

California Lutheran University
School of Management
Financial Planning

NAIFA
LOS ANGELES

**National Association of Insurance and
Financial Advisors – Los Angeles**

Selling a Planning Practice

Chia-Li Chien, PhD, CFP®, PMP®

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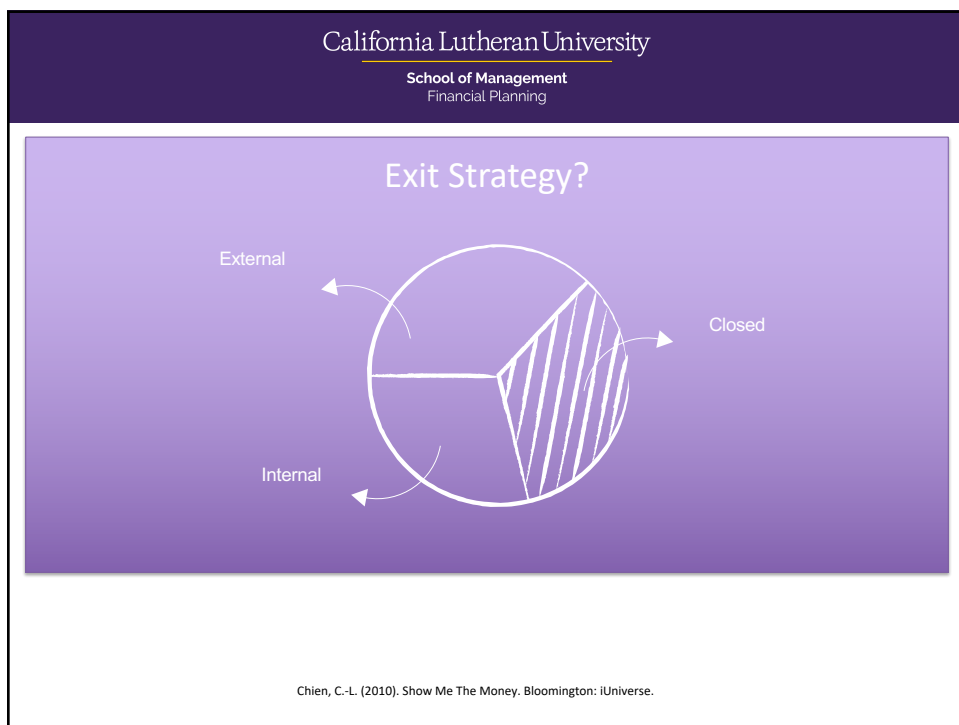


Chia-Li Chien, PhD, CFP®, PMP®
Assistant Professor
Director of Financial Planning Program

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Agenda



- 1 Succession Planning
- 2 Rule of Thumbs
- 3 Deals
- 4 Practice Structure
- 5 Next Step

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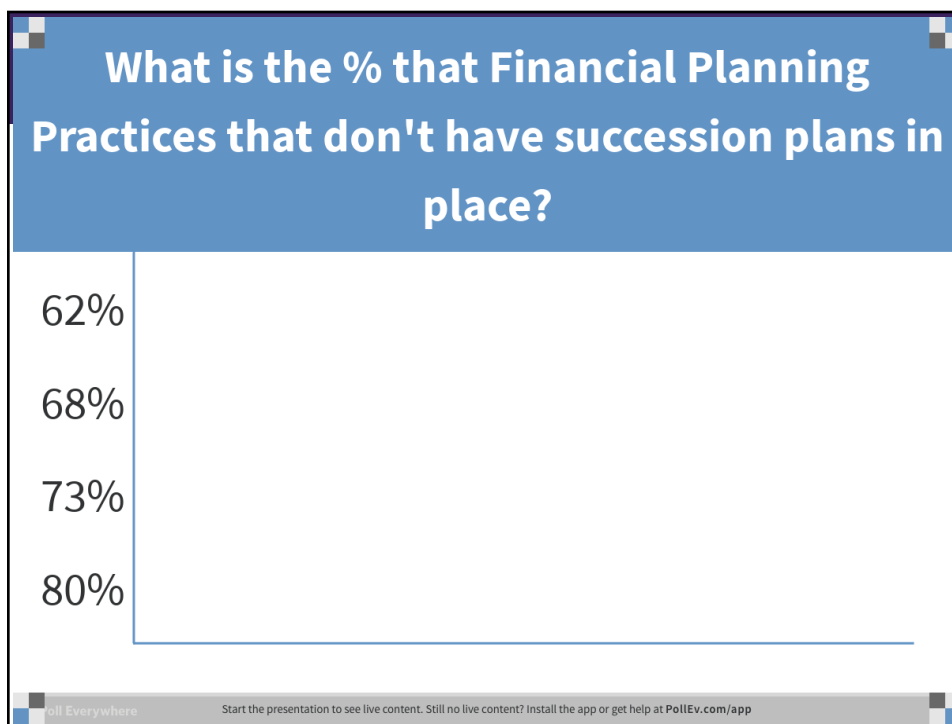
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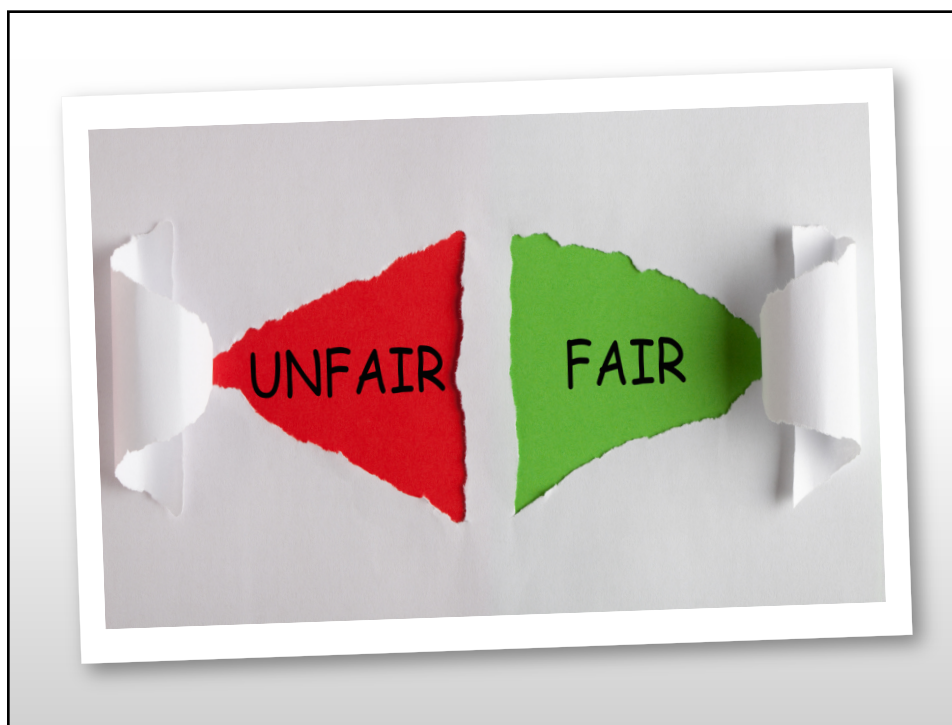
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Rank the largest number of Financial Planning Practices (highest to lowest)

Ensembles

Silo Practitioners

Sole Practitioner

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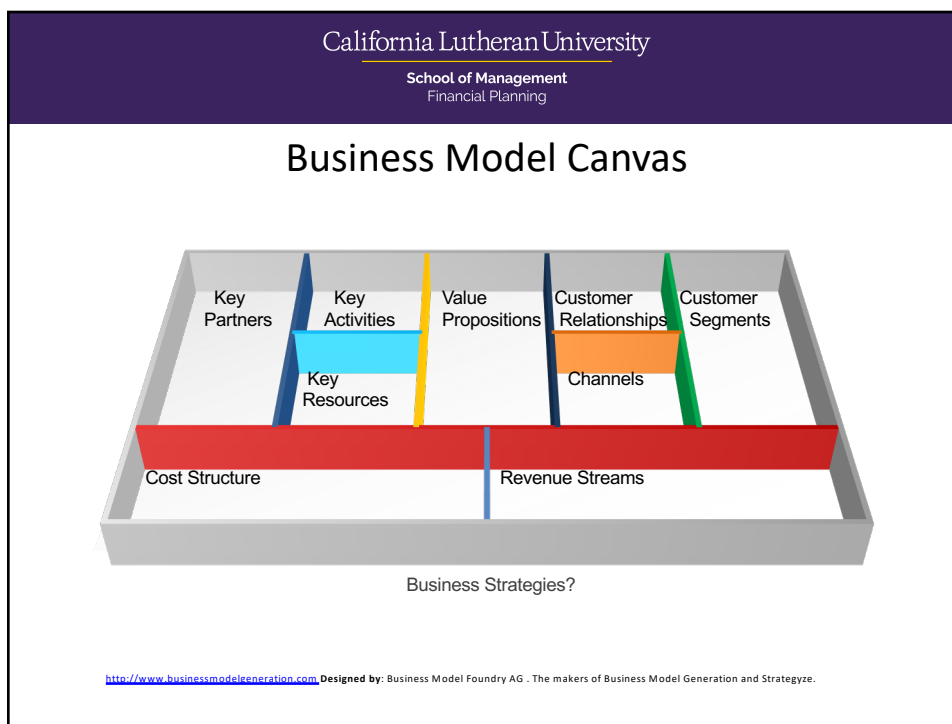
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Practice Type & Transfer Channels

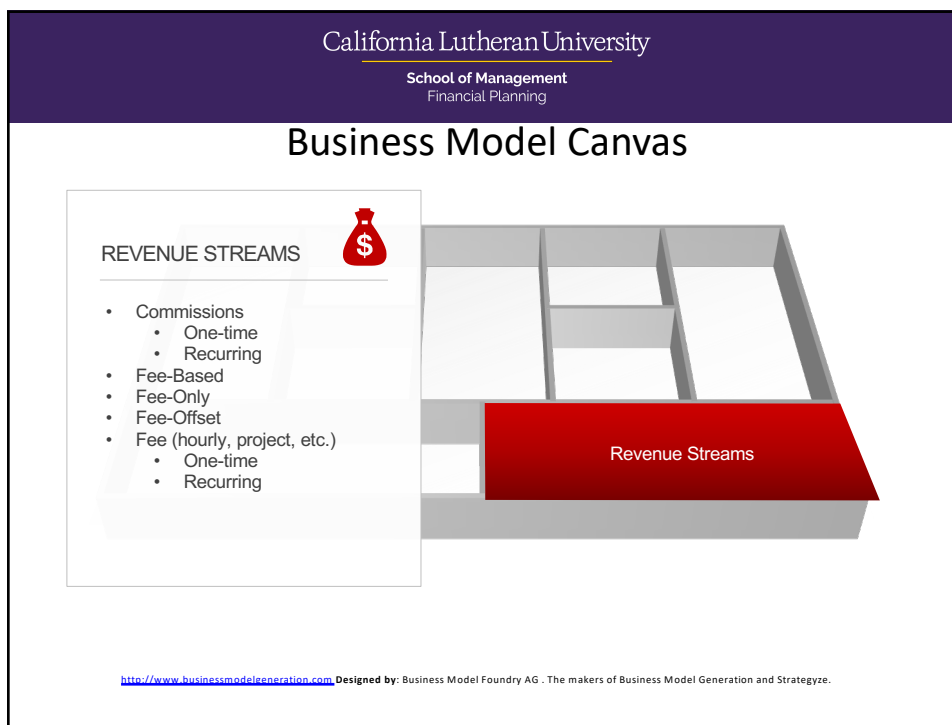
Characteristics	Sole Practitioner	Silo Practitioners	Ensembles
Industry Population	70%	25%	5%
Entity Structure		✓	✓
Practitioner(s)	1	Ideal up to 4	> 4
Team / Staff		Shared Staff	Shared & Process Driven
Practice Tenure		Limited to 1 generation	Multi-generations
Succession Plan		✓	✓
Exit Plan	✓	✓	✓

Chien, C. (2017). Selling a planning practice: The relationship between revenue multiple and revenue size. *Journal of Financial Planning*, 30(3), 52-61.

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How does your practice get compensated?

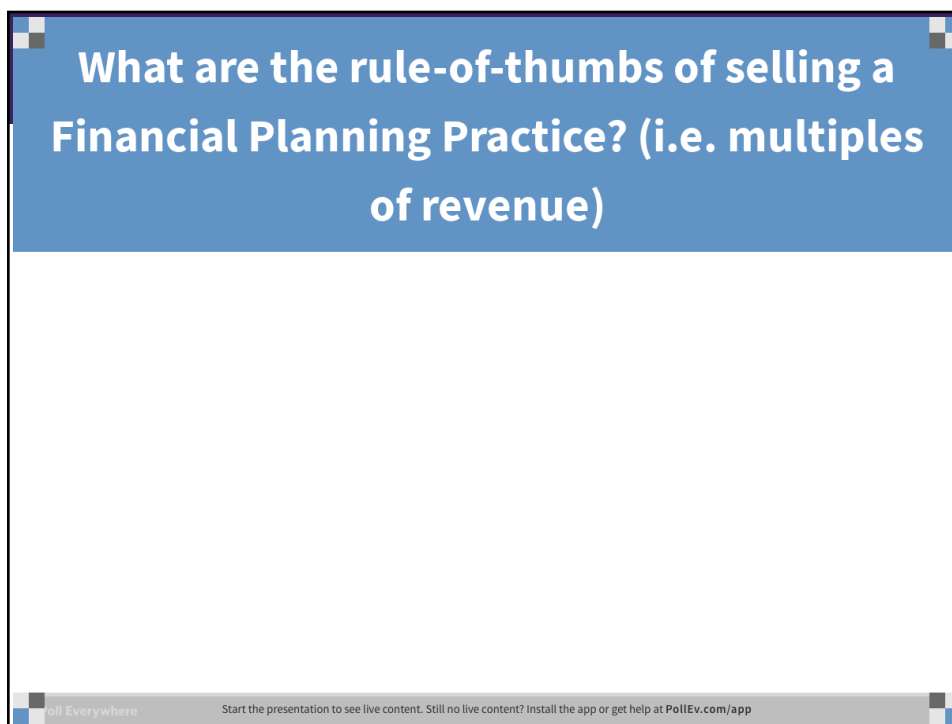
Fee-Based	A
Fee-Only	B
Commissions	C
Fee (hourly, project, retainer, etc.)	D

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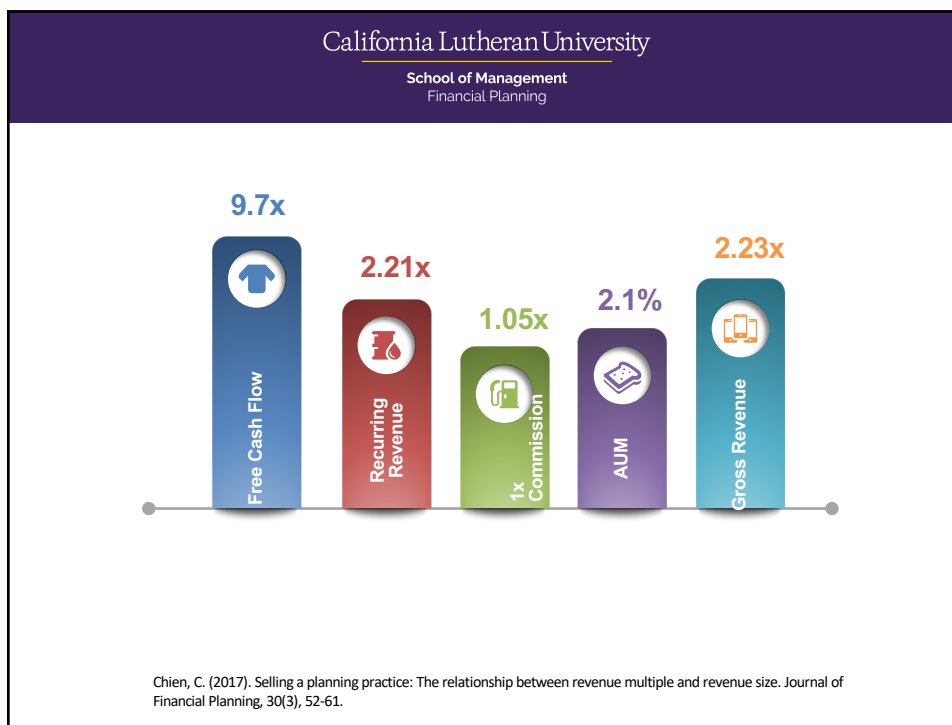
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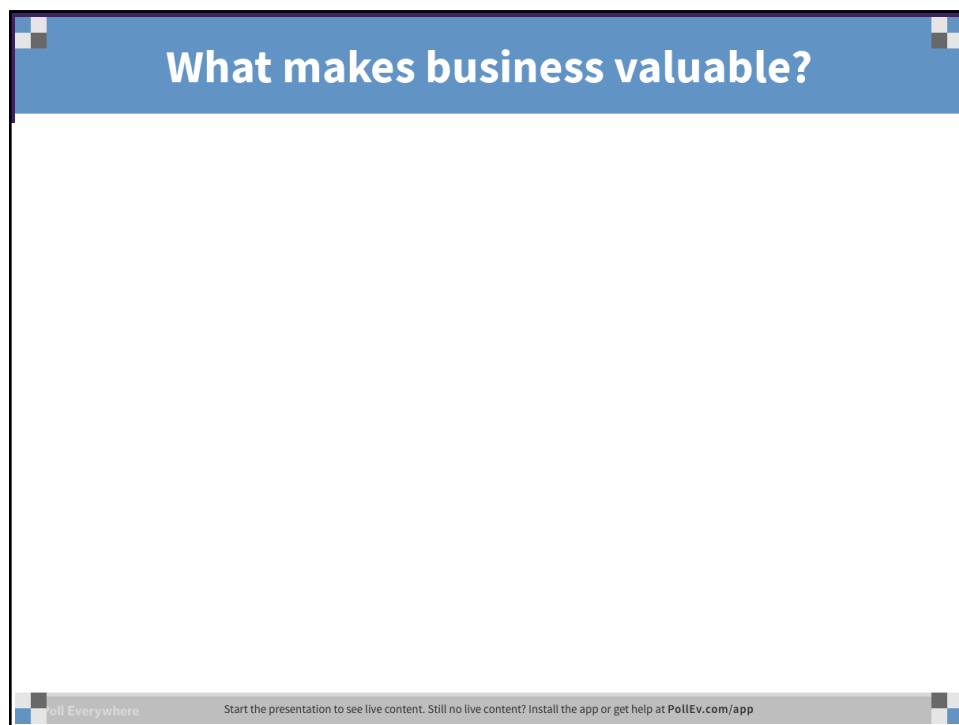
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What makes a business valuable?



The image shows three identical stopwatches arranged horizontally. Each stopwatch has a white face with black and red markings. The first stopwatch on the left has its red hand pointing to 15 and its black hand pointing to 45. The middle stopwatch has its red hand pointing to 10 and its black hand pointing to 40. The third stopwatch on the right has its red hand pointing to 5 and its black hand pointing to 35.


Personal:	Business:	Economics:
The readiness of the owner to move on to something else.	A substantial key management team able to operate with or without the owner or founder.	Where the economic cycle is and is it a buyer's market?

Chien, C.-L. (2012). *Work Toward Reward: Building Business Value Today for a Well-Deserved*. Bloomington: iUniverse.

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Actions that Affect Business Value

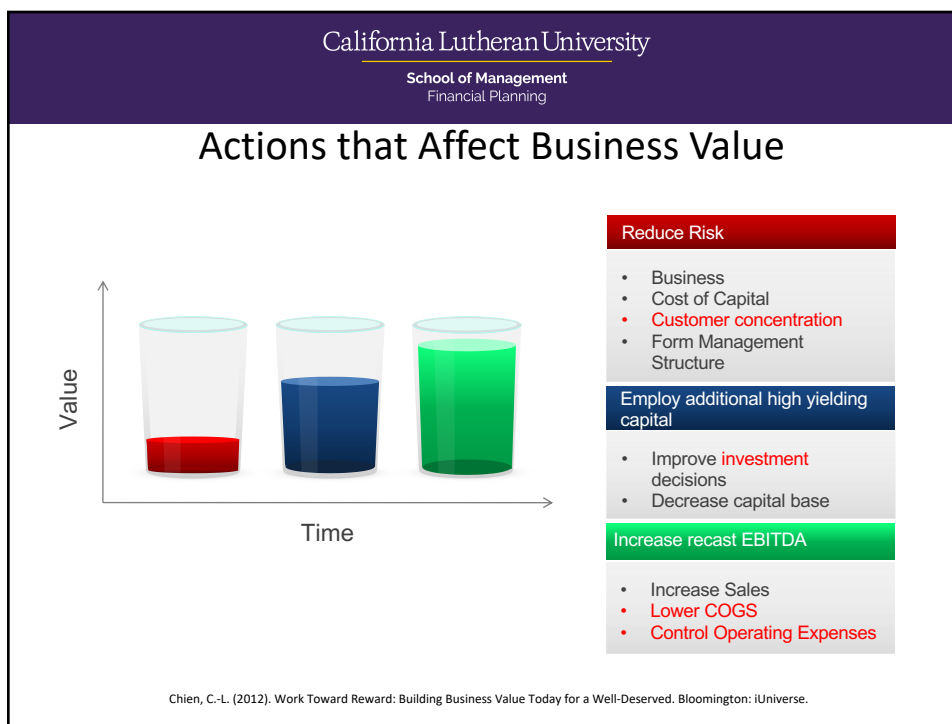


The image shows three identical glasses arranged horizontally. The first glass on the left is partially filled with red liquid. The middle glass is partially filled with blue liquid. The third glass on the right is partially filled with green liquid.

Reduce Risk	Employ additional high yielding capital	Increase Recast EBITDA
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Chien, C.-L. (2012). *Work Toward Reward: Building Business Value Today for a Well-Deserved*. Bloomington: iUniverse.

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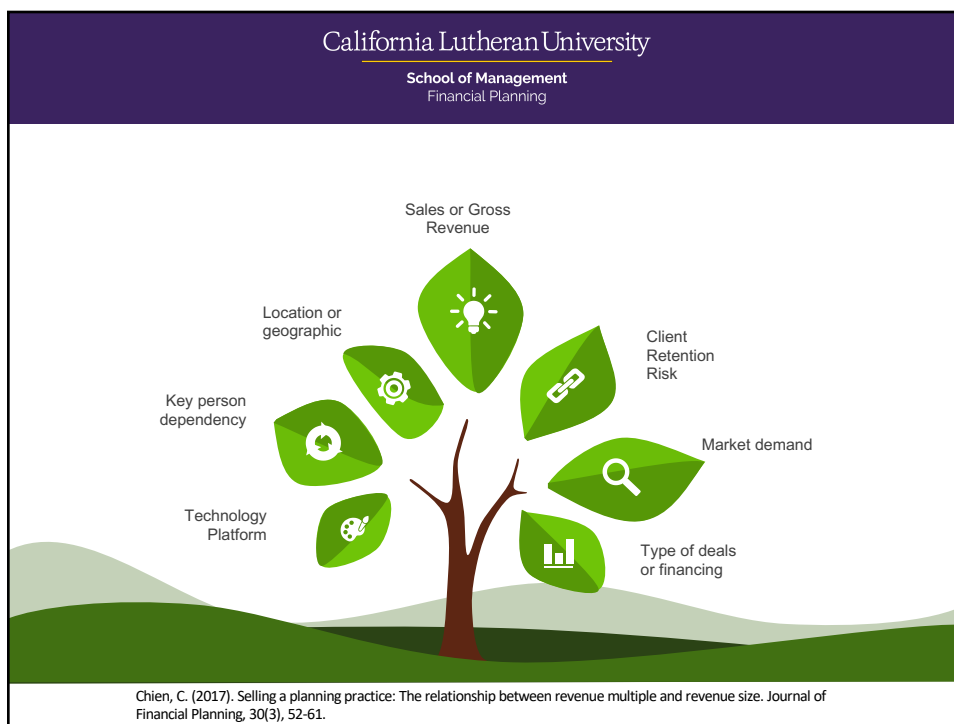


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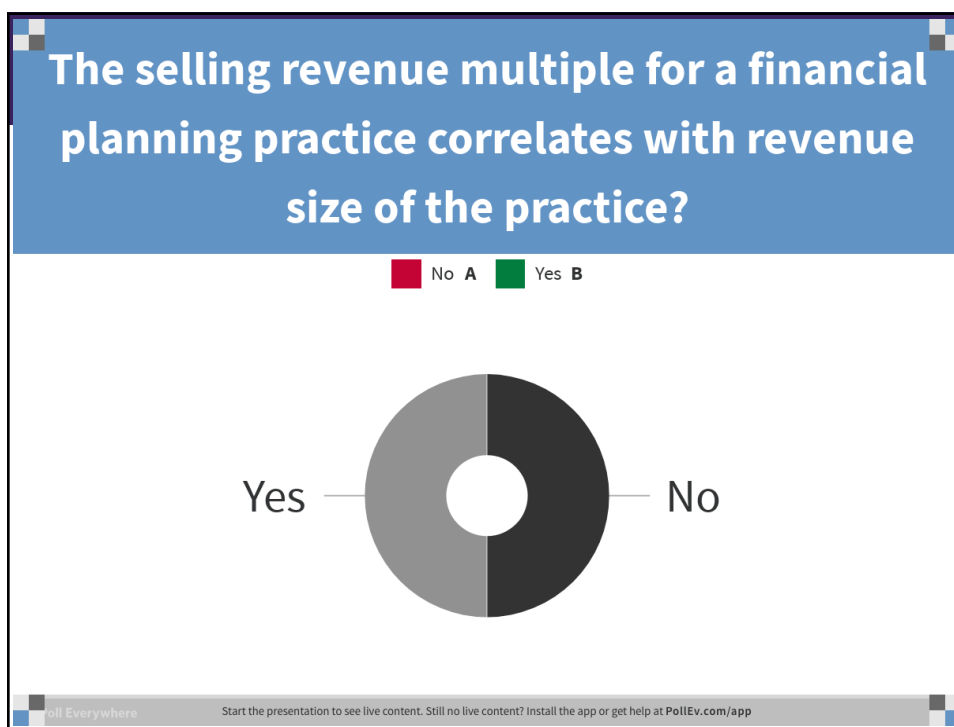
Examples of adjustments that impacts the final selling price of a practice:

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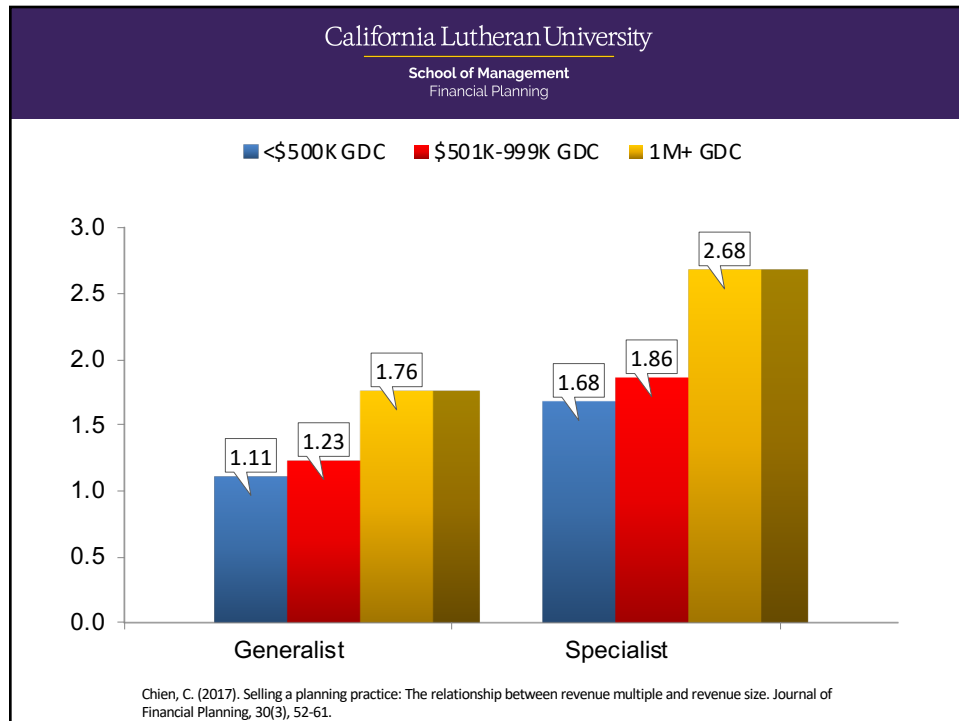
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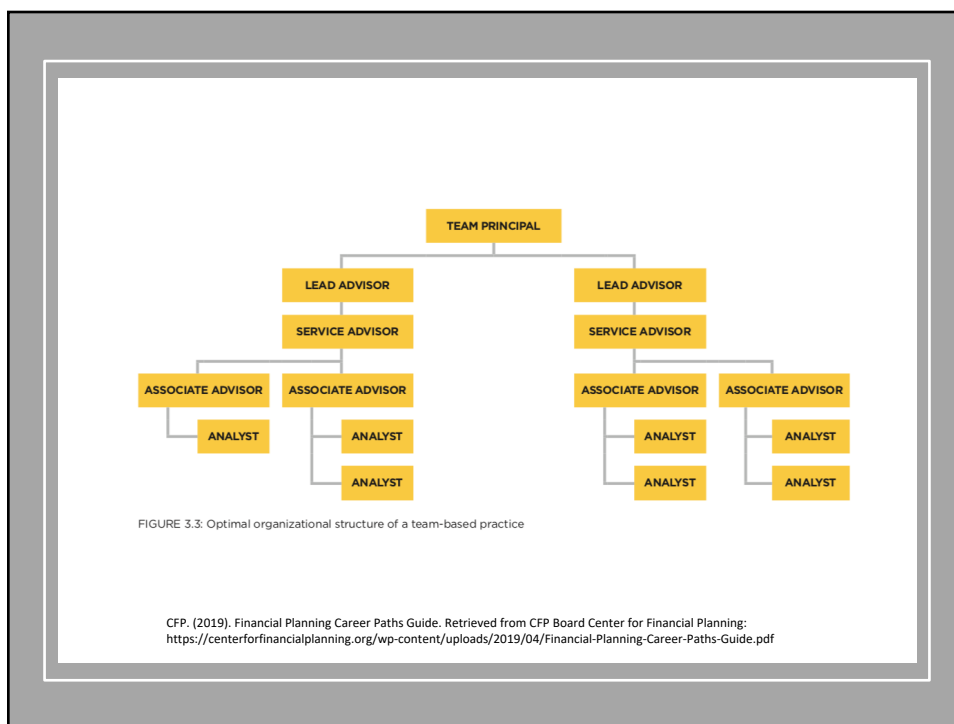
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Types of Practice

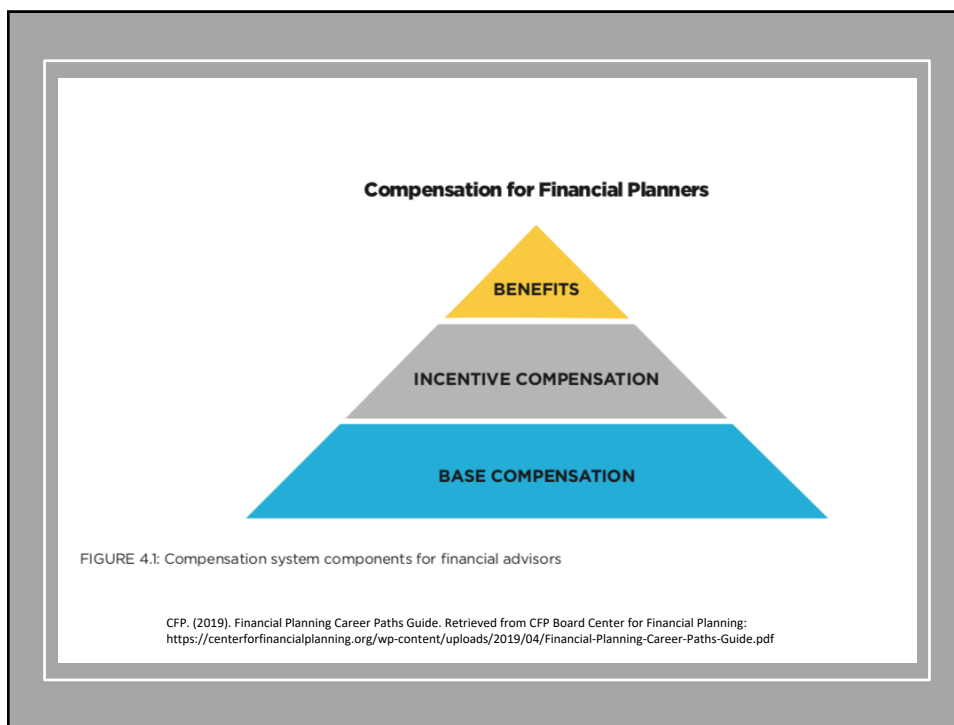
	Solo	Silo	Ensemble	Enterprise Ensemble	Super Ensemble
Professionals	Single	Multi	Multi	Multi	Multi
Sharing	✗	Operations	Clients Revenue Operations	Clients Revenue Operations	Clients Revenue Operations
Annual Revenue			Up to \$5M	\$5-\$10M	>\$10M

InvestmentNews Research. (2019, Feb 11). 2018 InvestmentNews Compensation & Staffing Study. Retrieved from InvestmentNews: https://www.pershing.com/_global-assets/pdf/2018-adviser-compensation-and-staffing-study-update-summary.pdf

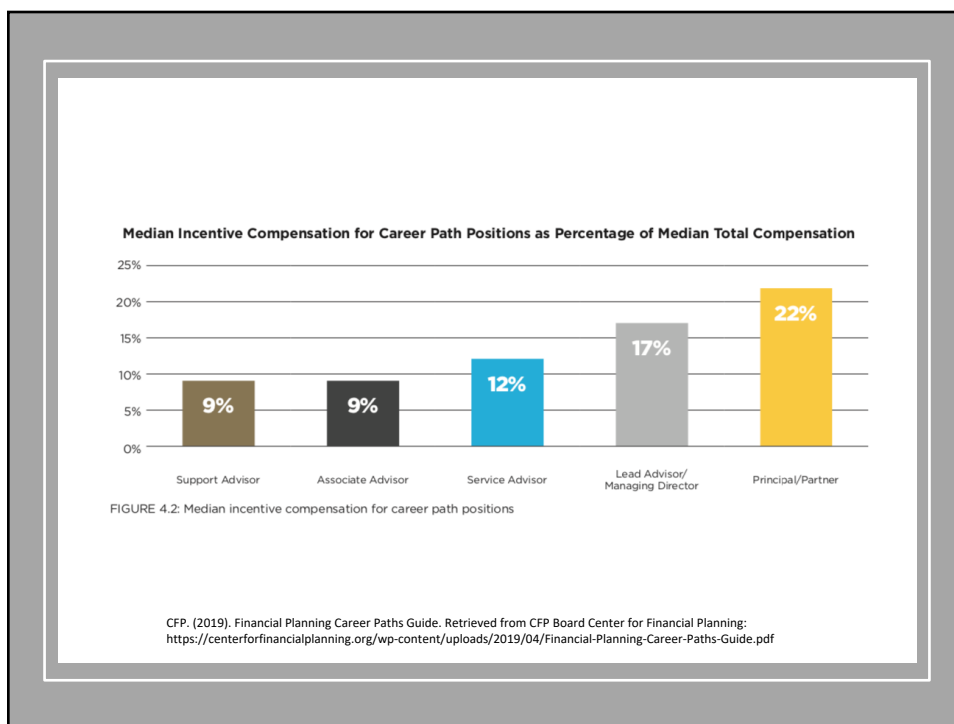
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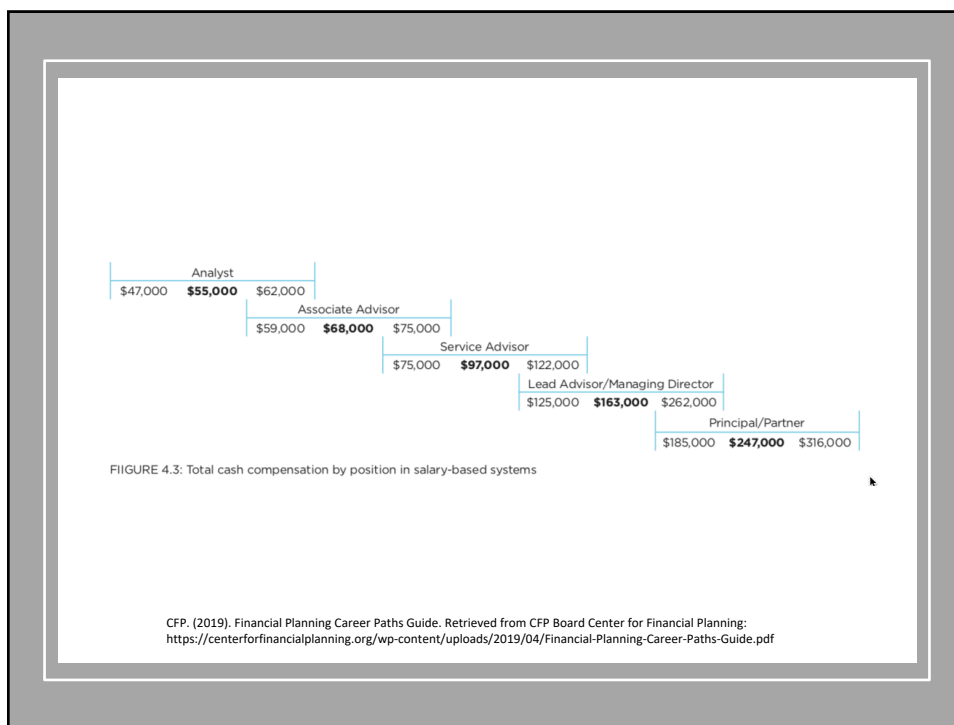
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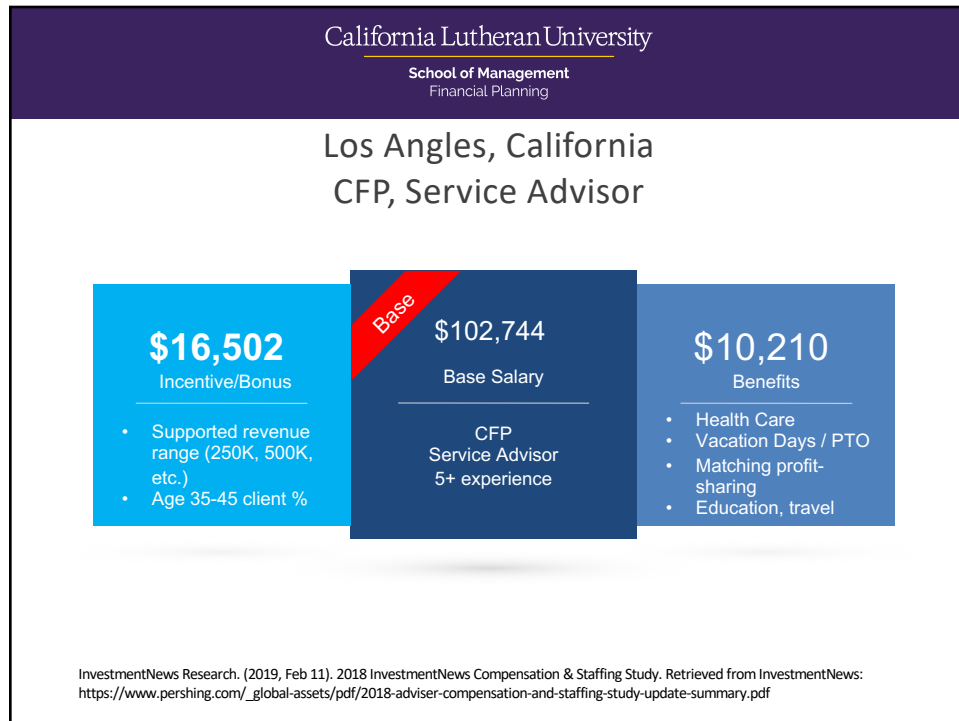
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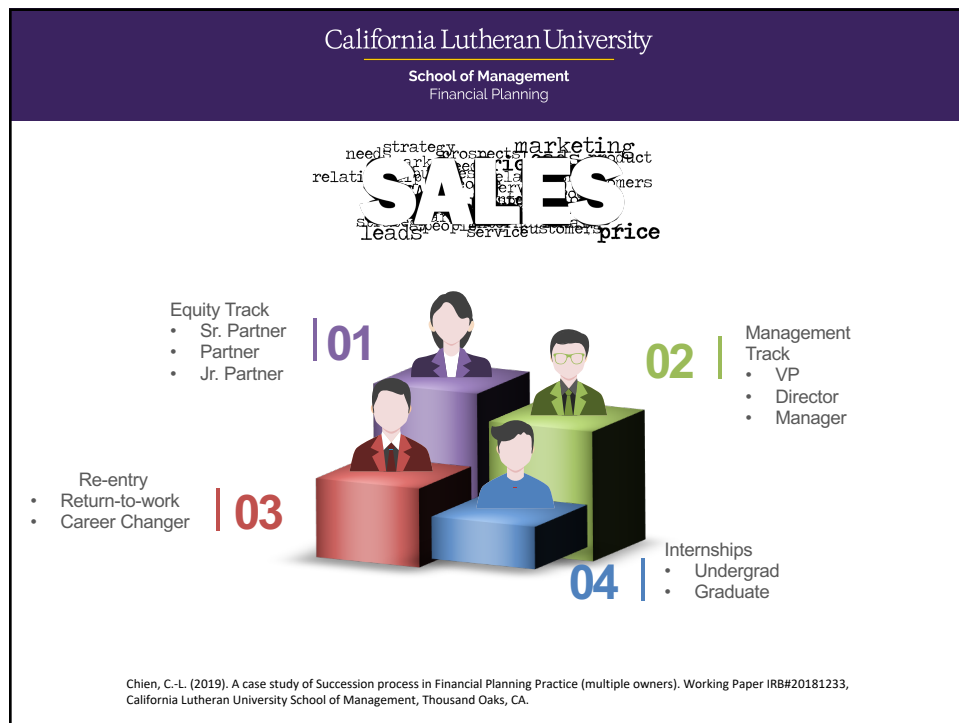
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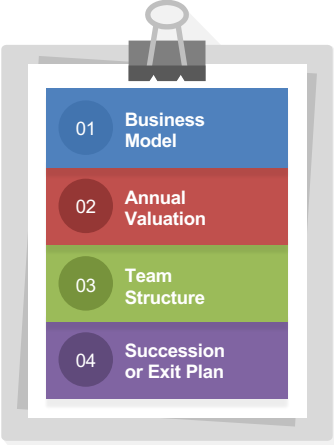
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To do list:



- 01 Business Model
- 02 Annual Valuation
- 03 Team Structure
- 04 Succession or Exit Plan

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What is one thing you will implment at your practice in one month?

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Thank You!
https://bit.ly/NAIFA_LA

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