

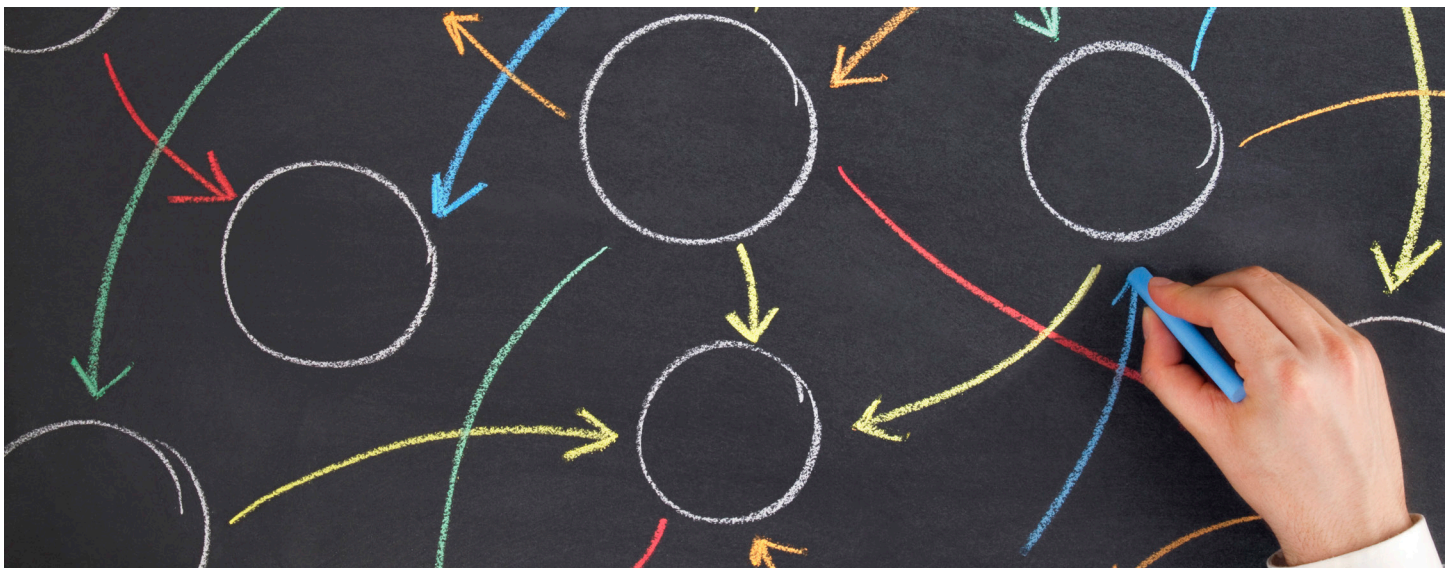
FusionFocus

FUSION ADVISOR NETWORK

Q2 2016

The Advisor Guide to Mergers and Acquisitions

CONTRIBUTED BY THE ENSEMBLE PRACTICE



Many advisors are curious about merging or acquiring a book of business to add to their current practice. It's a great step, as it means you're ready to grow. There are many more people buying practices than selling them, so it's important to be savvy and ask the right questions. Besides growth, buyers are looking to branch into new locations, new lines of business, or to acquire new talent to fill a need on their team. Before you start growing, make sure you're asking the right questions.

Know What You Want

First, make sure the reasons for making the acquisition align with your firm goals and vision — and your personal goals. Take a step back and ask yourself, "Why does this opportunity make sense?" Would you be able to accomplish the same goals through organic growth as you would through an acquisition?

Focus on the Financials

When approaching an opportunity to acquire another practice, analyze the financials very carefully. Review the Profit and Loss (P/L) statement for at least the most recent three years as well as their tax returns. Compare their P/L to your P/L. Make sure both have no personal expenses so you get a true picture of the financials. Ask the seller to explain any expenses that seem out of line. Look to see if there will be cost savings and efficiencies by combining your two firms. Figure out how much of the revenue is recurring versus one-time commissions. You need to determine the value of the practice you're purchasing as well as the cost to service new clients (i.e., will new clients be profitable?).

Research Your Clients

Sellers often choose their buyer based on similar philosophies and the type of clients their businesses share. Use caution and do your due diligence. Check that the client size, age and service offering match your firm. Ask to see a breakdown of the clients by size and age to make sure that the clientele matches or complements your existing client base. Be sure to look at the client retention rate as well as if clients have been informed about a potential change.

Assess the Operations

Assessing the operations of the seller's firm is very important. If the broker-dealer is the same, it makes the transition much easier. Check to see what kind of CRM is currently being used and if the data is easily transported to your system without an interface. Analyze the investment lineup the seller uses and how it aligns with yours. Ask about staff and if there are any expectations for retaining the seller's staff. Discuss and determine how the seller will help during the transition and if they'll have an ongoing role post-acquisition. Determine whether you're purchasing clients, clients and operations, or clients and an advisor.

Acquiring or merging with another group is kind of like getting married. It is easy to do, but very messy to unwind. If you're thinking about a purchase or merger, reach out to your Kestra Financial business consultant or to one of us at The Ensemble Practice. We'll help ensure you're asking the right questions before you dive in. ■

Summer Book Reading List

1 *Start with Why: How Great Leaders Inspire Everyone to Take Action* by **Simon Sinek**. This book highlights the importance of knowing why we do what we do. Any person or organization can explain what they do; some can explain how they're different or better; but very few can clearly articulate why. Why is not about money or profit — those are results. Why is the thing that inspires us and inspires those around us.

2 *Made To Stick: Why Some Ideas Survive and Others Die* by **Chip Heath and Dan Heath**. Through success stories and failures, this book will transform the way you communicate your ideas. It'll unveil why some ideas thrive while others die and how to improve the chances of making your ideas stick.

3 *Language of Trust: Selling Ideas in a World of Skeptics* by **Michael Maslansky with Scott West, Gary DeMoss and David Snyder**. Today, you're facing a new era of consumers who listen less and question more. Based on pioneering research, you'll learn how to regain confidence with clients and customers through learning what words to use, what words to lose and how to structure your message.

4 *The E Myth Revisited: Why Most Small Business Don't Work and What to Do About It* by **Michael E. Gerber**. This book will walk you through the steps in the life of a business, teach you how to apply lessons of franchising to any business (whether or not it's a franchise), and draw the clear distinction from working on your business and working in your business.

5 *Power of Habit: Why We do What We Do in Life and Business* by **Charles Duhigg**. This book unveils scientific discoveries that explain why habits exist and how they can be changed. It persuasively explains that the key in exercising regularly, losing weight, being more productive, and achieving success is understanding how habits work.

Save the Date

We have two Business Planning Summits that you won't want to miss:



BALTIMORE



October 26-27



Industry experts across a variety of disciplines will be on hand to present innovative ideas. We've packed an agenda that includes workshops with billion-dollar producers who will discuss category-leading best practices, share breakthrough expertise and prepare you and your practice to soar.



AUSTIN



December 5-7



The summit, hosted by The Ensemble Practice, is designed for a select group of firms that have joined Fusion in the last three years and firms who want to reevaluate their long term business strategy. This event will help you build a solid business foundation and create a business plan for 2017.

Featured Advisor: Jen Hatch and The Value of the Kestra Financial Advisor Council

Why did you decide to join the Advisor Council?

I am an advisor and a business owner because I like participating in decision making and I want to share my ideas. The opportunity of participating in the Advisor Council provides a unique influence. I made a pact with my spouse to not burden our lives with any more board responsibilities—because life is overwhelmingly busy—but John Vanderheyden persuaded me. The issues the council considers have a meaningful impact on our businesses. I feel strongly about the evolution of Kestra Financial - the processes, the technology, the people, and I am honored I'll be able to offer my two cents.

I respect that Kestra actively seeks out our feedback and I think that's critical to success. Most organizations don't do that easily because, if you ask somebody what their opinion is, they assume you're going to listen and act on it. That creates pressure and accountability that other organizations actively avoid. Kestra is willing to both listen and act.

What does being a part of the council mean to you?

It means that my point of view is valued. Kestra genuinely wants to improve their advisor platform to fit our needs, and they believe we're a pivotal part in that process.

It means that I get an inside scoop on the next best thing. Like my fellow advisors, I am constantly looking for opportunities to run my firm more efficiently and Kestra realizes that. The Advisor Council and Kestra collaborate on the latest trends in the industry and focus on how they can provide solutions and value.

Stronger, more meaningful relationships. The camaraderie between the Advisor Council members and the Kestra Executive Committee is invaluable. It's through the many unique perspectives and niches of the council that we are able to add more value to Kestra advisors and our firms.



Jen Hatch, CFP®

Is there anything you'd like to tell Fusion members about representing them on the council?

It is an honor to represent this group. I came in through the Fusion channel in 2007 because I really liked the community that Fusion created. The fact that there's such a desire to share information and collective wisdom has been enormous for my business and personal growth. We see ourselves as each other's board of directors as opposed to competitors, so we don't have to learn everything the hard way. We don't have to reinvent the wheel! ■

In addition to Jen, Fusion has several other members representing you. We encourage you to contact any of the members of the Advisor Council with ideas and feedback.

Doug Brown, CFP®

The Advisors Group of Chicago
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Steve Gallo, CPA

U.S. Financial Services
sgallo@usfsc.com | 973-882-3600

Jen Hatch, CFP®

Christopher Street Financial
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Shawn Okumura, CFP®, CMFC®

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A Refined Mountain Getaway – Redefined Fusion Style

2016 CHAIRMEN & LEADER RECAP

"Maria and I would like to thank you for another wonderful experience... Everything was 5 Star as usual."

Altair Gobo,
U.S. Financial Services



"Simply the best Chairmen & Leaders Conference in my 10 years attending!"

Eric Brotman, Brotman Financial Group

"Great combination of learning & playing. My wife loved attending the conference also."

Rob Rinvelt, Rinvelt & David



"Mary and I want to thank you for another great meeting. The weather, the mix of events, the content of the meeting as well as the interaction of the advisors were all first class."

Brian Heckert, Financial Solutions Midwest



Each year a group of like-minded advisors come together to share ideas, network and hear from some of the industry's top speakers at our annual Fusion Chairmen & Leaders Conference. This year's event was held in beautiful Deer Valley, UT and was quoted by multiple advisors as the best Chairmen & Leaders they had ever attended. Based on the meeting evaluations the broader group agreed, the content was strong, the messages inspirational and the networking productive.

Chairmen qualifiers came in a few days early to learn about Park City's Sundance Film Festival and spent an entire morning idea sharing on the topics of sales and marketing, technology, acquisition, portfolio management and strategic growth opportunities. Starting on Monday, the Leader qualifiers joined the others and the entire Kestra Financial executive team to discuss the recent change of ownership and how the additional resources and capitol will allow Kestra Financial to better serve our firms and support the growth and efficiency our advisors need and want.

In typical Fusion style, one session featured a group of advisors volunteering positive changes they had made in their businesses this past year. One highlight from the idea sharing came from Shawn Okamura, of Transitions Wealth Advisors, who talked about how he has successfully grown his business while steadily increasing the amount of time he takes off each year. He shared how he is empowering his staff to improve his work life balance. The willingness of the group to share ideas is one of the hallmarks of this event.

In addition to the idea sharing, Philip Palaveev from The Ensemble Practice gave a content packed presentation on often overlooked factors that contribute to increasing a firm's enterprise value. Communication expert, Terry Sjodin, discussed techniques on how to be more persuasive in client meetings and highlighted how to overcome the nine most common presentation mistakes. Mark Schoenbeck, Managing Director of Fusion gave a compelling presentation on how to use your purpose to differentiate your business and separate yourself from the competition. Finally, memory expert Ron White wowed the entire crowd by reciting every single person's name in attendance.

Of course there were also amazing activities which created unique experiences for all who attended. These included a bobsled experience, extreme zip-line, fly fishing, horseback riding, trapshooting, mountain biking and more. This was a great time to relax, network and spend time with friends, spouses and guests.

We encourage you to qualify and attend next year as you're sure to come back with new ideas and connections. The 2017 Chairman & Leaders location and qualifications are posted at the Fusion Community Center in AdvisorComplete, as well the photo and presentation archive from this year. ■



Attendees joined together at the Montage Deer Valley for a trip filled with networking, idea-sharing and mountain adventures.

CHAIRMEN QUALIFIERS

Aaron Lehman
Alan Edelstein
Altair Gobo
Andrew Brief
Andrew Pincus
Frank Voigt
Bhavin Mehta
Brent Weiss
Brian Heckert
Chip Roe
Christopher Bradshaw
Daniel Sopher
David Halper

Don Phillips
Doug Brown
Pete Peters
Eric Brotman
Garrett Taylor
Gerard Papetti
Howard Gartenhaus
J. Timothy Corle
Jeff Cashman
Jennifer Hatch
Kathleen Fish
Lee Rawiszer
Marc Tannenbaum

Mark Mappa
Matthew Carbray
Michael Barnett
Michael Hyser
Michael Levine
Michael Levy
Michael McCarthy
Michael Wertheim
Mitchell Walk
Nat Levy
Pat Barrett
Philip Henry
Rob Rinvelt

Scott Oehrle
Scott Tobe
Shane Maer
Shawn Okumura
Stephen Brubaker
Steve Ciepiela
Steven Gallo
Steven Kehoe
Thomas Besselman
TJ Kroehle
Trevor Coe
Victor Melfa

LEADER QUALIFIERS

Adam Ciepiela
Ann Fenwick
Arthur Lavallie
Barry Butlien
Beth Richardson
Bud Kahn
Christopher Ferrara
Christopher Wasson
Cynthia Grauer
Daniel Swanson
David Koren
Gary Sidder
George Sinnott
Gregg Gottlieb

Gregory Chebuske
Jim Morrison
James Robison
James Weimar
Janet Press
Jo Ann Favia
John Cash, III
John Sampers
John Weber
Joseph Vartanian
Judith Woodard
Keith Downey
Kenneth Hart
Kile Lewis

Lauren Stewart
Lorraine Flowers
Lynn Clark
Mary Denise Quinn
Matthew Childs
Paul Melnick
Richard Barnes
Robert Allen
Robert Evans
Roger David
Ronald Berkowitz
Roy Greer
Scott McCaskill
Steven Daury

Steven Hein
Steven Klimaszewski
Theodore Jenkin
Tim Ellsworth
Timothy Mellon
Tom Niver
Victor Melfa