategies that each advisor would abide by. But it also means that even if you join one, if it's not to your liking you can get cashed out and return to your siloed practice at any time. It's not for everybody, but everybody should consider it.

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PROGRAM OR CONTACT YOUR
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