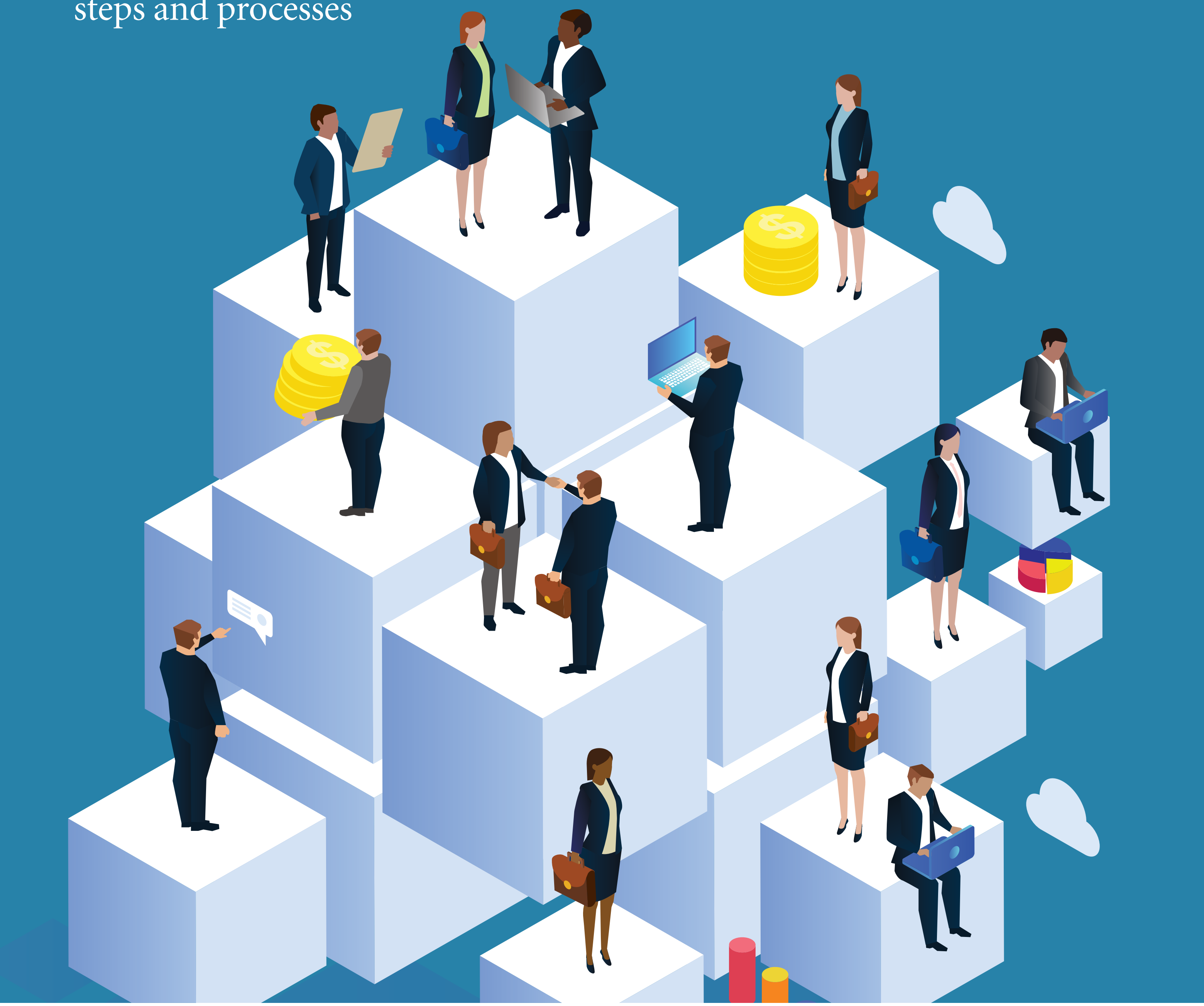
COVER STORY

Moving Up and Moving On

Buying or selling a book of business during a pandemic is not for the faint of heart. **Alison MacAlpine** shares some advisor-tested steps and processes



Mike Berton didn't plan to retire during a pandemic. Four years ago, long before COVID-19 upended our lives, the senior financial planner at Assante Financial Management Ltd. in Vancouver announced his November 30, 2021 retirement date to his team and set the transition in motion. Because of the long lead time, by March 2020, he had his successors in place and had started meeting jointly with them and his clients. Then, overnight, public health restrictions were imposed and in-person meetings came to a sudden stop.

"Moving to Zoom meetings was a challenge, because a lot of people last March had never used Zoom before. I had, but only occasionally. I think we all had a rapid learning curve, and same with clients," Berton says. He recalls many meetings in which the first five minutes were devoted exclusively to microphone problems and feedback loops — but then people adapted. "Most people seem pretty comfortable with it nowadays and, in some cases, people prefer it."

What has been more of a challenge, he says, is that his team hasn't been able to work in one physical space. "With COVID, everything now takes way longer to do because people are further apart, they're not right beside you," he explains. Rather than chatting casually about a client situation immediately after a call, planners exchange emails — and, as a result, the volume of emails has risen "exponentially" and is hard to keep up with.

Nevertheless, Berton feels that because he started the transition years in advance, the pandemic didn't have a big impact on his plans. On November 30, 2021, on schedule, an associate in his branch will complete the transition of 45 client relationships with assets under management (AUM) of about $7.5 million, for a sale price of 1.75% of AUM adjusted for retention as of December 31, 2021. Two other groups of clients will be assigned without a sale to two associate planners in his practice in a joint code with Cathie Hurlburt, the practice's co-owner and senior financial planner (and Berton's wife). Another small group of high-net-worth clients with complex needs will transfer directly to Hurlburt. And one distant client relationship has been sold to an advisor in that client's home town.

"Start a good five years early, thinking out a timeline," is his advice to other advisors crafting their exit strategy. "In year four, you should be beginning to introduce the new advisor, which means in years one and two, you should be putting the person in place and training them. … We think it takes two, three, maybe four years to get a person up to speed to be a financial planner properly and to get to know the client base and how we practise. It's the soft facts that take all the time."

Mike Dunn, a wealth advisor with IPC Securities Corporation in Cobourg, Ont., had recently acquired a book of business when COVID-19 crept into Canada. About 80 new households added around $15 million in AUM to the $30 million in AUM he was already managing, for a purchase price based on three times revenue. "This is roughly the going rate [but] I think I paid a bit too much and would definitely do things differently next time," he acknowledges. "For me, it was getting the assets up to build the revenue, and now, after these purchases plus organic growth, I am in a position to be picky with any further acquisitions."

For Dunn, the most important focus as the pandemic extinguished in-person meetings was maintaining contact with his new and existing clients. Beyond regular calls to check in with them, he started a quarterly webcast to share insights about the markets with his clients and launched a YouTube channel to educate an even broader audience about financial topics.

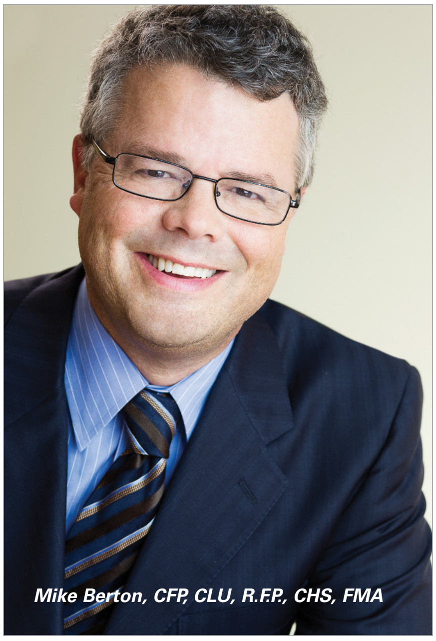
Dunn thinks the pandemic will affect book of business valuations — after all, as he points out, "generally speaking, except real estate, every kind of asset is getting a reality check." In particular, he believes businesses that have successfully integrated technology into their practices will attract more buyers because they run more efficiently.

"When you are a young advisor, every speck of revenue is important so you end up sacrificing your time way more than you should," he observes. "Implementing technology allows you to free up more time to service clients, build your business, and have a life. I always wanted to be more virtual but sometimes it's hard to make such a change unless you are forced."

Gillian Stovel Rivers established a partnership with advisors Adil Mohammed and Andrew Hawryluk on March 2, 2020, shortly before pandemic restrictions came into force. But the new partners didn't let COVID-19 affect their plans for growth.

"I cut my teeth as a business owner during the financial crisis; I had just bought the business from my father," says Stovel Rivers, senior wealth advisor and partner at Surround Wealth Advisors (Assante Financial Management Ltd.) based in Burlington, Ont. "So I have it in my background that any time we're presented with a crisis, we use it as an opportunity to grow rather than use it as a reason to be afraid. The same has really held true with the way that we approached buying a business. We didn't let [the pandemic] phase us at all."

Throughout 2020, Stovel Rivers, Mohammed, and Hawryluk continued to have discussions with advisors who were considering retiring or transitioning out of the business — and they found a



Mike Berton, CFP, CLU, R.F.P., CHS, FMA

Mike Dunn, CFP

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Gillian Stovel Rivers, CFP, CEA, Adil Mohammed, CIM, FCSI, QAFP, and Andrew Hawryluk

match with an advisor who is leaving financial planning to pursue other interests. By March 2021, they were starting the transition for 120 clients with $60 million in AUM. The undisclosed price for the book was set after negotiations that were made more complex because the transaction was from an IIROC seller to an MFDA buyer. Stovel Rivers doesn't think the pandemic affected the purchase price, but it definitely affected the process.

From negotiations to meetings with transitioning clients, she says, "everything has been done on Zoom … and it doesn't actually feel weird. It occasionally occurs to [the other advisor] that she would so much rather that the introduction to clients be in person, but we had to just block that out because that's not happening; we can't do that. So now it's about how do we take the best of what Zoom can be and do and how do we leverage its efficiency and also how do we learn to perform for Zoom?"

Stovel Rivers acquired a lot of experience presenting virtually through the pandemic. Starting a year ago, she began to send out weekly video emails to clients, learning how to craft a script, build in visuals, and deliver a message within a specific number of seconds. Then she added longer monthly video emails focused on various educational topics, sometimes including a panel with her two partners. "We've tried to practise what I would say is very well-considered off-the-cuff delivery," she explains.

The process of introducing clients to their new advisory team has been carefully worked out within the context of a virtual world. The seller will call 12 to 15 clients each week to let them know what is happening. Immediately after that call, those clients will receive an email with a link to a group Zoom call at which they will watch their old and new advisors present with no pressure to interact if they don't want to. Right after the seller's call, they will also get a call from one of the Surround Wealth advisors to schedule an individual Zoom meeting in April, May, or June at which they can speak with their new team one on one and complete the transition paperwork. Before that meeting, one of the advisors will arrange a virtual briefing session with the seller so they have a good sense of the client's history.

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"As much as we want to go back to seeing people in person, there is a beautiful efficiency that saves carbon footprint, and time and energy and risk, by meeting this way," Stovel Rivers says, noting that "there are a number of clients where we're going to have to get creative" because they are not as comfortable with technology. "When we hit those barriers, that's when we will find some other way to communicate with them," she adds, noting that phone calls, conference calls, and snail mail are all still available.

COVID notwithstanding, Stovel Rivers advises those considering buying a book of business during the remaining months of the pandemic to favour practices with digitized record keeping, stellar compliance records, thorough meeting notes, and a

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compatible perspective on investing. "Whether [the pandemic] goes on forever or it ends next week, you've got to make sure that the clients you're acquiring are a fit with the clients you already take care of or the business you aspire to own," she says. "There's so much basic due diligence that I think is good to do, pandemic or no pandemic. Do they value what it is that we do, does that advisor practise the same values and principles as we do — and if they do, then we have a high likelihood of a successful transition where the client is served well and they're happy, and the advisor who is selling gets the full value of their business."

That's a feeling Berton has — that he's reaping fair rewards from a long and successful career. Next up for him is more time jamming with other musicians on the bassoon (virtually for now), relaxing at his cottage on Ontario's Georgian Bay in the summer, and speeding down ski slopes in Whistler in the winter. He's spent many years helping clients achieve their vision of retirement. Now, it's his turn.

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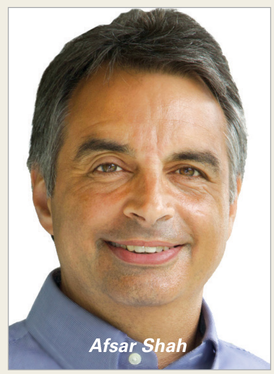
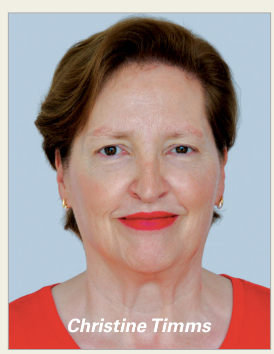
HOW HAS COVID-19 CHANGED THE BUYING AND SELLING LANDSCAPE?


Afsar Shah


Christine Timms

While COVID-19 hasn't changed the fundamentals of buying and selling a book of business, Afsar Shah, a business and regulatory coach at The Personal Coach in Waterloo, Ont., says it has made some elements of the process much more challenging. Establishing solid relationships with new clients is harder, and the pandemic has also curtailed opportunities to get to know the advisor on the other side of a transaction.

"It's made it much more difficult for buyers and sellers to assess the cultural fit, the strategic fit of their prospective target or partner. It's much more challenging to do that in an environment where you can't spend lots of time together in person talking about business philosophies, client service models, value propositions, investment philosophy, and so on," he says.

Shah believes that rather than driving more advisors out of the business, the pandemic has accelerated timelines for advisors who were already looking to sell. Instead of making the necessary changes to their business model, they may be more eager to exit, especially while markets remain strong. Shah's warning: don't skip or rush the necessary steps.

"It's a real risk if you try and speed through any one of the individual stages that comprise the acquisition process," he says. "The sellers who've built a strong client base with well-run operations, strong teams, and solid service processing are attracting much more interest and solid valuations."

Scott Plaskett, senior financial planner and CEO at IRONSHIELD Financial Planning in Toronto, agrees that the pandemic has made it harder for buyers to win over sellers' clients. "When we go through an event like this, it's much more difficult to keep that retention in place, and retention is one of the key components to acquiring a business," he says.

On the upside, Plaskett thinks that the recent upheaval has shone a spotlight on practices that haven't made the move from "technician" to "business owner" to create the "sticky, reliable, repeatable revenue" buyers want. He hopes one lesson advisors will take from the pandemic is that they need a documented financial planning process that makes them, in effect, dispensable so the business can continue to thrive after they are out of the picture.

Like Shah, Christine Timms, a retired advisor based in Toronto who has written three practice-building handbooks for financial advisors, hasn't seen a run for the exits during the pandemic. She thinks most advisors want to see their clients through to the other side of a crisis. Still, she adds, "any crisis makes people think about whether or not they want to be still working as an advisor when the next one comes around the corner." So COVID-19 may have planted the seed of an idea for some people.

As they contemplate the future, she says it's very important for both buyers and sellers to articulate everything they do for clients (she has created a business model checklist, available in her *Transitioning Clients and the Retirement Exit Decision* handbook downloadable from https://christinetimms.com). A fully articulated business model can enable sellers to get a price that fully reflects their practice's value and help both buyers and sellers find a good match. And if the pandemic has revealed flaws in sellers' businesses, as Plaskett suggests, it has done the same for buyers' businesses, which can help sellers evaluate potential successors.

"COVID is not going to change what you need in a successor," Timms says. "What it does is give you some opportunities to see how the successor does in times of adversity. Were they there for their clients? How did they adapt to the new technology needs? Were they able to instill confidence and calm the clients and help them realize that this didn't blow up their financial plan? You need to be able to see that, and I think that you can get a better feeling of that [in a crisis]." — *A.M.*