

ADVISOR SUCCESSION PLANNING

*Transitioning your
business with confidence*

MAXIMIZING VALUE WORKSHEET

Professional valuers consider the following factors when determining an appropriate value for your business. While some of the factors are quantitative and fairly easy to assess, others are qualitative and require some thought. This isn't a pass/fail exercise. It's designed to identify opportunities for demonstrating the value of your business to a prospective buyer.

After considering each question, put a check mark in the appropriate column:

- ◇ If you feel the answer works in favour of a higher price, check the "Premium" column.
- ◇ If it negatively affects value, check the "Discount" column.
- ◇ If, in your view, it won't have any impact on price, check the "Neutral" column.

When valuers do this as part of a practice valuation, they add up the columns to get an overall perspective on a practice. It's important to note there isn't a magic formula where showing a certain score in one column automatically warrants a higher or lower price. However, if most of the check marks are in the "Premium" column, you probably have a practice that's above average. On the other hand, if most are in the "Discount" column, this suggests a below-average practice. This, in combination with the actual financial metrics of the business, helps inform the valuation.

RISK FACTORS:

Please check the boxes.

| | PREMIUM | NEUTRAL | DISCOUNT |
|---|--------------------------|--------------------------|--------------------------|
| STRATEGY AND POTENTIAL | | | |
| To what extent is the reputation of the business dependent on the seller? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Does the business have a clearly defined strategy? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Is the business currently growing, declining or stagnant? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Does the business have the capacity to expand? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Are there opportunities for additional income? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

RISK FACTORS:

Please check the boxes.

PREMIUM

NEUTRAL

DISCOUNT

STRATEGY AND POTENTIAL

| | | | |
|---|--------------------------|--------------------------|--------------------------|
| Is the business dependent on the seller's network and community presence? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Is the business dependent on the seller's technical expertise? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Is there a consistency of recurring income? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Is the pricing policy reasonable and consistent? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Are there diversified sources of revenue? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Does the firm have a competitive advantage in any area? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| How does the practice generally stand up against the competition? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Is the geographic location suitable? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

CLIENTS

| | | | |
|--|--------------------------|--------------------------|--------------------------|
| Is the client base profile attractive to the buyer? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Is the average age of clients attractive to the buyer? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Is the average tenure of clients acceptable? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Is the average account size reflective of the market? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Is there a high concentration of clients representing significant revenue? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Is client retention acceptable? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Has client satisfaction been formally measured? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To what extent are clients already familiar with the buyer? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

MARKETING

| | | | |
|---|--------------------------|--------------------------|--------------------------|
| Is there a clearly defined market in which the firm operates? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Does the practice have a unique niche or specialization? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Is there a definable brand for the business? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Is the advisor's personal brand larger than the business' brand? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Are all marketing activities and materials consistent with the desired brand? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Is there a marketing plan to attract new clients? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Does the firm currently invest sufficiently in promotional activities? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Are current promotional activities consistent with the target market? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Has there been any negative publicity in the past? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

RISK FACTORS:

Please check the boxes.

PREMIUM

NEUTRAL

DISCOUNT

PHILOSOPHIES AND PROCESSES

Is the client service philosophy similar to the buyer's?

Is there an effective client segmentation process in place?

Is the investment philosophy compatible with the buyer's?

Is the planning philosophy compatible with the buyer's?

Are the planning and investment processes compatible with the buyer's?

Is there a high concentration of holdings in client portfolios?

STAFFING AND SYSTEMS

Are systems and technology up-to-date?

Are policies and processes documented?

Are client records accurate and complete?

Are support staff tenure and turnover acceptable?

Is the business dependent on key personnel?

Do all team members have the required experience?

How well do team members know the buyer?

How likely are team members to stay with the buyer?

Do all team members have the required credentials?

Is the business dependent on outside resources?

STRUCTURE AND LEGAL

Does the seller have the ability to transfer the business without restriction?

Are all current shareholders in agreement with the sale of the business?

Does the buyer have the ability to purchase the majority/full stake?

Is there protection of minority interest rights?

Is the buyer acquiring a *book of business* or a *business*?

Will the current distribution firm/sponsor assist with financing the purchase?

Are the proposed deal terms favourable to the buyer or the seller?

Have there been any compliance or legal issues in the past?

Are there any outstanding compliance or legal issues?

Life's brighter under the sun

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