



Business Valuation Plus

Prepared Exclusively For:
Advisor Sample

Monday, June 30, 2025

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LEGACY**
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OPPORTUNITIES

Based on your valuation analysis and results, Advisor Legacy recommends the following items to improve the performance and efficiency of your practice. Please follow the link provided below to schedule a meeting with one of our Executive Coaches to learn more about the services we offer to help you accomplish these recommendations.

Develop a strategy to improve client segmentation.

These strategies normally include trimming clients and developing standards for new client acquisition. Our Executive Coaches can help you develop and execute this strategy.

Develop a strategy to increase practice equity.

These strategies normally include a combination of growth and improvement of key performance metrics like recurring revenue. Our Executive Coaches can help you develop and execute this strategy.

Develop a strategy for succession.

Our Acquisition and Legacy consultants can help you bring clarity to your goals for succession and the best path to achieve them. Key Management Group has extensive experience and resources to help achieve the best outcome for you and your clients.

To schedule an appointment with an
Executive Coach:

https://share.hsforms.com/1Kejll7g0Sjq_Skvg4iFA4we566i

ABOUT OUR VALUATIONS

Our Practice Valuation and Consulting Services provide precise, data-driven insights to support your succession planning, practice acquisitions, profitability optimization, and equity management.

We combine industry-specific market-based valuation with the established M&A methodology of discounted earnings, ensuring a balanced perspective for both buyers and sellers. This integrated approach delivers reliable, evidence-based valuations, empowering you to make informed financial and strategic decisions with confidence.

We assess each revenue stream with a specialized blend of valuation methods, ensuring precise and reliable results for a more accurate financial picture:

Market-Based	Compares the business to similar practices based on market transactions, industry benchmarks, and similar valuations.
Earnings-Based	Estimates the enterprise value of a business based on projected future cash flows, discounted to present value using financial projections, growth assumptions, discount rate, and expected cash flows.

Tailored Methods for Each Revenue Stream:

Assets Under Management

Annuity Business

Insurance Business

Market
ApproachEarnings-Based
Approach

CALCULATION SUMMARY

Based on the currently available data, it is my opinion that this is the Fair Market Value of a 100% fully marketable controlling interest of this practice as of May 31, 2025:

Business Stream	Valuation	Weighting of Valuation	Multiple of Revenue
AUM Total	\$685,696	47.9%	2.49
Annuity Total	\$725,964	50.7%	0.64
Insurance Total	\$20,974	1.5%	0.42

\$1,432,634

Fair Market Value

1.52

Mult of Rev

Todd Doherty

Vice President
Acquisition and Legacy Planning

Travis Liedke

Valuation Coach
Acquisition and Legacy Planning



PRACTICE EFFICIENCY

Based on Practices with Revenues of:

\$1.0-\$1.9M

Financial Efficiency

This compares your profit to similarly sized practices.
(The Operating Profit is before the Owner's Compensation.)

Your Practice is: **On Par**

	REVENUE	OPERATING EXPENSES		OPERATING PROFIT	
Benchmark	\$1,376,994	\$489,895	35.5%	\$888,592	64.5%
Your Practice	\$1,423,750	\$502,157	35.3%	\$921,593	64.7%
Variance	\$46,756	\$12,262	0.2%	\$33,001	0.2%

EARNINGS ANALYSIS

OPTIONS		Investment	Annuity	Insurance	Combined
Starting Net Revenue		\$233,750	\$1,140,000	\$50,000	\$1,423,750
Growth Rate		8.25%	7.45%	8.00%	7.60%
Starting Expenses %		35.3%	35.3%	35.3%	35.27%
Starting Expenses		\$82,444	\$402,078	\$17,635	\$502,157
Expense Growth Rate		4.00%	4.00%	4.00%	4.00%
Sale Price of Practice		\$685,696	\$725,964	\$20,974	\$1,432,634
		Down Payment %			85.00%
		Down Payment \$			\$1,217,739
		Balance Due			\$214,895
		Interest Rate			6.00%
		Payments per year			12
		Term Years			7
		Down Payment Financed			Yes
		Down Payment Note			\$1,217,739
		Term Years			10
		Interest Rate			8.50%
		Payments per year			12
Discount Rate Before Adjustment, if applicable		18.00%	21.00%		
Discount Rate (Hurdle Rate)		18.00%	24.00%	25.00%	23.05%

*Ibbotson Build Up

7 Years					Debt Service		Owner Retained Earnings		Investment Metrics	
*Down Payment Bank Financed					Down Payment	Acquisition	Net to		Hurdle	Weighted
Year	Revenue	Growth	Expenses	Growth	Debt Service	Debt Service	Buyer	%	Rate	ROI
0	\$1,423,750		\$502,157		\$0	\$0				
1	\$1,531,964	7.60%	\$522,243	4.00%	\$181,179	0	\$828,543	54.08%	23.05%	31.03%
2	\$1,648,404	7.60%	\$543,133	4.00%	\$181,179	\$37,672	\$886,421	53.77%	23.05%	30.72%
3	\$1,773,693	7.60%	\$564,858	4.00%	\$181,179	\$37,672	\$989,985	55.81%	23.05%	32.76%
4	\$1,908,506	7.60%	\$587,452	4.00%	\$181,179	\$37,672	\$1,102,203	57.75%	23.05%	34.70%
5	\$2,053,565	7.60%	\$610,950	4.00%	\$181,179	\$37,672	\$1,223,764	59.59%	23.05%	36.54%
6	\$2,209,649	7.60%	\$635,388	4.00%	\$181,179	\$37,672	\$1,355,410	61.34%	23.05%	38.29%
7	\$2,377,597	7.60%	\$660,804	4.00%	\$181,179	\$37,672	\$1,497,943	63.00%	23.05%	39.95%
8	\$2,558,310	7.60%	\$687,236	4.00%	\$181,179	\$37,672	\$1,652,224	64.58%	23.05%	41.53%
9	\$2,752,758	7.60%	\$714,725	4.00%	\$181,179	0	\$1,856,854	67.45%	23.05%	44.40%
10	\$2,961,986	7.60%	\$743,314	4.00%	\$181,179	0	\$2,037,493	68.79%	23.05%	45.74%
TOTALS:					\$1,811,787	\$263,702	\$13,430,840			

CALCULATION DASHBOARD

Assets Under Management

Assets Under Management	\$32,444,000	
Annual Revenue from AUM	\$275,000	Post-Payout Revenue
Payout Rate	85%	\$233,750
Recurring Revenue	100%	\$233,750
Transactional Revenue Rate	0%	\$0

Market Based Value \$736,313

\$635,079 Earnings Based Value

Valuation for AUM Business **\$685,696** 2.49
 Your AUM Valuation (Fair Market Value) Multiplier of Revenue

Annuities

Percent of Business	77.8%
Annuity Revenue	\$1,140,000
Avg Annual Renewals	18%
Calculated Growth Rate	7%
Calculated Discount Rate	24%

Earnings Based Value **\$725,964**

Your Valuation (Fair Market Value)

Multiplier of Revenue 0.64

Insurance

Percent of Business	3.4%
Insurance Revenue	\$50,000
Avg Annual Renewals	7%
Calculated Growth Rate	8%
Calculated Discount Rate	25%

Earnings Based Value **\$20,974**

Your Valuation (Fair Market Value)

Multiplier of Revenue 0.42

Total Valuation for Practice

\$1,432,634

Your Valuation (Fair Market Value)

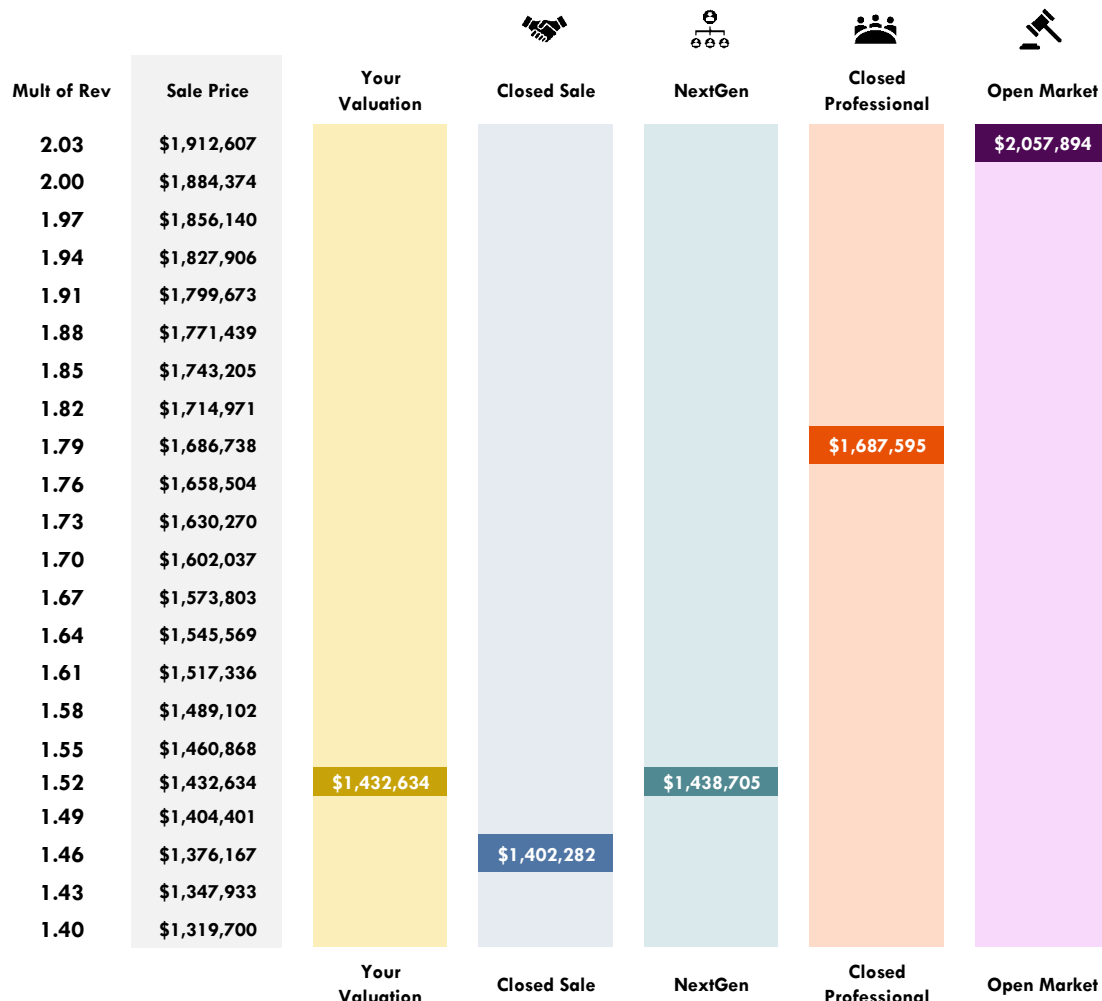
HOW YOU SELL YOUR PRACTICE MATTERS

Types of Practice Sales

Closed Sale	This is the most common deal type, wherein the buyer and seller find each other and negotiate terms on their own.
NextGen	Internal transaction passing the business to an associate advisor within the practice, usually completed with professional support.
Closed Professional	When buyer and seller find each other and leverage professional support for negotiating, legal, and transitions.
Open Market	Characterized by multiple buyer candidates competing for the sale. Almost exclusively managed by a third-party firm utilizing a listing platform and managed process

Competition among multiple buyers naturally drives up multiples for open market sales. On the other hand, closed and NextGen deals garner multiples at the lower end of the spectrum. This is typically due to the fact that the seller will often give concessions to their chosen successor for closed and NextGen deals by way of a lower price or other terms. NextGen deals are also often sold in tranches, with the value of the practice generally increasing between the first and final tranche sale.

To demonstrate the difference in sales price and multiples for different types of practice sales, we compiled data on practice sales for the last three years, and based on our averages, we demonstrate the ranges of sale prices you may see for a practice of your size.





AUM BENCHMARK ANALYSIS

Practice Comparison

Revenue Growth

 **Surpassing**

Benchmark

16.6%

Your Practice

17.4%

Recurring Revenue

 **Surpassing**

Benchmark

90.7%

Your Practice

100.0%

Client Base Comparison



This report compares the metrics for your overall client base with metrics for similar practice sizes. "On Par" means that you are within +/- 10% of the average.

Average Client Age

(within +/- 2 years)

 **On Par**


Benchmark

62.30

Your Practice

61.00

Average Client Revenue

 **Lagging**

Benchmark

\$4,943

Your Practice

\$1,185

Asset Velocity

 **On Par**


Benchmark

0.69

Your Practice

0.85

Average Client AUM

 **Lagging**

Benchmark

\$747,453

Your Practice

\$139,845

Selling Considerations

1. Valuation of Practice



Why it Matters: A clear and accurate valuation ensures that the seller receives fair compensation. Overvaluing can deter buyers, while undervaluing leads to financial loss.

Key Factors in Valuation:

- Revenue streams: Recurring revenue is typically more attractive to buyers.
- Client demographics: Age, income levels, and investment profiles influence desirability.
- Growth trajectory: Consistent growth signals a thriving practice.
- Profit margins and operating efficiency.

Engaging a Professional: Working with a valuation expert can help ensure an objective and comprehensive assessment.

2. Preparing the Practice for Sale

Why it Matters: A well-prepared practice increases buyer confidence and attracts better offers.

Steps to Take:

- Organize financial records: Ensure all income, expenses, and assets are clearly documented.
- Address compliance concerns: Resolve any pending regulatory issues to avoid complications.
- Improve operational efficiency: Streamline processes to demonstrate a well-run operation.
- Retain key staff: Stability in the team reassures buyers of continuity.

3. Identifying the Right Buyer

Why it Matters: The right buyer not only protects the legacy of the practice but also ensures client satisfaction and retention post-sale.

Factors to Consider:

- Experience: A buyer with a solid track record in financial advising will inspire client trust.
- Cultural fit: Alignment in values and service philosophy ensures smoother transitions.
- Financial strength: Verify the buyer's ability to meet the financial terms of the deal.

Types of Buyers:

- Internal successors: Current employees or junior advisors familiar with the business.
- External buyers: Larger firms or individual advisors seeking to expand their book of business.

4. Structuring the Deal

Why it Matters: The structure of the deal impacts financial outcomes and the transition experience for both the seller and buyer.

Common Structures:

- Upfront payment: A lender financed lump sum at closing offers immediate liquidity.
- Seller's Note: The upfront payment normally covers the majority but not 100% of the sale price; a seller's note covers the balance.
- Gradual buyout: A phased approach often used in NextGen sales that allows for a smoother client and business handover.

Tax Implications: Consult with tax advisors to minimize tax liabilities and optimize financial outcomes.

5. Transition Planning

Why it Matters: A smooth transition helps retain clients and staff, ensuring the practice's continued success under new ownership.

Key Components:

- Client communication: Inform clients about the transition well in advance, emphasizing continuity in service.
- Training and support: Provide the buyer with insights into client relationships, processes, and systems.
- Post-sale involvement: Sellers may agree to stay on temporarily to ease client concerns and ensure a successful handover.

GLOSSARY

Asset Velocity

The ratio of revenue to assets; also referred to as “Return on Assets” = $(\text{Total GDC} / \text{Assets under Management}) * 100$

AUM

Assets under management (the total client assets being managed by the advisor/ practice)

Business Valuation

The act or process of arriving at an opinion or determination of the economic value of a business; or an interest therein

Cash Flow

The excess of sources of cash over uses of cash. Cash flow is used in performing the discounted cash flow analysis

Discounted Cash Flow

The present value of future earnings discounted at a rate that approximates the risk

Discount Rate

A “hurdle rate” that combines a risk free return rate and an industry specific liquidity risk factor

Earnings Analysis

An analysis of the amount of profit that a company produces during a specific period, which is usually defined as a quarter (three calendar months) or a year

- o Our analysis is for a ten year period and excludes owner compensation and non-payroll tax

Fair Market Value

The price at which a business would change hands between a willing buyer and a willing seller, when the former is not under any compulsion to buy and the latter is not under any compulsion to sell

GDC

Gross dealer concessions (the total revenue earned before payout)

Ibbotson Build Up

The Ibbotson method is called a “build-up” method because it is the sum of risks associated with various classes of assets. It is based on the principle that investors would require a greater return on classes of assets that are more risky

Net Present Value

The sum of the present values (PVs) of the individual cash flows of the same entity

Terms

Details of an agreement such as price, payment schedule, interest rate, tax allocation and timing

Total Revenue/GDC

Revenue generated before the advisor specific “payout rate”

- o Post Payout GDC: Revenue received after the advisor specific “payout rate” is applied
- o T-12: Trailing or previous 12 months

Transaction Based Revenue/GDC

Commission based revenue generated (up front) or non-recurring revenue

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This calculation engagement is subject to the following assumptions and limiting conditions:

- 1) The calculated value rendered in this report is based on information provided in whole or in part by the owners and also third parties. I have not audited or attempted to confirm this information for accuracy or completeness.
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- 4) I have relied upon the representations of the owners and management concerning the value and useful condition of all equipment used in the business and any other assets or liabilities except as specifically stated to the contrary in this report. I have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or if you have good title to all assets, nor have I considered the responsibility of any parties with regard to environmental impact matters. In addition, I have assumed full compliance with all applicable federal, state, and local regulations and laws unless otherwise specified in this report.
- 5) My analysis and calculated value will be used only for its intended purpose and shall not be used to obtain credit or for any other purpose or by any other party for any purpose. Neither my work product nor any portions thereof (including any calculations or the identity of my Company, any individuals signing or associated with this report, or the professional associations or organizations with which they are affiliated) shall be disseminated to third parties other than in conjunction with this stated purpose by any means without my prior written consent and approval.
- 6) I am not required to give further consultation, provide testimony, or appear in court or other legal proceedings unless specific arrangements have been made.
- 7) My work product is valid only for the stated purpose as of the calculation date indicated. I take no responsibility for changes in market conditions and assume no obligation to revise my work product to reflect events or conditions which occur subsequent to the calculation date.
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- 9) This report and the calculated value arrived at herein are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The calculated value represents my considered opinion based on information provided by you and from other sources.

ASSUMPTIONS AND LIMITING CONDITIONS

- 10) I do not provide assurance on the achievability of the results estimated in my report because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.
- 11) If prospective financial information approved by you has been used in my work, I have not examined or audited the prospective financial information and, therefore, do not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.
- 12) Neither all nor any part of the contents of this report (including the conclusion of value, the identity of any valuation specialist(s), the firm with which such valuation specialists are connected, or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without my prior written consent and approval.
- 13) I have not made a specific compliance survey or analysis of the subject property to determine whether it is subject to, or in compliance with, the American Disabilities Act of 1990, and this valuation does not consider the effect, if any, of noncompliance.
- 14) No change of any item in this calculation report shall be made by anyone other than me, and I shall have no responsibility for any such unauthorized change.

Quick Tips

Seller	Buyer
<ul style="list-style-type: none"> Planning early for your succession will enhance your options for success (5+ years for internal succession) 	<ul style="list-style-type: none"> Your ability to transfer and service the acquired clients is the foundation of any deal
<ul style="list-style-type: none"> Be clear and transparent about your practice succession vision 	<ul style="list-style-type: none"> Stay focused on the seller's goals for the optimum transition of their client service legacy
<ul style="list-style-type: none"> The specific terms of the deal are more important than the sale price 	<ul style="list-style-type: none"> Make acquisition investment decisions based on a conservative cash flow model
<ul style="list-style-type: none"> Focus on the best buyer for your business over the highest offer 	<ul style="list-style-type: none"> The only good deal works for the everyone - clients, buyer and seller
<ul style="list-style-type: none"> Most Sellers only sell one business in their lifetime – enlist the help of professionals 	<ul style="list-style-type: none"> Respect the acquisition learning curve – enlist the help of professionals

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