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NEWS RELEASE

TEN TIPS FOR BOOSTING THE VALUE OF YOUR FIRM

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If you're planning to sell your practice, or you just want to build it up, be advised: there are number of ways to boost a firm's value.

Some value-adders are simple, such as locating in a prime neighborhood. Others, such as increasing total assets, require heavy lifting.

InvestmentNews' Lisa Shidler spoke to several advisers about how they ramped up the value of their firms.

Here's what they said they focused on.

10. Pick the right spot

While many existing advisory firms can't move their practice, industry experts say that if an adviser is starting a new practice or thinking of expanding, they should consider location.

9. Stay on message

It's important that the advisory practice has a specific brand.

8. Invest in the business

It's important advisers purchase new systems and stay on top of programs to benefit the advisory practice, according to industry experts.

7. Go big

Dan Seivert, chief executive and managing director of **Echelon Partners LLC**, said larger advisory firms are simply worth more money. He believes firms with more than \$500 million in assets are considered among the top 1% of advisory firms and will increase their value simply by having that scale.

6. Inspire client loyalty to the entire firm

Many advisers connect well with their clients. But for an advisory practice to increase in value, the firm's managers need to make sure such loyalty goes beyond admiration for just one employee.

"The clients need to be clients of the firm and not clients of one adviser," one adviser said bluntly.

5. Have a succession plan

A firm's value will be for naught if management has failed to plan for departures, defections, and worse.

"You could do all of these things right," said Jim Guy, executive vice president of Cambridge Investment Research Inc.. "And it still wouldn't matter if there's no succession plan."

4. Keep raising the bar

Naturally, all advisory firms should aim to grow each year. But Echelon Partners' Mr. Seivert said top firms will grow above the industry average. He said firms' net income should grow more than 25% each year.

"It's hard to continue that kind of growth as you get bigger and bigger," he said. "But this is very important."

3. Target clients with \$2 to \$10 million in assets

Advisers whose sweet spot for assets ranges from \$2 to \$10 million per client will see their practice's value increase, Mr. Seivert said. The Echelon Partners adviser said firms whose main clients are less than \$2 million in assets aren't as attractive. Likewise, he said advisers who have a lot of clients with more than \$10 million in assets may make them less attractive.

"If you're looking to sell, it's hard to find buyers that service clients greater than \$10 million in assets."

2. Adopt real business practices

It's important that advisers set up their firms like a business so that the practice can still exist even if they're away.

"If it's all depending on one star adviser, then it may be difficult for a new owner to take advantage of the practice," said Cambridge's Mr. Guy.

1. Seek reliable and recurring income

The firm needs to have reliable and recurring annual fees, Mr. Levitt of Park Sutton said. He also said advisers shouldn't discount fees to clients simply to try to get more clients.

"They need to try and keep a consistent fee level," he said. "Don't just discount to get clients because it can bite you in the end."

ABOUT ECHELON PARTNERS

ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as "investment product developers and distributors" (IPDADs). Since that time, ECHELON's professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON's business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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