WEALTHCAREGDX®

BE A PART OF THE EXPERIENCE

What happens to *them* if something happens to *you*?

Wealthcare's Advisor Guide to Recruiting, Continuity, and Succession Planning

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You protect your clients for the “What-If’s” in life by having a GDX360® plan……have you taken the time to put a plan in place for your business to protect you, your clients and your family?

Have you thought about what would happen without one? Business continuity and succession planning forces a financial advisor to consider several unpleasant facts: his or her own mortality or disability and the fact that a practice that produces a decent income may not have a substantial value. It also forces you to think about what will happen to your clients. Advisors who care about their clients and their families need to consider who will care for them after they leave the business.

As a financial advisor and a small business owner you need to protect multiple families:

The One at Home | The One at Work | The One You Advise

If something happens to you this afternoon, let’s assume you’ve taken care of your family with life insurance, education savings, and the like. We’re going to accept that your family is taken care of. But what about your clients? What should they do if something happens to you? What do you want them to do?

Do you have a system in place to make sure your clients are notified? And if they are notified, is it simply to wish them the best or do you want to point them to another trusted advisor to carry on the good work you’ve been doing for them?

The value you’ve created in their lives is worth something, isn’t it? Do you have a system in place for your family or designated heirs to capture the value of your business that you’ve worked hard to build, perhaps over decades?

We have found that the overwhelming majority of our advisors have no succession/continuity plan in place and are not actively taking steps to create one. **That’s why we’re happy to introduce Wealthcare’s Continuity and Succession Plan for advisors.**

Every advisor should consider...

Just like the cobbler whose children have no shoes, many of us do a great job of helping our clients plan for the unexpected but we don't always take the same approach when it comes to our own planning. One of the first things a business owner needs to consider is how to protect the people who mean the most to them and how unpredictable events may threaten their business and lifestyle.

Here is a list of several things to consider when building your continuity/succession plan:

Start Planning Early. NOW is the best time to start.

Who will run your company? Can your spouse or heirs take over? Do you have a successor in mind?

What is your business worth? Do you have a buy-sell agreement in place? If you have someone in mind, will it be a single lump sum payout or gradual, incremental sale?

Do you have individual, key-person life, and disability insurance for you and/or your employees?

Do your family, employees, clients, and Wealthcare management know your plan?

How do you want your clients notified if you're no longer able to advise them?

If something happened to your financial advisor, how would YOU want to be communicated with?

Consider business continuity as part of your fiduciary responsibility to your clients.

Think about other interested parties that need to be notified:

Your business vendors and partners
Referral sources
Your custodian

Client advisors:
- CPAs
- Attorneys, etc.

If you have any staff (local and/or virtual), what happens to them?

If your spouse or significant other isn't involved in your business, have you communicated how you would like them to get financial guidance if you're no longer around?

If you could design your perfect continuity & succession plan, what would it look like? Who would be involved? How would communication happen? Why not start designing and building this today?

Have you taken a systematic approach to documenting and running your practice that could easily be adopted by a successor advisor? Do you have thorough notes on all client interactions? Do you have a record of client communication preferences (this is where a CRM can help)?

If you're not capable of helping to transition your clients to a successor advisor, have you made the successor advisor's job relatively easy (through documentation, notes, etc.) or are they going to have a difficult time transitioning and retaining your clients? Remember, business value and ongoing revenue are highly dependent on client retention during and after any transition scenario.

Advisor Quick Tip

Advisor Quick Tips: Life Happens **(www.lifehappens.org)** is a nonprofit organization dedicated to helping Americans take personal financial responsibility through the ownership of life insurance and related products, including disability and long-term care insurance. They have created a Taking Care of Business Guide that provides small business owners with smart strategies to help you protect your business.

If you don't currently have a documented succession plan in place for your business and would like some assistance in this important area, Wealthcare is here to help.

Wealthcare's succession and continuity plan

While we encourage you to explore all available options and adopt this process for a planned exit from the business, we as a firm feel it's important, and helps fulfill our fiduciary duty to you and your clients, to offer a structured program for an unplanned exit from the business due to disability or death.

Wealthcare's succession and continuity program is available to all advisors **who have adopted the full GDX360 process**. Our reason for offering this plan to these advisors exclusively is to ensure that continuity of service can be delivered to any transitioning clients. This plan doesn't preclude nor prevent you from seeking an alternative continuity/succession plan.

In our proposed Wealthcare Continuity and Succession Plan, we will refer to the following parties:

1. **Retiring Advisor:**

   Advisor who is either looking to transition accounts or who has been incapacitated in some way so that there is a need to transition advisor coverage of the accounts overseen by that advisor.

2. **Receiving Advisor:**

   Advisor who has entered into the agreement for the purposes of taking over coverage and maintenance of the Retiring Advisor's clients.

3. **Wealthcare Capital:**

   In the case of a transition, the Retiring Advisor and the Receiving Advisor will have agreed to an amenable percentage split of 100% of the fees charged to the account net of the Wealthcare Platform fee. As a party to the agreement, Wealthcare has agreed to lower the Retiring Advisor's investment management and planning fees by 20%.

Wealthcare will continue to bill the client and ensure that the Retiring Advisor (or the Retiring Advisor's estate) receives the agreed upon percentage of the fees charged to the account for as long as the account remains on the Wealthcare platform and is generating fees. The below scenarios are examples of how the Wealthcare Succession and Continuity plan might work.

To simplify the calculations, the numbers used in the situations below are completely fictional and do not reflect actual Wealthcare fees or market movement over time. Real numbers would adjust each quarter as fees change with the market value of the accounts, when the number of accounts change and would be based on the agreement between the Retiring Advisor, Receiving Advisor, and Wealthcare.

The Retiring Advisor would need to find a willing Receiving Advisor and both of you would negotiate the terms that work best for your particular situation. You may also want to negotiate a reciprocal agreement so both advisors have a plan in place. If the Retiring Advisor or the Receiving Advisor chooses to terminate the agreement or if terms change before the planned or unplanned exit, Wealthcare should be notified of their mutual decision immediately.

Let's introduce you to Roger.
He is a fictional Wealthcare advisor. His current business is comprised of:

- 100 households
- $60 million in advisory AUM
- $600,000 Gross Revenue
- $420,000 Net Revenue (after Wealthcare's fee of 30 basis points)

Roger wishes to partner with Bernadette. Bernadette's current business has:

- 40 housholds
- $16 million in advisory AUM
- $160,000 Gross Revenue.
- $112,000 Net Revenue (Bernadette also pays 30 bps to Wealthcare)

Scencario 1: Planned Exit

In Scenario 1, Roger is approaching age 65 and would like to retire to spend more time with his wife and family. Roger enters into the Wealthcare continuity and succession plan with Bernadette, a successful, younger Wealthcare advisor.

Upon negotiating and executing this plan, Wealthcare's split on Roger's revenue is reduced by 20% and goes from 30 bps to 24 bps.

Roger agrees to stay involved for 12 months to help with the transition of clients to Bernadette's care. During these 12 months:

Roger will receive 40% of the net revenue of $456,000, or $182,400. Bernadette will receive 60% of the net revenue, or $273,600.

This is in addition to her existing $112,000 net revenue. Remember, the net revenue generated by Roger's clients is adjusted because Wealthcare is reducing its platform fee from 30 bps to 24 bps — a 20% reduction.

After 12 months, let's assume 90% client retention and Roger retires fully. The "succession net revenue" of $456,000 is reduced to $410,400 to reflect loss of some clients in the transition.

Per their negotiated agreement:

Roger's share adjusts to 15% of the net revenue for the remaining life of the relationships with Wealthcare. Assuming no market movement or future attrition, this would equate to an annual income stream of $61,560 that would go to Roger and/or Roger's family upon death.

Bernadette retains 85% of the annual adjusted net revenue (currently $348,840) in perpetuity. Again, this is in addition to her existing $112,000 net revenue from her business.

Scencario 2: Unplanned Exit

Using the same advisors as above, Roger enters into a succession plan with Bernadette to protect his family and his clients in the event of death or disability. Roger is based in the same area as Bernadette, and he's built a solid business:

- 100 households
- $60 million in advisory AUM
- $600,000 gross revenue
- $420,000 net revenue (after Wealthcare's 30 bps fee)

Roger is 65 and healthy but is suddenly killed in an automobile accident.

Bernadette is immediately notified and begins reaching out to Rogers's clients and setting up meetings. Since Roger isn't around to help with introductions and transitions, it is assumed there will be a little lower conversion rate no matter how effective Bernadette is.

Let's assume that after 12 months, Bernadette is able to convert 75% of Roger's clients over to her care and management.

As a result, Roger's business is reduced by 25% and looks like:

- 75 households
- $45 million in advisory AUM
- $450,000 in gross revenue
- $342,000 net revenue (after Wealthcare's fee is reduced by 20% from 30 bps to 24 bps)

Through their negotiated succession and continuity plan, Bernadette will retain 90% of ongoing net revenue from Roger's clients she was able to retain since Roger was not able to help with the transition. This initial annual amount is $307,800 and continues as long as the clients remain at Wealthcare and generate revenue.

Roger's wife receives 10% annually in perpetuity (currently $34,200). This will continue as long as the relationships remain with Bernadette and Wealthcare.

Scencario 3: Partial Disability:

Roger is 65 and healthy but is suddenly involved in an accident that leaves him disabled. Bernadette is immediately notified and begins reaching out to Roger's clients and sets up meetings. Let's assume Roger's disability will last 18 months.

Depending on the severity of Roger's disability and his ability and/or willingness to remain involved in his business, we have no way to know if there will be any client attrition.

Let's assume Roger is able to have phone conversations with his clients to explain the situation and that he plans to be back working full-time in approximately 18 months. He can also help make the transition of his clients to Bernadette's care, thus helping with continuity and client retention.

Let's assume that after 12 months, Bernadette is able to convert 90% of Roger's clients over to her care and management.

As a result, Roger's business is reduced by 10% and looks like:

- 90 households
- $54 million in advisory AUM
- $540,000 in gross revenue
- $410,400 net revenue (after Wealthcare's fee is reduced by 20% from 30 bps to 24 bps)

Through their negotiated succession and continuity plan to address a disability situation, Bernadette will receive 85% of ongoing net revenue from Roger's clients she was able to retain. This current annual amount is $348,840 and continues throughout Roger's disability as long as the clients remain at Wealthcare.

Roger will receive 15% (currently $61,560). This will continue throughout the duration of his disability as long as the relationships remain with Bernadette and Wealthcare. This would be in addition to any disability insurance payments Roger would be receiving.

After 18 months, Roger is ready to start the transition back to full-time work in his advisory business. Based on their previously agreed upon transition plan (part of the initial agreement) Roger's workload and compensation would increase back to 100% over a period of 3 years.

Once Roger's transition back is complete at the end of the 3 years, Wealthcare's platform fee will go back to the original 30 bps.

Alternatively, Roger and Bernadette might decide they want to explore a more formal working partnership going forward after working through this challenging situation together.

Risks:

While we've put a lot of thought and planning into this program, there are uncertainties and risks that are outside anyone's control. These include:

- Potential industry fee compression
- Different business/revenue models in the future
- Other, yet unforeseen changes or dynamics that could impact this program
- Will receiving advisor have the capacity to work on a sudden influx of 40, 60, or more households in addition to running their current business?

Rewards:

For starters, it fulfills your responsibilities as a fiduciary, but more importantly:

- It gives clients confidence that that they can rest assured that no matter what happens to you, their investments and plan can stay intact and in the way they have become accustomed
- It addresses your legacy (for a planned retirement)
- It prevents or at a minimum eases the potential hardship your family, your clients and your employees might have if there is an unexpected event
- It provides Wealthcare with an actionable plan should an unexpected event occur.

What's your why?

Whether you are recruiting an existing Wealthcare advisor to become part of the execution of your succession/continuity plan or you are looking for someone to join your firm as an employee, equity partner and/or successor, choosing the right person is critical. Before we look at where to find your successor, let's prepare you to identify the right advisor to recruit.

What's Your Why? Why would an advisor want to partner with you?

Create your story. What do you or your firm offer? Think from a potential advisor's viewpoint.

- What is your service model?
- Will they have access to a client niche?
- How "sticky" are your clients? Are they willing to transition to a new advisor?
- What is the age and demographics of your client base?
- What is the compensation agreement between you and your clients?
- Are there opportunities to shift to fee-based or financial planning approach?
- Are there systematized client processes or systems within your firm?
- What technology and systems are currently being used?
- Is your office in a desirable location? Is there room for growth?
- Do you already employ experienced staff members?
- Do you collaborate with other advisors, a broker-dealer, or centers of influence?
- Do you want to maintain a "lifestyle" practice where you spend a lot of time away from work, or are you trying to build and scale a fast-growing multi-advisor firm?

What's Their Why? What type of advisor do you want to partner with?

What is their story? What makes them a good fit for you and your practice?

- Why are they looking to join a practice or purchase yours?
- Do their core values line up with yours?
- Do you share the same short- and long-term vision?
- What is their portfolio management philosophy? Does it match yours?
- Do they bring expertise or talents to your team that you are currently lacking?
- Can they afford to purchase a book of your size?
- Can they continue to service your clients in the manner that they are accustomed to?

How Wealthcare can help

> Unity is strength.....when there is teamwork and collaboration, wonderful things can be achieved.
>
> **Mattie J.T. Stepanek**

Looking internally for a successor or continuity partner?

Looking for a like-minded advisor here at Wealthcare? Let us help you make a match. Fill out the **Business Succession Planning Profile** and we will compare with our other advisors to help match and get you in touch with a compatible advisor.

Looking externally for a successor, continuity partner or for business expansion?

Branch Office Blueprint: If you've ever contemplated starting your own advisory firm or expanding your current one, Wealthcare is looking to partner with you. Our Branch Office Blueprint (BOB) program is offered to entrepreneurial advisors who share our vision.

Building an independent advisory practice is hard work. A big challenge lies in scaling your practice; technology costs, compliance oversight, user experience, and investment modeling, among others, become barriers to your growth.

Wealthcare's BOB program provides you with a highly scalable, goals-driven advisory platform, along with the resources to help propel your practice through institutionalization of advisor acquisition, practice development and repeatable processes.

By partnering with Wealthcare, we provide you with the blueprint — the tools, the process, the infrastructure, the technology and the platform— to accelerate your success. We partner with you in the truest sense, with a mission to empower you to succeed.

Recruiting Resources

- In-house Wealthcare recruiting team
- Introductions to custodial and 3rd party recruiters to expand search
- Access to SuccessionLink or custodial M&A brokering platforms
- Complimentary advisor list generation
- Complimentary recruiting email campaign

Advisor Training & Practice Management

- Multi-phase training for new advisors and their staff on GDX360® software and the goals-driven Wealthcare process
- Compliance approved client-facing content
- Monthly practice management webinars
- Outside subject matter expert presentations
- Annual home office advisor conference
- Online advisor forum for Q&A, discussions, best practices, and more

Infrastructure

- Access to GDX360 planning technology and planning professionals
- Household-based, goals-driven portfolio management
- Dedicated team of in-house analysts and traders responsible for trading, rebalancing and monitoring
- Aggressive model pricing schedule
- Customized, co-branded marketing collateral
- Personal and responsive in-house compliance support
- Flexible advisory billing options

Contact salesteam@wealthcarecapital.com to see if BOB is right for you!

Advisor Referral Program

Wealthcare's rapid growth is thanks to our partnership with forward-looking advisors like you who have embraced our Goals-Driven Experience (GDX). We want to thank you and reward you for helping us continue the GDX revolution. We also want to help you bring on an advisor that wants to stay independent and allows you to do the same but can partner with you for continuity and succession planning.

Introduce us to an independent advisor who joins Wealthcare (as part of your succession plan or not), and we will pay you 10% of their first year advisory retained revenue payable at the end of their first 12 months!

Advisor Retained Revenue	Referral Fee
$50,000	$5,000
$100,000	$10,000
$250,000	$25,000

Communicating your plan.

Communicating your plan is as important as executing your plan. Having a clear, concise, and well-defined succession and continuity plan facilitates a smooth transition and avoids a disruption of service to clients.

Whether it's in person, by phone or by email, communicate as clearly as possible. If it is a planned succession let the client know:

- A timeline for the transition
- What role you, the client, your employees, and your successor will play in the transition

if it is unplanned:

- Wealthcare, your staff, and your successor should all know ahead of time what role they will be playing and what actionable steps need to be taken in the case of emergency.

We have put together an **Emergency Succession/Continuity Plan Template** for you to aid in creating your plan. Your final plan should be reviewed by a legal professional and turned into Wealthcare Compliance for safe keeping. The plan should be updated annually, and each revision should be shared with employees, your successor, and Wealthcare management.

Protect who matters.
Guard their future.

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This information is provided for informational purposes only and is not to be considered advice. Advisors should consult with legal and tax counsel regarding the terms of any succession plan arrangement.

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