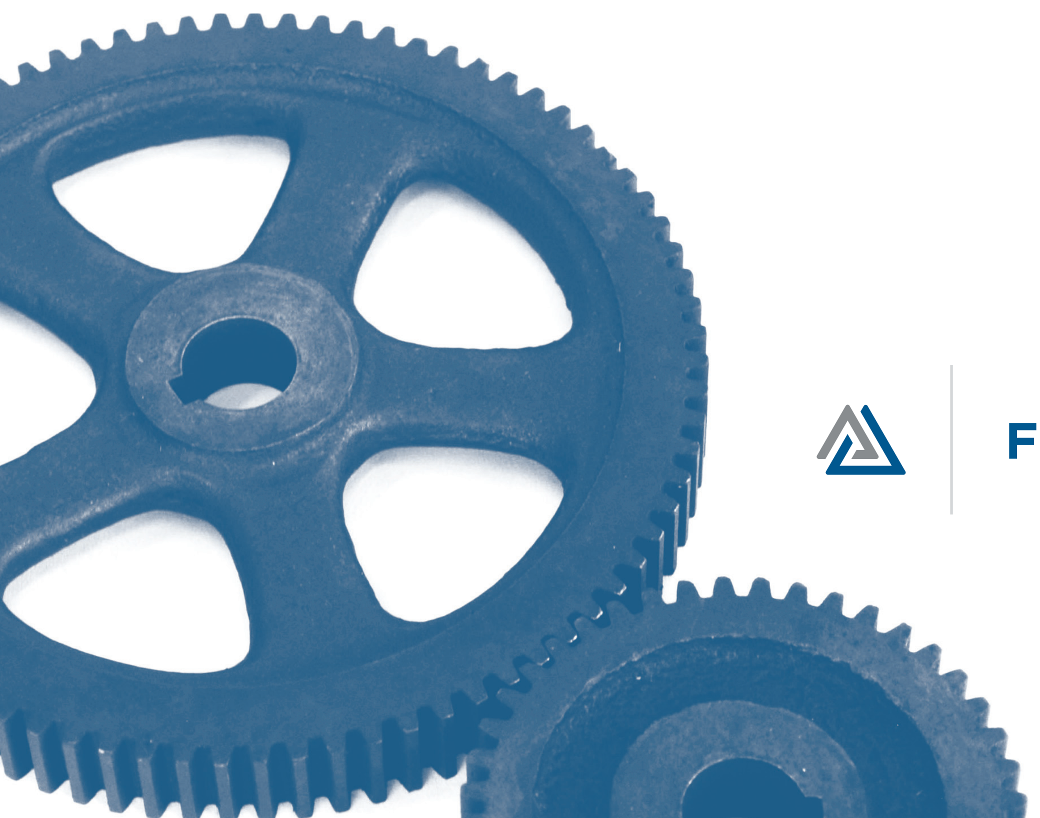
THE LIFESTYLE SUCCESSION PLAN



FP TRANSITIONS®

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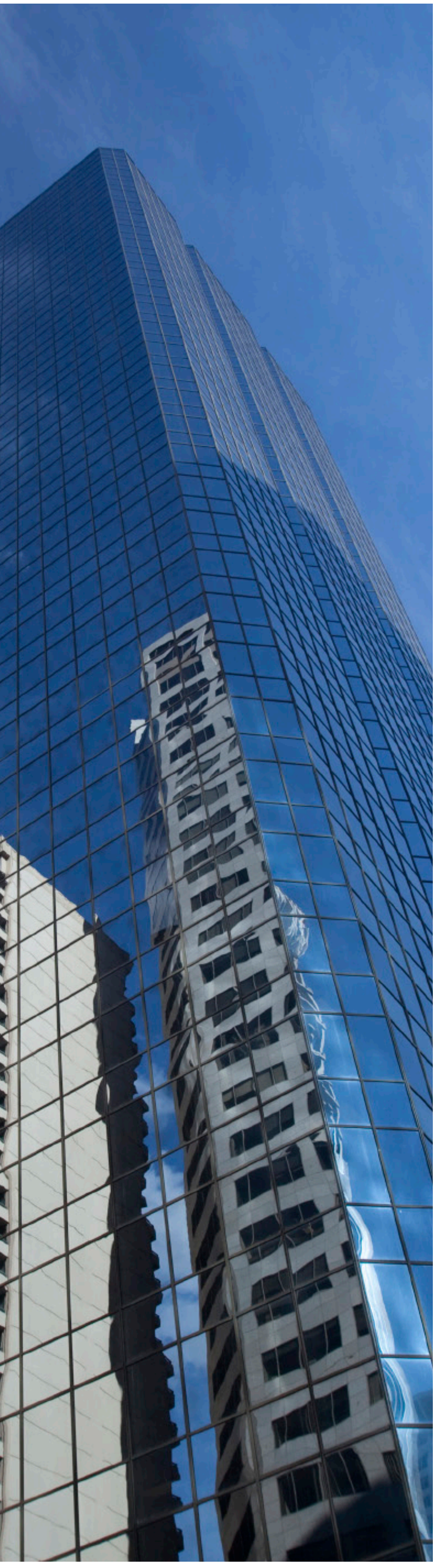


A succession plan is best defined as a professional, written plan designed to build on top of an existing practice or business and to seamlessly and gradually transition ownership, leadership, and growth responsibilities to the next generation of advisors. The goal is sustainability, and it is accomplished through a structural framework that carefully coordinates the changing roles of the founder(s) and the successor team over many years. It is designed to support the evolution of business skills from entrepreneur, to shareholder, to CEO, to mentor. This planning process reflects the values and needs of the founders: control, flexibility, a return on investment, a client-centered approach, and the ability to build an enduring and transferable business — to build a legacy.

There can be no succession plan without the help and support of the next generation of advisors. In fact, the only way for a small practice to grow into a larger and stronger business is to attract, retain, and propel next generation talent — to hire great people, support them, and then step aside as they gain experience and gradually fulfill their new roles as a succession team.

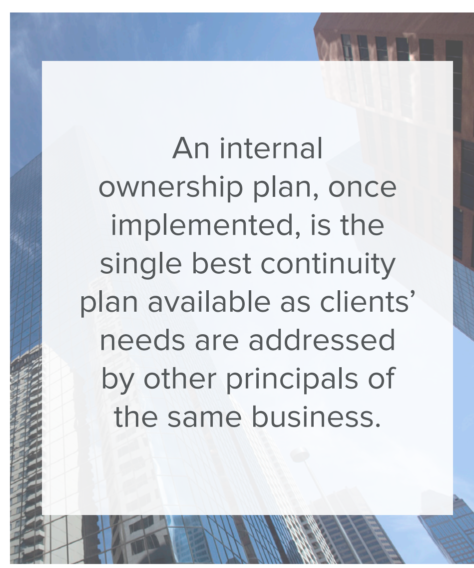
In a large, publicly traded company, the primary objective of management is to build shareholder value. Over the course of the last ten years, as the equity in a privately held financial services business has steadily grown into the largest, most valuable asset most advisors own, the role of strategically building shareholder value has emerged as the key to the most popular succession planning process in this industry — an income perpetuation strategy, or a "Lifestyle Succession Plan." The unique attributes of a fee-based advisory model create an opportunity to build a multi-owner and multi-generational service structure of significant value.

Conventional wisdom suggests an advisor should choose between an internal succession plan and an external sale to a third-party, with the latter properly referred to as an "exit plan." In truth, the smart plan allows for both options, but always includes consideration of the internal ownership transition strategy. Setting up an internal ownership track provides for a stronger and more stable business, which in turn provides higher value in the future regardless of the founder's ultimate strategy. It can also provide excellent protection against the founder's short-term or even permanent disability, or other issues triggering a sudden departure from the practice.

Attracting, retaining and properly rewarding next-generation talent is an essential step in moving beyond a typical, one-generational practice to a more valuable business.

Selling to a third-party doesn't take a lot of advanced planning; selling internally does. Executing an internal ownership strategy can easily take 10 years or more. Combining and coordinating the benefits of equity and compensation for a team of next generation owners is exacting work to be sure. So, what is the reward for that planning and implementation effort? To put it simply: control over the future, whether as the founder or a member of the successor team. As an entrepreneur, the founder(s) can lead and continue to participate in the business they've built for decades to come. As a member of the successor team, this is a once-in-a-lifetime investment opportunity that comes with a paycheck, a mentor, and a financing mechanism.

The lifestyle succession planning strategy isn't a theoretical process. Each year, hundreds of next generation advisors step into the equity *circle*, agreeing to invest their time, money, and energy to build on top of what the founding generation of owners has started. The current generation of practice owners is presently charting a clear and powerful course that bodes well for themselves, their clients, and this profession.



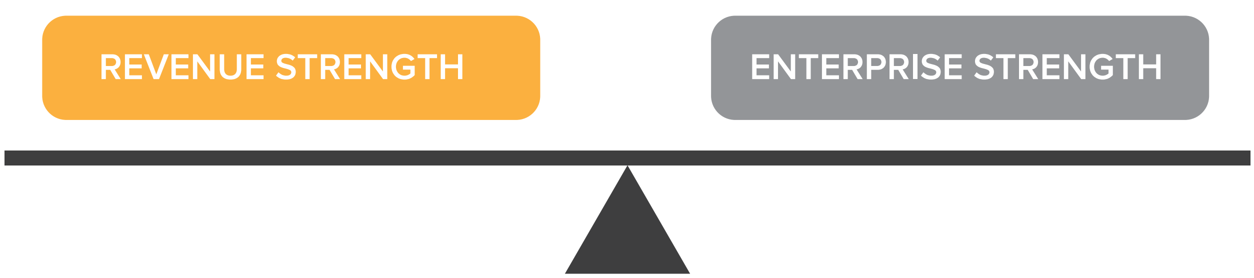
An internal ownership plan, once implemented, is the single best continuity plan available as clients' needs are addressed by other principals of the same business.

BUILDING A BUSINESS OF ENDURING VALUE

For most investment professionals, the reward to be earned from a lifetime of work does not come from a lump sum payment derived from selling the business and walking away. Instead, the reward often results from the benefits of perpetuating their business while creating an ongoing stream of income for 10 to 20 years past the typical retirement age. To be clear, most internal ownership plans, including the ones discussed in this white paper, are not the sale of 100% of the business all at one time.

While planning and executing an external sale of the entire business is the fastest exit strategy, internal transition plans provide longer term benefits, including business growth and stability, even as the founding generation begins to retire on-the-job. Regardless of the final outcome of the internal transition plan, building a business of enduring value — one that achieves a balance of revenue strength and enterprise strength — is smart business. Most independent financial service professionals understand how to build revenue strength. The challenge in creating an enduring, multi-generational business lies in building enterprise strength. Enterprise strength refers to an advisory business's legal, organizational, compensation, and profit structures, all elevated to a high and sustainable level.

In a well-designed succession plan, time is no longer an obstacle — it is the ally of an internal ownership planning strategy if started early enough. The primary thrust behind the implementation of a succession plan is the utilization of the compensation elements (wages or paychecks for work performed) and the simultaneous, gradual, realization of equity value. Adding an ongoing equity component to a firm's existing compensation structure allows the business to create a shared-risk/shared-reward relationship between employers and employees — a connection between the generations — providing both the means and the rewards of ownership.



Broadening the ownership base is critical to supporting aggressive and sustainable growth plans that require skills and energy that surpass, at one point or another, the skills, energy, and lifetime of the founding owner(s). It is impossible to perpetuate an income stream, especially for a small business, without capturing and optimizing the talents of the next generation. Once a multi-tiered ownership structure is in place and the generations learn to function as a team, the ability to move beyond the simple production models of the past (i.e., an “eat-what-you-kill” approach) becomes possible. From there, the ability to build an enduring and transferable business emerges. Evidence is clear that it does not take 20 people or more to achieve this critical mass — an enduring business model powered by an internal ownership plan can be accomplished with as few as two to three advisors initially.

In addition, though the final results remain to be seen, this industry is witnessing a unique period in its history where personal wealth as an independent advisor will be derived not from the skills of an entrepreneur, but from a CEO and business leader with a skill set more attuned to growing a business than launching one. Arguably, the combined talents of current and future advisors must result in something greater than the base business model alone. The early returns from succession plans started years ago strongly support this conclusion.

Finally, it should be noted that one of the biggest threats to a small business with one owner (the most common ownership structure among independent financial service professionals), is not the lack of a succession or retirement plan for the founding owner, but the lack of a plan to protect the clients and the owner’s value in the event of the owner’s sudden death or disability (temporary or permanent). Continuity planning seeks to address the question of who will serve as advisor to the clients if their primary advisor is suddenly incapacitated.

The challenges and solutions in developing a continuity plan are very different from those used to create a succession or exit plan. For some professionals, the first and only solution is to purchase a life insurance policy — a solution that completely ignores the needs of the clients. An internal ownership plan, once implemented, is the single best continuity plan available as clients’ needs are addressed by other principals fully invested in the same business.

OBTAIN PROFESSIONAL PRACTICE VALUATION

DETERMINE PLAN TIMEFRAME

EVALUATE ORGANIZATIONAL STRUCTURE

ASSESS/IMPROVE CURRENT ENTITY STRUCTURE

CREATE SPECIFIC BUT FLEXIBLE PLAN BLUEPRINTS TO GUIDE BUSINESS DECISIONS

In order to build an enduring and transferable business from one generation to the next, these basic but important steps must be taken, some immediately, and some gradually, over the course of the plan’s implementation.

The presence of one or more internal successors is intended to support and accelerate growth even as the founding owner gradually retires on-the-job.

THE FIVE KEYS TO DESIGNING AND IMPLEMENTING A SUCCESSION PLAN

There are five specific issues or solution sets that founding owners need to focus on and understand. The first key to success centers on value and valuation issues; the second key is to properly assemble the team; next is learning how to expand the time horizon and “field of play”; the fourth and most difficult step, is to build a structure and organization that can withstand the test of time and people; and finally, the ownership level compensation strategy must gradually shift to a profit-oriented approach.

» DETERMINE AND MONITOR PRACTICE VALUE

The next generation of advisors will require a reliable and credible method of valuation—not just to determine the value of the business they are investing in, but to accurately track that value over time as they reinvest from tranche to tranche. To support a continual and gradual transition of ownership from one generation to the next, annual valuations serve a vital purpose. A lifestyle succession plan often features multiple, smaller buy-in opportunities. Each of these multiple transactions requires a formal determination of fair value.

Many advisors still have the mistaken notion that the only reasons to value their financial services business are a shareholder or partnership dispute, a marital dissolution, or at the end of a career on the eve of a complete sale of the business. Fortunately, the valuation process in this industry is rapidly advancing past this thinking. Today, one of the most common uses of a formal valuation is to track and monitor business value. Formal valuations are a business building tool.

Annual valuations provide a library of valuation results, creating a historical record that is of great interest to key staff members, new partners, or even prospective recruits being offered a current or future ownership opportunity. Regardless of the specific valuation methodology used, it is important that the valuation process is consistently applied, cost effective, and that the expert performing the analysis understands the unique qualities of an independent financial services business.

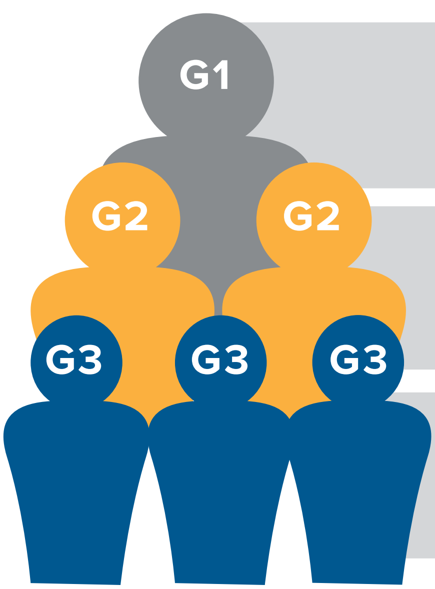
FP Transitions certified appraisers ensure that advisors receive an educated opinion of value that is custom tailored to their specific purpose, following specific edicts in the valuation profession – which matters when or if the appraisal is reviewed by other professionals. FP Transitions’ appraisal team has been admitted as expert witnesses in court and they hold accreditations from the National Association of Certified Valuators and Analysts (NACVA), Institute of Business Appraisers (IBA) and the American Society of Appraisers (ASA).

» ASSEMBLE THE SUCCESSOR TEAM

To build an enduring business, follow this formula: G1 + G2 + G3. The term G1 refers to the first generation of ownership, or the founder(s). The term G2 and G3 is used to refer to the second and third generations of ownership. It is not necessary to have a full generation between each level of ownership, such as with a parent and son or daughter, but it is important that the average age of each level is separated by 10 to 15 years from the other levels. The accompanying illustration is not formulaic; the exact number of G2 owners and G3 owners depends on the fact pattern and the goals, time frame, and value of the business.

The successor team is often comprised of two to five younger owners who collectively buy in to the ownership structure over time (as opposed to one, larger, external third-party buyer in the case of an exit plan). The founding owner in a succession plan is not a "seller"—they're a partner or a shareholder, and long-term, sustainable growth, powered by multiple generations of owners is the number one goal. To accomplish these tasks, and to address the cost of the gradual, after-tax purchase of stock in a growing and valuable business, a team of collegial, collaborative next generation owners are assembled, one at a time.

One of the more common mistakes G1 owners make is to postpone the design phase of the succession planning process "until I have enough good people to get started." But repetitive hiring of the wrong people and with the wrong goals in mind results in little to no forward progress.



GENERATION 1 | Founding Owner(s)

Founding owner(s) typically have a majority stake, individually or collectively holding 51% or more of the shares or membership interest. Ownership at this level is held by the most senior advisors of the business.

GENERATION 2 | Planned Owners

These owners acquire a substantial, but usually minority, stake in the business (at least initially). G2 owners are usually about 36-50 years of age (10-15 years younger on average than G1 owners).

GENERATION 3 | Potential Owners

G3 owners have entry-level ownership stakes (1%-5% ownership interest). These owners tend to be between 28-35 years of age.

Many founding owners struggle with these issues, but the real concern may be better stated as "How do I find people who will work as hard and care as much about this business as I do?" Too often, however, that question is framed to generate a nearly impossible answer in support of a self-fulfilling prophecy.

The point is simply this: plan first, and then hire advisors to support the plan, not the other way around. That said, the planning process is quite adaptable and can often accommodate a wide range of talents, ages, and time frames. Strong growth rates, recurring revenue, relatively low overhead, and the ability to create scale in a small business provides more opportunity for success than most advisors realize.

» CREATE A MULTI-TIERED, MULTIPLE-TRANCHE PLAN

This staged succession solution begins with first studying and then subsequently restructuring some of the foundational elements of the business to create an "investment worthy" enterprise. The natural decrease in the founding owner's time commitment to the business is matched to a staged sale of equity to G2 and G3 advisors in the business. Most plans have from one to five tranches, with each tranche designed to last about 5 to 7 years, on average – reflecting the typical buy-in pattern of G2 and G3 advisors. The plans are sophisticated, but not overly complicated, usually involving a limited number of licensed or registered owners and just one class of voting stock.

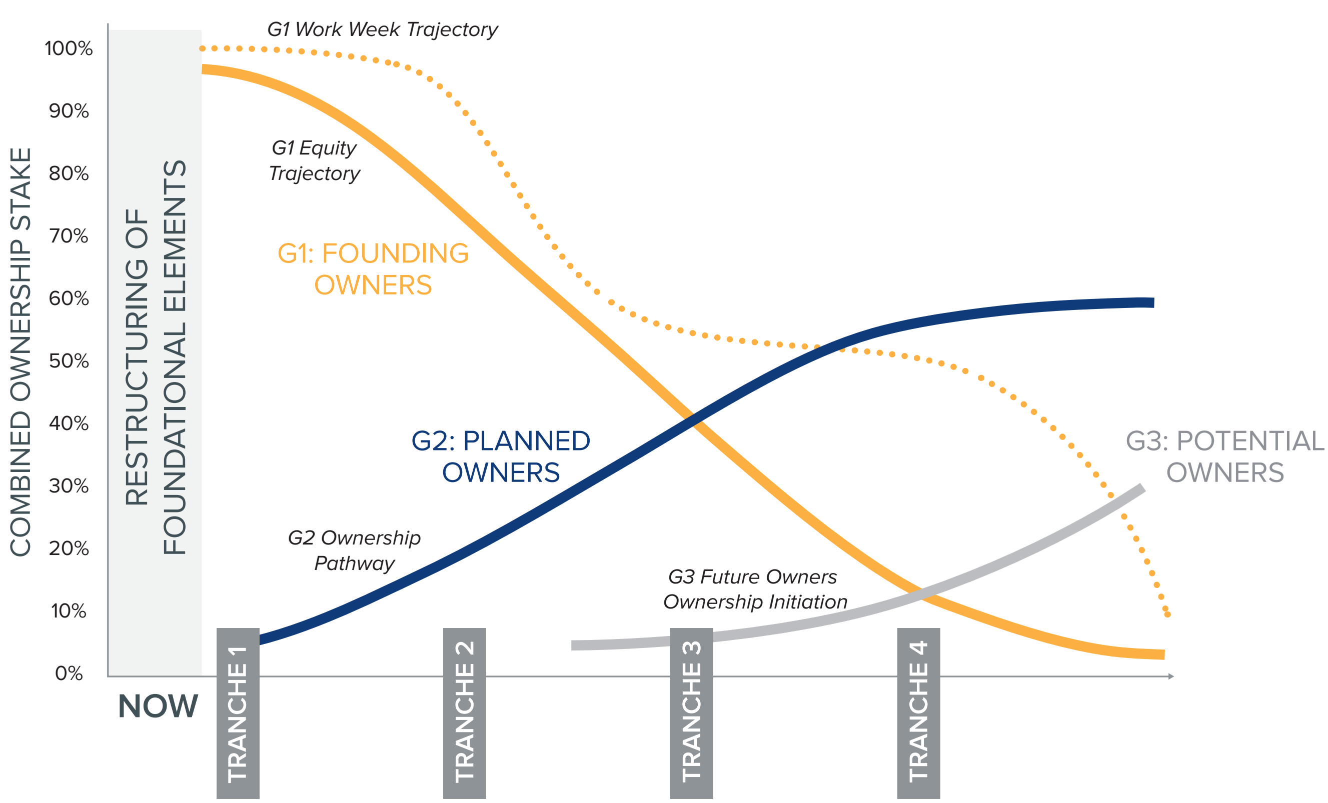
In many cases, Tranche One is used to test or initiate the process and involves the first members of the successor team cumulatively acquiring a minority interest in the business, usually through seller financing and the use of a soft or profit-based note with a stock pledge as collateral. G1, once convinced that the plan will work and that the successor team is up to the challenge of growing the business, often accelerates the plan prior to completion of the first stage and moves into Tranche Two as soon as the process allows. Tranche Two includes not only the purchase of additional equity by G2 from G1, it also includes a shift in financing methods from the soft note to a more traditional hard (fixed payment) note structure, or even a hybrid note structure – a wide variety of financing options is considered and adapted for every plan.

The formal plan begins when G1 sells some of his or her ownership (stock in an S-Corporation or membership units in a Limited Liability Company (LLC)), to the G2 level of ownership and later to the G3 level of ownership as well. In most cases, the succession plan is committed to writing, is modeled in a series of pro forma spreadsheets to stress test the plan on an after-tax basis, and is subsequently reviewed by the business's CPA or tax counsel. The final plan tends to unfold gradually, in a series of tranches with frequent, small adjustments to the plan trajectory.

If and when appropriate, the second or third tranches of the plan can shift majority interest and control to the succeeding owners. In preparation for such events, the founding owner(s) begins to gradually reduce his or her overall presence in the business (authority, time, roles and titles as appropriate), while still holding onto ownership that is expected to appreciate in value through the work and efforts of multiple owners in the business, including the ongoing mentorship of the founder.

» SET UP OR MODIFY THE ENTITY STRUCTURE

The framework for the succession planning process generally relies on the correct entity structure (usually an S-Corporation or LLC), capitalizing that entity correctly to support ongoing equity management, and utilizing both compensation and equity over the course of a career



to obtain maximum value and growth. In most cases, an existing entity structure can be easily modified to accommodate the plan design. *Note: Even though an entity cannot be licensed under FINRA rules, almost all independent broker-dealers permit an advisor to assign their earned revenues into a corporate bank account, provided it is handled correctly. All owners should be properly licensed in order to participate in these structures and to receive profit distributions, depending on the regulatory structure involved.*

A sole proprietorship, or a corporation or LLC with just one owner, will come to an end with the retirement, disability or death of its owner or upon its sale to a third-party buyer. A corporation or LLC with multiple generations of ownership, on the other hand, has the ability to last well beyond any one advisor's career. With proper planning and staffing, an enduring business that serves a multi-generational client base can generate significant transferable value. This business value, in turn, can support an income perpetuation strategy for the founder, even as he or she retires on the job, as many entrepreneurs do.

The benefits of proper entity structuring reach far beyond liability and tax issues. Establishing an entity structure and using it correctly can provide excellent continuity solutions as well as additional long-term strategic planning opportunities. Utilizing an entity structure along with ongoing valuations to measure equity can also help retain and propel the next generation of advisory talent, which in turn can perpetuate a business beyond the founding owner's lifetime.

» RETHINKING OWNERSHIP LEVEL COMPENSATION

Correctly structuring compensation at the ownership level is a critical element to building a business of enduring and transferable value. At this level, the question isn't *how much* an owner should be paid but *how* an owner should be paid.

The compensation system most commonly utilized by advisors in this industry (registered reps and investment advisors) is some form of revenue-sharing or commission-splitting (i.e., an eat-what-you-kill system). Revenue-splitting is an easy and seemingly low risk payment system to implement – but one point is clear: while maintaining this compensation structure can increase cash flow to the practice and producing advisor, in most cases the relationship has no equal or positive effect on business value. Any growth in value typically belongs to the individual building the book of business. In addition, such compensation systems are not scalable in most cases.

Building a practice requires a focus on production. Building a business requires past and future leadership to make the connection between a growing cash flow stream and the costs of such growth – in other words, a focus on the bottom line as well. Designing and implementing a succession plan requires a gradual shift in focus towards a team of advisors working together, contributing to a single enterprise, rather than building individual books of business and then leaving with the books and clients, and the cash flows they generate – an all too common and unfortunate occurrence in this industry. Structuring compensation to motivate owners to become equity managers is critical and augmenting compensation with profit distributions must be part of the solution.

As a general rule, no succession plan should start with a pay cut to any of the participants. The process of rethinking the ownership level compensation strategy isn't about making things more complicated. In fact, the opposite is true. Creating a predictable and sophisticated compensation strategy for the ownership team reflects the philosophy that owners of small but growing businesses are not motivated by just a pay check or a bonus, but by increasing the size and share of their profit distributions and growing equity value. In sum, the succession planning process focuses on creating a predictable and budgetable base-level wage for owners, and using profit distributions to provide for the variable compensation component.

One of the reasons that a succession plan is set up over a series of tranches is that it gives everyone associated with the planning process time to prepare, learn and adjust.

THINGS FOUNDING OWNERS WORRY ABOUT:

1. SHARING THE BOOKS AND RECORDS

Most small business owners are quickly schooled in how to properly write off business-related expenses. These matters, and the full range of such expenses, are usually discussed only between the practice owner and his or her CPA. Sharing or disclosing this information to key employees-turned-investors, along with the founding owner's annual salary and benefit package, is often a point of significant discomfort when first setting up an internal ownership plan.

The best advice on this front is relax and don't abandon common sense. If your next generation shareholder begins with just a 5% stake, share a copy of the annual valuation results and the basic income and expense numbers — that's enough for starters. When your next generation shareholder(s) invest in 20% or more of your business, or more than $100,000, they certainly need to see what they're investing in. This simply makes them smart investors. Use this planning opportunity to steadily improve and streamline your bookkeeping practices and prepare the business for the next level. Gradually increasing the level of formalities in your business operations is a good thing.

2. A LOSS OF CONTROL

A properly structured internal ownership plan should be designed to transfer control very gradually and at many levels (stock, titles, responsibilities, knowledge, authority over staff and operations, etc.). Unlike a sale to a third-party where 100% of the ownership and control is transferred at one time, a lifestyle succession plan transfers control to a successor team over many years, tranche-by-tranche, and then only if and when the next generation is ready and willing. In fact, a properly structured plan extends the envelope of control well beyond the typical succession age, allowing the founding owner to remain an important part of the business well into his or her 70's or 80's, if desired.

Control is about more than just who owns the most stock or ownership interest in the business, and certainly is about more than who holds the title of "president" or "CEO." Owners who work less and less in a business but retain 100% ownership can quickly find that clients who learn to depend on the key staff members can create a shift in control factually if not legally. Absentee ownership, or anything along those lines, does not work well or for long in a professional services business environment. A gradual, well-controlled transition and shared equity is a much better approach for an aging generation of founding advisors.

3. NEXT GENERATION PERSONNEL THAT ARE NOT READY, OR JUST NOT ENTREPRENEURS

The founding owner(s) is the only entrepreneur the business really needs. Entrepreneurs to do it all in the early years of building a practice, and that process is usually helped by having a very short and efficient chain of command. The successor team, on the other hand, must work collaboratively to accomplish its goals—not easier or harder tasks, but very different than what most entrepreneurs in this industry have had to do.

One of the reasons that a succession plan is set up over a series of tranches is that it gives everyone associated with the planning process time to prepare, learn, and adjust, including the client base. Use tranche one as an "incubator." Wait and see if your key employees or new recruits have what it takes. Did they make the investment when the opportunity was presented? Do they make their payments on time? Are they gradually learning to think and act like an owner? Investing in a small business and committing to that business for the duration of a career has a predictable way of bringing about the necessary changes in behavior. Test that theory a little at a time and allow room to backup or change directions if the situation warrants.

4. NEXT GENERATION SUCCESSORS HAVE NO MONEY

In most cases, this is true, at least in terms of not having significant extra funds from their compensation alone to invest in the business where they work. What they do have is time, energy, and the ability to earn and invest lots of money from their combined wages, profits and growing equity value over the course of their careers — and this is why the lifestyle succession plans work so well. Over the course of a 10-to 20-year plan assuming industry average annual growth rates, the business's value and its cash flow has the capacity to double, maybe twice, during the next generation's ownership. The additional cash flow and added value can help solve or mitigate the funding problems over time.

To put this issue in perspective, over the first half of the succession planning process, the founding owner is in control, does most of the work (and worrying), and makes most of the money. In the second half of the plan, the next generation of owners gradually moves into a position of control (if they've earned it, paid for it and have grown into leaders of a collaborative and collegial team), they do most of the work, but the founding owner still makes most of the money (at least after taxes) as equity is sold slowly and while G1 is still on the payroll. The successors' reward comes later, and is substantial, if all of the Plan's participants work together and build on top of a solid foundation.

5. I'M PAYING MYSELF WITH MY OWN MONEY

To be certain, there is only one source of money to fuel the succession planning process — the business. But the wages and profits that are paid out to employees and investors quickly become "someone else's money" and the decision of what to invest in is in their hands as well. Over the course of an internal ownership transition, if the practice is to grow into a business, the owner(s) will have to reinvest capital into the business — capital the next generation will have earned.

In an S-corporation, for example, there are wages paid to every owner of a business on a W-2 basis; simply stated: "wages for work." In addition, in a growing business that pays out and limits itself to a competitive base salary, profit distributions can and should be paid to all of the shareholders on a pro-rata basis. Finally, as the founding owner receives payment from the next generation investors for the stock or ownership interest they've purchased, tranche-by-tranche, share-by-share, checks are received at long-term capital gains tax rates in most cases as the successor team builds up basis in their investment. From the perspective of the next generation investors, equity growth will occur on a tax-deferred basis, providing a mechanism within their control to build their own wealth, to fuel their own succession plans one day in the future, and to attract and retain yet another generation of advisor/investors.

WHAT IF THE PLAN FAILS?

First, it is important to acknowledge that failure is indeed a possibility. Internal ownership plans are not without risk and the possibility of unanticipated results. The best approach is to plan well in advance, and maintain an array of options – always plan for both an internal succession as well as an external exit strategy, and solve for continuity issues as well. Second, place the failure of such a plan in the context of its original goals (growth and stability of the business, protecting business value with a practical continuity arrangement, and perhaps a long-range succession plan). If the plan fails, or said more correctly, if the founder(s) and next generation advisors do not succeed in transitioning the entire business over time from one generation to the next, an external sale or merger remains a distinct possibility.

In other words, if the plan succeeds only in growing or stabilizing the business and providing continuity protection for temporary disabilities or interruptions in the founder's ability to run the business day-in and day-out, some very important tasks have still been accomplished. In the meantime, take the important legal steps of committing the plan to paper (i.e. the "blueprints") and formally document all the moving parts including the stock sale, employment agreements with restrictive covenants, annually updated shareholder agreement (or buy-sell agreement or operating agreement), promissory notes, amortization schedules and collateral/security agreements. Be sure to include "bring-along" or "drag-along" rights in the documentation so that the majority shareholder has the right to compel the minority interests to sell the business in the first and, possibly, second tranches of the plan.

The gradual transition of ownership, leadership, and authority, combined with the integration of business skills, means that the founding owner(s) must build sufficient time into the plan to teach, evaluate and observe- and get out of the way when necessary if the plan fails, preserve an option to abort the process and sell or merge. A lifestyle succession plan is designed to be an incremental and adaptive process.

FINAL THOUGHTS

When designing and implementing a formal succession plan, involve all the stakeholders: your spouse; your key employees; your CPA and attorney; and your clients (especially your small business and family clients who should be doing the same thing). The end result of a successful internal ownership plan is a multi-generational service delivery platform designed to last not only beyond the founding owner's lifetime, but beyond the lifetime of the current clients as well. Sustainability can be a powerful and attractive message to people needing a financial advisor.

In our experience, this cannot and should not be an adversarial process — owner and successor, employer and employee, parent and sons and daughters, must be able to work together before, during and after the plan is implemented to create a seamless transition. FP Transitions works in a non-advocacy fashion, assisting all of the plan participants to achieve the common goals of the business. Additional information is provided below under Phase Two of the Succession Management Program.

Finally, understand that a succession plan is about so much more than just retirement planning. Integrating multiple generations of talent and focusing that talent around one business and one shared vision not only can perpetuate a business, it has the ability to lift that enterprise to an entirely new and higher level of service, achievement and value—a good result for all the stakeholders: founders, successors, and clients.

GET STARTED

FP Transitions' Succession Management Program is designed to help independent advisors with practice values above $1 million address each of the issues covered in this white paper. To learn more about this unique program call us at **800.934.3303** or visit **www.fptransitions.com**

SUCCESSION MANAGEMENT PROGRAM

Creating a business that will last beyond the founder's lifetime requires a plan—a detailed and thoughtful plan that looks beyond the end game strategy. Creating a sustainable business means rolling up your sleeves with our team of experts and working on the appropriate structural elements to support the growth and profitability necessary to attract, retain, and reward a multi-generational team of owners. The Succession Management Program (SMP) will help you build a valuable enterprise that doesn't rely on any one, single professional for its success. The process unfolds in three separate steps.

Phase One: Plan Design, Development, and Analytics

The FP Transitions consulting team works with you to design a customized succession and continuity plan. To properly develop both a long-term and a short-term plan, we will analyze and offer suggestions to significantly improve key elements of your operations including your organizational, entity, compensation, and profit structures. A formal valuation is also included. Our analysts will model various transition and financing strategies necessary to empower next generation owners while simultaneously helping the founders realize the value of what they've built. We will collaborate with your local CPA and hold separate meetings with founders and successors so they can fully understand the opportunities and obligations of small business ownership. In the end, you will receive the "blueprints" for your business in a written Plan Summary supported by financial models that extend, in many cases, for a decade or more.

Phase Two: Implementation, Documentation, and Corporate Governance

Multi-owner/multi-generational businesses in a highly regulated industry require a deft touch and a legal team that understands how to help all participants succeed. In Phase Two of the Succession Management Program, the FP Transitions legal team translates your succession and continuity plan blueprints into a complete document set, with continued guidance from the Phase One plan design and analytics team. We also help your team understand and implement appropriate corporate governance measures to ensure that past leadership is maintained while future leadership gains a voice and a hand in the process.

Phase Three: Plan Support and Adjustment

In this step, we combine the talents of the plan designers, analysts, and lawyers all under the watchful eye of a dedicated and experienced Plan Manager to guide and adjust your custom plan(s) over time. In Phase Three, you'll receive:

1. An annual valuation to track growth and equity value;
2. Benchmarking data to improve operations;
3. The option to accelerate the plan;
4. The benefits of integrating bank financing (conventional or SBA) into subsequent plan tranches;
5. The ability to add to or subtract from the ownership ranks when necessary.

For advisors interested in growth by acquisition or recruitment, the entire FP Transitions SMP team of consultants provides the technical support to make it work at a very high level. Ongoing support helps to ensure the legacy of the firm continues.

ABOUT FP TRANSITIONS

FP Transitions, based in the beautiful community of Lake Oswego, Oregon, just south of Portland, has a team of over 40 people that specialize in building financial service businesses of enduring and transferable value. This kind of work takes a talented group of people who aren't afraid to pioneer the concepts needed to help you succeed, and to evolve time-honored approaches to meet the demands of a new century of rules, regulations and taxes.

In addition to working directly with individual financial advisors, FP Transitions also works directly with broker-dealers, custodians and insurance companies to develop and implement business transition systems and procedures for field use. This coordinated approach helps us evolve solutions that are practical and that meet the needs of all the stakeholders.

As a part of the planning and M&A processes, FP Transitions provides expert guidance in areas that include:

- Practice valuation, benchmarking and "equity management"
- Development and design of customized succession planning structures
- Execution of exit plans designed to find the best third-party buyer for advisors interested in selling
- Merging two or more practices into one strong, sustainable business
- Restructuring ownership compensation to support internal ownership tracks
- Establishing organization structures that support an equity-centric ensemble
- Creating or modifying entity structures to work for generations of owners
- Modeling cash flow outcomes for a variety of continuity and succession planning solutions

If the building process isn't for you, or your plans change, FP Transitions also created and operates the largest open market for buying, selling and merging financial practices. Either way, we are the experts at helping you manage the equity you've built over a lifetime of work in this industry. Our goal is to help you plan for your future, and to be ready when it gets here.

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FP TRANSITIONS®

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