IS SELL AND STAY® RIGHT FOR YOU?

A Sell and Stay® exit strategy can be a good option for many advisory owners. In most cases, it provides more customization and value than a straight external sale, and is more accessible to a wider range of businesses than an internal succession track. It is a well-suited solution to many unique situations business owners find themselves in, including operational burnout, illness or disability accommodations, and, most commonly, the desire for gradual retirement.

Sell and Stay has become a powerful alternative to internal succession, especially for owners who want the opportunity to retire gradually doing a job they love while still earning an income but don't have a team in place ready to take over. It is an ideal path for owners who are not quite ready to fully retire but are ready to take a step back from the pressures of running a business and start decreasing their on-the-job hours.

To be clear, while a Sell and Stay exit is a more gradual exit than an all-out sale, it does mean the sale of full ownership. While it provides high customization in terms of deal making and employment, there are a few universal details: full transfer of ownership and decision-making power, a reduced salary depending on your new role, and a defined end-date of employment term.

If this sounds good to you, check out the flow chart to help you get an idea of whether a Sell and Stay is a suitable option for you and your business.

Does your team include good candidates for ownership?

No

Yes

Congratulations! Internal succession might be a great exit option for you.

This is the best-case scenario as internal succession provides the strongest foundation and value growth throughout your exit. Connect with us to get started:

Let's chat.

What is the size of your business?

AUM Range
Less than $200k

External Sale. Depending on your desired exit timeline, focus on maximizing value for eventual sale or becoming Sell and Stay ready. Let's get started with valuation and benchmarking reports to come up with a plan!

AUM Range
$200k - $500k

AUM Range
More than $500k

You don't get to this level without a great team. Are you *sure* you don't have a good successor candidate right under your nose?

I don't

Maybe I do

So far, a Sell and Stay could be a good option for you, but we've got a few more important considerations first. **What is your business type?**

Hybrid/RIA

Registered Rep/Insurance
Unless you are affiliated with one of a small group of organizations, you likely have restrictions that prevent you from either Sell and Stay or internal succession exit options. **Let's talk about what options you do have and how we can build value for an external sale.**

During your exit transition, how do you envision reducing your work hours or modifying your role in the business?

I would like to retain some percentage of owner-ship and/or control until my full retirement.

Sell and Stay transactions require the full sale of owner-ship even if you stay on as an employee. How long is your desired exit timeline?

Less than 5 Years

If you want to retain some control over the business, **likely your best exit plan is going to be to focus on maximizing value through an external sale** when you're ready to fully retire.

More than 5 Years

Luckily, you have the time to either get your firm in order to support an internal succession plan or build max value for an external sale. Alternatively, consider that your mindset on the matter might change in a few years, making a Sell and Stay a more feasible option.

I'd like to reduce hours and/or my involvement in the day-to-day and focus on things like client service, investment planning, communication, etc.

I'd like to drastically reduce my hours and involvement, and potentially take a more consultative or mentorship role.

An external sale is most appropriate for this level of post-closing involvement. Typical post-closing agreements include transitional support from an exiting owner on an as-needed basis. Lets do some value and benchmarking analysis and make a plan for maximizing your sale, either now or later.

Remember: Even if you're not ready to retire, or even to slow down, considering what exit path might work best for you as early as possible allows for more strategic planning. The more you plan ahead, the more you can do to enhance your business over time, and the more you understand your own professional and retirement priorities, the more options you have for exiting your business on your own terms.

Excellent! This is pretty much the perfect Sell and Stay mindset. **What is your expected timeline for full retirement?**

Under 2 Years

A full sale is likely going to be best your best option. This timeline is, unfortunately, not enough time to execute a tranched internal succession plan. A Sell and Stay probably isn't going to be worth the extra documentation if you're planning to exit within the next 24 months. Let's talk about finding you the best buyer.

2-7 Years

Congratulations! Sell and Stay is likely a great fit for you.

You've built a strong (and desirable) business and your timeline and involvement goals align with a Sell and Stay exit. Let's get started building your buyer criteria and how you'd ideally like to structure the deal.

7+ Years

You are in a great spot to choose pretty much whatever exit you'd like. You have time to scale your business and build a team for internal succession, you have time to build value and maximize either a Sell and Stay or external sale. If you start planning now for the ideal exit path, you'll leave every option in between open, just in case. Let's get started!

Take your business to the next level.

Explore options for maximizing value and preparing for the feature through our EMS™ memberships.

Let's chat.

As you might have concluded from the flow chart, there are three main areas of consideration when it comes to choosing a Sell and Stay® – or any – exit path:

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1. Timeline – How much longer would you like to continue working within the business?

Sell and Stay deals typically see a former owner staying on and working for the business for 3-7 years before fully exiting. If your timeline is shorter than that, a traditional external sale with a shorter-term post-closing consultation agreement might be a better option. By the time you make your way through finding a buyer, negotiating the deal, and post-closing transition work you won't be far from your exit anyway. If your timeline is more than 7 years, you may still have the option of a Sell and Stay, though incoming owners generally shy away from committing to keeping an exiting owner on staff for that long. With a longer timeline, a better option might be–depending on your size and scale–to acquire talent with the intention of internal succession, or to work on building value for executing a more lucrative Sell and Stay in a few years' time.

2. Role/Workload – How are you looking to change your role in the business? Are you ready to hand over the day-to-day operational decisions and leadership in order to focus on client relationships, investment strategies, community education and outreach, etc.? Does an as-needed consulting or mentorship role feel like a better fit?

A Sell and Stay deal allows you a lot of freedom to customize your role as an employee of the business. However, the caveats are typically that, a) you will no longer be an owner or decision maker of the business and b) you will be a full-fledged employee of the business with specific performance expectations. If you are looking to maintain some control of the business, a Sell and Stay is not a good fit, and going down that path will likely cause headaches for you and any potential buyers. On the other hand, if you are looking to remove yourself significantly from the business but are hoping to retain some sort of income stream, you might be better off with a 1-2 year consultation agreement with the full sale of your business. Firm involvement is one of those areas of a Sell and Stay that doesn't allow for either all or practically nothing. If you find yourself in one of those camps, you should take into consideration other factors like time and size to see how you can craft a more suitable exit. Working with one of our consultants can help you weigh your priorities and options to help you revise your exit plans.

3. Firm size and structure – What have you built? Are there operational or institutional restrictions to consider?

The biggest consideration here is whether or not your firm has institutional affiliations that limit deal-making and/or successor selection. If you are a RR, you are most likely not going to have the option of a Sell and Stay transaction as your broker dealer will have guidelines and conditions as to how you can transfer your business. Likewise, the size and structure of your firm will determine its value and how desirable your employment with the business post-closing is to a prospective buyer. If you are limited by either of these factors, you may be able to leverage other areas like time to restructure and build value in order to make a Sell and Stay exit more accessible. However, it is more likely, in these cases, that your best option is a full external sale and exit when you're ready. Your best plan is to strengthen your business and build up as much value as you can in the meantime.

All businesses and circumstances allow for exceptions. These assessments are intended to be a guide in your planning journey. By leveraging the strengths of your business and its opportunities for improvement as identified in your benchmarking analytics, you can better realign your business to your desired path.

Connect with us to ensure you are prepared for and moving toward the right option for you and your business.

Let's chat.

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