



## **Seller Considerations in Liquidity Events**

### **1. Will this transaction be in my Client's Best Interest.**

You've got to do your **Due Diligence on the Buyer** to ensure that the acquiring advisor or firm has a good reputation, is financially stable, and is committed to providing quality service in the best interest of the clients. You also want to make sure that there is an **alignment of Values and Philosophy**. You need to ensure the acquiring advisor's approach to financial planning, investment strategies, and client care aligns with your philosophy to maintain consistency for clients.

### **2. You'll want to get a good understanding of Communication and Transparency expectations.**

Hence the Gantt Chart or a detailed plan put together with the buyer and you on how you want to communicate the transition to your clients mapped out on a timeline. Make sure that you're transparent with customers and that you are emphasizing the continuity of service, the buyer's expertise, and the benefits of the acquisition. A good communication plan includes the timing, channels, and content of messages to clients regarding the acquisition or the "merger" of the exiting advisor's practice and it clearly outline how this transition is going to benefit them, provide continuity, and enhance their client experience. Clients like the idea of merging to a bigger firm with more access to expertise, not so much if they're being "sold off", so you want to ensure that they aren't feeling abandoned. A good way to handle this is to have an open house after the announcement, a barbeque night, or client events that allow them to come and meet the new team in a non-business setting. They all want to come meet the new folks and check in with you as the seller. You might be surprised that they're often relieved you have someone coming in behind you.

**3. Next you have to build into your plan time with the buyer to help them understand each client's needs.** In other words, what process are you going to use to share detailed client profiles and preferences with the acquiring advisor to ensure a personalized approach in serving each client effectively. Each client should have a record of history with you and a running record of interactions with your company. This is where all those really good client notes come in handy. If there are any ongoing commitments with clients or any special considerations that you can relay to help the buyer tailor their approach to each customer, super helpful.

### **4. Client Transition Planning:**

Once the client background is reviewed by you and the buyer, the next step is to work to develop personalized transition plans for each client, including how and when the transition will occur and how the client-advisor relationship will be maintained. What process will you use to facilitate introductions between clients and the acquiring advisor, and what do you need to get accomplished at each meeting. Be sure to build into the plan any new paperwork signatures that might be needed too, like Client Services Agreements or advisory repapering.

### **5. Client Retention Strategies:**

This one's important, since you don't want the buyer to come back to you the following year with a claw-back clause and the intent to lower your payments. You'll negotiate this on the front side of a P&S, but I'll give you some hints – do lots of events after the announcement, like open houses or retirement parties

*Securities and advisory services offered through LPL Financial, a registered investment advisor, member FINRA/SIPC.  
Financial Resources Group Investment Services, member FINRA/SIPC, is a separate entity.*



and spend a LOT of time checking in with everyone and meeting with them and the acquirer together as they go through the handoff process. And don't be shy about gathering feedback, addressing concerns, and ensuring their satisfaction. Remember – the target is 100% retention.

#### **6. Confidentiality and Data Security:**

Don't forget that as the seller, you need to ensure that client data is transferred securely and in compliance with data privacy regulations, protecting client confidentiality and privacy. It takes several weeks for a CRM like Redtail to merge your customer data with another CRM, so build that into your planning as well.

#### **7. Legal and Regulatory Compliance:**

Also, part of the process is ensuring that the transfer of client relationships complies with all applicable laws and regulations, including obtaining necessary approvals and licenses. Prior to the closing, you'll want to inform the buyer of all the states you're registered in and all the vendors you're appointed with. You'll want to notify the OSJ and LPL of the transaction and identify disclosures that need to go out to clients.

From a legal perspective, you're going to need some help if the practice is being transferred through a P&S Agreement. There are specific forms that need to be filed by both parties with the IRS to document the transaction, not to mention legal agreements and contracts outlining the terms and conditions of the transaction, responsibilities of both parties, and client rights. And a good accountant should be a part of the process as well.

#### **8. Financial Arrangements:**

This will get worked out before the closing, but as a seller, just remember – you're in the driver's seat. You get to define what the terms and conditions under which you will sell your business will be. You get to (mostly) define the financial terms of the acquisition, including payment structure, timelines, and any contingencies related to client retention and performance. If you're way out of bounds, you'll keep losing buyers, so you'll need to negotiate some of the terms and conditions with the buyer, but you set the stage and the negotiations begin from there. And just so there's no surprises, stay on top of clarity in who is responsible for any transition costs or potential liabilities related to the transfer of client relationships.

By carefully considering these key aspects, the selling financial advisor can ensure a successful transfer of client relationships to the buyer, promoting client satisfaction, retention, and the overall success of the practice transition.

*Securities and advisory services offered through LPL Financial, a registered investment advisor, member FINRA/SIPC.  
Financial Resources Group Investment Services, member FINRA/SIPC, is a separate entity.*