5 steps to follow when selling your IFA business

For any business owner, it is likely that you may at some stage wish to retire from or sell your business.

You may be thinking about this now, or thinking about what else you would like to be prioritising (e.g. a new project, caring for a loved one, better managing your health, etc.) or not thinking about it at all! In any case, it is always important to consider what is important to you and what you are looking to achieve so you can make a plan for the future.

For most business owners, retiring from or selling your business is a once-in-a-lifetime event. For some, it will be about "caning" the valuation to get as much return as possible. For others, it will be about ensuring continuity for clients and staff. All of this is possible.

To assist with the process, we have put together five key steps that we feel should be considered as part of your exit and retirement planning.

1. Get clear on your objectives

What is important to you?

Your business (and staff and client relationships) may have been a big part of your life for years or even decades. Thinking about the prospect of selling or retiring can bring a mix of emotions ranging from dread to excitement; there are many aspects to consider.

It is therefore necessary to get clear about what it important to you, as this will frame what your objectives should be and the path that may be best suited to get there.

This could seem like an overwhelming task to begin with, so it can be helpful to **ask yourself questions** like:

- What do I need to fund my retirement?
- How do I want my staff to be treated?
- What is my desired outcome for my clients?
- What is my timeframe to achieve the handover and be able to focus on what is next?
- Is there anyone that makes for a natural successor?
- What are your non-negotiables?

- What things do you expect to change, and what things need to change?
- What does life look like for you following the sale, where would you like to be, what do you want to be doing, and whom do you want to be doing it with?

This is the first stage of getting clear on your objectives and pragmatically organising your order of priorities. It is also valuable for envisioning your future and that of the business.

And as with most things in life, this decision likely impacts not only you. It will impact your team, colleagues, clients, industry partners and even your friends and family.

It is therefore important to put plans in place to ensure that your sale or exit achieves your objectives and what your consider necessary for any other stakeholders (if indeed this is important to you!).

Following this exercise hopefully will clarify your thinking and put you in a confident position to take next steps.

2. Make an honest assessment of your business and its prospects

You may now know what you want… So it is time to take a 'long hard look' and get real:

Where is your business today, what are its prospects, and what does its trajectory look like?

Having a realistic understanding of your business will be the foundation for approaching a business sale process.

Here are some key things to think about:

- What is the structure of your business?
- How is your regulated business authorised?
- Do you have liabilities from past advice (i.e. think advice liability)?
- What are the current and future staffing requirements?
- Are your advisers employed or self-employed?
- What is your recurring revenue?
- What is your business's profitability?
- Do you have a charging model that is sustainable?
- Do you have a proven client acquisition strategy?

By understanding the strengths and weaknesses of each area of your operation and identifying the opportunities and liabilities present in your business, you can develop a strategy that will put you in good stead when speaking with potential buyers or investors and looking for a suitable person to fill your shoes.

3. Understand your business value proposition

What makes your business unique? What makes your client proposition stand out?

In any business, especially one operating in a competitive market, it is imperative to understand your differentiated value proposition. This is paramount when you are thinking about a business exit.

Questions to ponder:

- What makes your firm unique or different from other adviser firms?
- What do you do for clients that makes you invaluable to them?
- What is attractive about your business?
    - Is it your client base?
    - Your growth potential?
    - Your location?
    - Your team?

The list goes on depending on your company type and structure.

Whatever it may be, being able to clearly articulate your value proposition is a must to standout, attract attention and support a higher business valuation.

4. Consider what matters for buyers and financiers.

Buyers and financiers have their own objectives, motivations and processes that govern how they operate and with whom they do business.

Put yourself in your buyer's or financiers position... what will they need to see from you for this transaction to be a viable and successful?

As a starting point, it is worth noting that they will be focused on how you and your business fit into their investment or acquisition thesis. Key factors will be synergies with their preferred operating model, deal size, team strength, risk (e.g. advice liability), returns (e.g. profitability) and value (e.g. valuation expectations).

Buyers and financiers will also have specific ratings and metrics that they will use to appraise and value your business including revenue, clients, FUM, profitability, growth, and liability, as well as operational matters such as business model, team, proposition, lead generation and brand.

If you can position your business to match with what buyers are looking for, you will be better placed to transact and on terms generally more favorable to you. Put simply, if you think as buyers think, and have what they need to undertake feasibility and due diligence , you will surely stand out.

5. Get your business ready for sale.

When you are clear about your objectives and goals, you understand your value proposition and the considerations for buyers and financiers… It is now time to put a plan in place to get your business ready for sale.

The place to start is to **get your financial and management information up-to-date** and in a form that can be shared including:

- A comprehensive suite of financial and management information (e.g. statutory accounts, management accounts, client lists, provider lists, etc.).
- A transition plan to ensure a smooth and non-disruption handover… acquirers will value a robust continuity plan!
- A staff, service provider and technology matrix outlining all key people and services within the business.

This is also the perfect time to:

- Review and document your marketing and lead generation strategy.
- Ensure you have a clear brand and client acquisition strategy documented.

- Make sure staff contracts are up-to-date and in-place

- Ensure that you have adequate documentation and systems supporting your client and business critical procedures and functions – acquirers will value proven processes!

- Evidence of a robust risk management framework and compliance oversight capability directly impacts GDPR, PII, clients' complaints, and past liability risk could impact risk assessment and commercial valuation.

Buyers and financers will need to understand the inner workings of your business as part of their due diligence. This information will accelerate this process and distinguish you as a professional operator.

In Conclusion

For some, the most challenging part of selling or leaving a business is deciding to do so in the first place! By considering these five points, we would hope you will feel better placed to take next steps and begin the journey. Start with the end in mind… that is exciting!