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# What's The Right Succession Plan For You?

Should you stay as an employee advisor or would you benefit from a move to independence

# About us:

- Succession experience since 2005 in:
  - Advising
  - Construction
  - Implementation
- Extensive experience in both employee & independent environment
- 4 Partners started BHWA in 2015
- Company that focuses - helping both clients and financial advisors retire on their terms
- Group started with 100 Million and have grown to 3.6 Billion as of November 2021

# What we will cover today:

- Review the employee & independent advisor trends
- Understand the shifting landscape of the employee succession solutions
- Highlight the differences between employee & independent succession options
- Identify the pros and cons of both models
- Help you understand what is the right environment for your succession plan





# Advisor Migration Continues

- 20 years gone from 60% employee advisor to 40%
- Early on – advisors seeking better payout & control over resources
- More recently – veteran FA's migrating to independence for equity and potential to sell

# Employee Advisor Succession

- W2 – no documented business ownership
- Some firms offer a “retirement” or “sunset” opportunity
- FINRA allows for up to 5 year ongoing payment
- Companies design parameters
- Value determined by company

## Current Environment of Company Plans

- Extensive – incorporate company agendas
- Accounts to investor center
- Bank product integration (or other prop)
- Managed account priorities
- Successors following corporate agenda



## Cons of Employee Succession Plan

- 30-50% of fair market value
- Income to advisor is taxable as ordinary income
- Can modify eligibility at any time
- Firm controls advisor ongoing involvement
- Company can modify parameters

## Pros of Employee Succession Plan

- Don't need to move
- Successors are down the hall





## Benefits of Independent Succession Plans

- Fair Market Value Pricing
- Right to sell how and when you see fit
- Business sale per IRS codes
- Can operate under independent BD, no RIA requirement
- You can determine all terms & conditions



## Cons of Independent Succession Plans

- You'll need to move your practice
- Identify future successor



## Typical Parameters

- 2-3X Gross revenue
- Upfront with contingent payments
- Limited contingencies or parameters
- You control your engagement & involvement over time
- Sell in pieces or stages



# Employee vs. Independent Succession Plans

1. Advisor migration
2. Employee advisor succession plans
3. Current environment of plans
4. Cons to employee advisor plans
5. Benefits of independent plans
6. Typical parameters



# Thank You.



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