Vantage Impact

150+ Due Diligence Questions for Financial Advisors Considering a Firm Transition

Legal/Transition

1. Will my move be considered a protocol transition?
2. If my move is non-protocol, what steps will you support me taking to transition my business?
3. Do you know what client information advisors are generally allowed to use during their transition?
4. Will my move be impacted if I have an existing promissory note at my current firm?
5. Will you allow me to retain existing client files for instances when my clients authorize me to do so?
6. Am I prohibited from soliciting any employees from your current firm?
7. Can my existing employees follow me during my transition?
8. Will I/we have equity in my business if I join your firm?
9. Will you cover my legal fees if my prior firm files TRO/Lawsuit against me?
10. Is there a cap on the legal support you will provide me in the event of litigation filed by my prior firm?
11. What would happen with my clients in the event that I decide to join and then later leave your firm?
12. What happens to my clients if I unexpectedly die as an advisor of your firm?
13. Would my new E&O Policy cover products that were previously sold at my current firm? Tail Coverage?
14. Will I be appointed legal counsel during any stage of talking with your firm?

Client Requirements

1. Are there account size minimums for my clients?
2. What solutions are available for small account sizes?
3. What are the custodial/maintenance fees on client accounts?
4. In what instances are custodial/maintenance fees waived?
5. What products are advisors required to sell in order to receive bonuses, benefits, increases to payout rates?
6. Am I required to bring on a certain number of new clients each year? If so, what happens if I fail to meet this requirement?
7. Am I required or incentivized to sell certain products over others that are offered by the firm?
8. If I don't bring in a certain amount of new assets each year do I lose any perks from the company?

Products

1. Are there any proprietary/non-portable products in my practice that are unable to transition?
2. Confirm with the firm that they support the following: most important investment/manager/carrier that must be available for new sales?
3. Are there wholesaler relationships that you want to continue working with?
4. If I transition to your firm what will happen if I have direct at fund business?
5. Is the firm self clearing?
6. What alternative investment offerings do you offer for affluent/accredited investors?
7. Does your firm support 3(38) Fiduciary?
8. What options strategies are available at your next firm?
9. What is your bond solicitation policy and do you carry any bond inventory?
10. What lending products are offered and will I be compensated for selling them?
11. What solutions does your firm offer for socially and environmentally responsible investing?
12. Will my existing client loan portfolio transition to your company? If so, what rates can you offer my clients?

Client Website

1. Do you want clients to access their accounts by using a login in on your website?
2. Do you allow clients to trade in their own brokerage accounts?
3. Do you allow clients to move money in between their accounts on their own?
4. Do you allow advisors to create their own custom websites?
5. Does the website provide online file storage capabilities for clients?
6. How can clients interact with me when they're logged into their accounts online?
7. What interactive planning tools and reporting capabilities can clients use when logged into their accounts online?

General Technology

1. What trading system do advisors use?
2. Is there a different system for discretionary trading?
3. Who are the preferred/required technology vendors?
4. Other than calling a customer service rep Is there any available technology to monitor work done by the back office?
5. What system does the company use for video conferencing?
6. Am I allowed to text with my clients?
7. How are you investing in cyber security? If there is something that looks like fraud on my client's account, how is it handled?
8. Electronic signature - what can be completed via electronic signature? What still needs to be done via paper?
9. What other technology are your advisors requesting? (When will that be available)
10. Mobile app- what business can I conduct from your mobile app while I'm on the go?
11. Mobile app- what can my clients access via the mobile app?

Support

1. Are there fees I should be aware of for staff support? Like tech subscriptions or other licensing fees?

2. Are there any minimum production levels required by the company in order to receive staff support if I'm W2?

3. Are there requirements for office hours?

4. Am I able to work remotely?

5. Am I able to work out of state?

6. How does your firm plan to support the plans for my business?

7. How does compliance/supervision work at your firm?

8. Do I need to be my own OSJ? Will I need a Series 24?

9. Who can I talk with at the firm that was at the firm I'm with now that joined your firm in the past couple years?

10. Who are the research providers the firm uses for investment recommendations?

11. What services are available for me to leverage when making proposals to high net worth clients?

12. Am I able to include my staff in on the offer? If so, what are my options to compensate/reward them? (Applies to joining a W2 model)

Pricing Model/Client Fees

1. Describe how the compensation model is designed at your firm?
2. How often does the compensation model change?
3. Are there different payout rates for different products?
4. Am I able to charge separate fees for financial planning services? Even if clients don't have assets invested with me?
5. How does your firm define a household for the purposes of waiving client account fees?
6. Am I able to tier my managed account fees based on the amount of assets under management?
7. What are the fixed costs charged to me by the firm?
8. What annuity compensation options are available?

Overall Compensation

1. How much net/gross compensation am I expected to earn?
2. Do you have any unvested deferred comp? If so, how much?
3. What options are available for the term of my deal (3/5/7/10 years)?
4. How is my payout rate determined when I join and for the foreseeable future?
5. What are the key factors that are used to determine my payout rate?
6. What's the average payout rate for an advisor at your firm?
7. What is the lowest and highest payout rate paid to advisors by the firm?
8. What does the 5-10 Year Proforma for my practice look like?

Marketing

1. What are the branding and image requirements for my office?

2. Are there any additional benefits provided for advisors that meet certain production requirements?

3. What social media marketing options do I have available?

4. How much did the company spend last/this year on national marketing?

5. Am I provided any local marketing budget for my practice?

6. What is the approval process for creating my own custom marketing materials?

7. What type of marketing am I allowed to do after I join? Example, billboard, radio advertisement, newspaper announcement.

Transition

1. Who is responsible for helping me with my transition?
2. How many people should I expect the company to dedicate to supporting my transition?
3. What is the communication plan to ensure clients are aware of my move to a new firm?
4. What fees will clients incur as part of this transition?
5. Can client fees be reimbursed if they incur any as part of the move?
6. Are there any miscellaneous fees I should expect to incur to make my transition successful?
7. How much notice should I give you before I make my transition to your firm?
8. What else am I allowed to do on my own to market my practice after I join?
9. What type of marketing am I allowed to do after I join? Example, billboard, radio advertisement, newspaper announcement.
10. How will I track the progress of my account transfers and new accounts paperwork?
11. Who should I or my clients call if they have an issue right after I transfer?
12. What soft dollar benefits does the company cover at my expense as part of a transition?
13. What is the plan for my office space and how will you help with set up?

Website

1. Can I keep my current website?
2. Can I keep my current URL?
3. Who manages the content on my website?
4. What are the restrictions and policies around managing the content on my website?
5. Does the website allow clients to schedule meetings and sign up for events?
6. What does your company do to support traffic to my website?
7. Can I display my team logo on the website?
8. What happens to my current email address?
9. Can I forward my old email to my new email address?

Team Practices & Outside Business Activities

1. Am I able to partner with outside professionals to support my business? Example, Attorneys, CPAs.
2. Can I hire advisors under a W2 arrangement?
3. How do we split equity in our practices if there are multiple advisors?
4. Whose name appears on client statements when there are multiple advisors in the practice?
5. Am I allowed to team with other advisors?
6. What payroll services can advisors use?
7. What benefit options are available or vendors do advisors work with?
8. What performance reporting system(s) is used to track individual results?
9. Can the firm pay my company directly?
10. Does the firm allow advisors to aggregate production across multiple advisors to earn a higher payout rate?

Succession

1. Am I able to choose who takes over my business after I retire?
2. What methodology is used for evaluating the value of my practice?
3. Does the firm provide me with internal services to value my practice?
4. What are the terms of your succession plan?
5. What are my options on reducing the amount I work gradually over time?
6. How is the price of my practice determined? Is it locked in place at the time I agree to sell or is it variable based on future results?
7. How long can I stay with the firm after my successor starts taking over my practice?
8. Do I have to sell my entire business at once or can I sell a portion over time?
9. Can I sell the equity in my practice when I join the firm and continue working for a period of time?
10. What is the tax treatment for the proceeds from the sale of my practice?

General Questions About The Firm

1. How many total advisors are at the firm?
2. Are the multiple platforms offered at the firm?
3. How many practices were sold internally between advisors last year?
4. How many advisors left the firm for the competition last year (Joined a competitor)
5. What was the advisor headcount net gain or net loss last year?
6. How much net income did your company earn last year?
7. How much cash does your company have on the balance sheet?
8. What are your requirements for office space or conducting business on the go?
9. What is the biggest complaint that you hear from advisors a year after they join?
10. What do you see as your firm's biggest challenge in the future?

Practice Acquisition

1. Am I able to acquire practices of advisors selling their business?

2. What financing options are available for practice acquisitions?

3. Are there any special programs or incentives to add more advisors to my team?

4. Do you help create the agreements or provide templates to use for acquiring practices?

5. How many external practice acquisitions did your firm complete last year?

6. How may internal acquisitions did the firm facilitate last year?

7. What, if any, restrictions are put in place on my practice if I acquire a practice internally?

Questions to ask yourself?

1. What aspects of an offer are most appealing to you? Highest upfront possible? Most back end bonus opportunity?

2. How are you currently marketing your business?

3. Is there any type of marketing you're doing that you want to be sure can still be done at a different firm?

4. Are you using any professional marketing services or systems for your practice?

5. What are your thoughts on having a strong company brand to stand alongside your local branding?

6. What marketing are you hoping to do in the future that isn't possible today?

7. How does your current firm charge fees for using their products?

8. What will your top clients think about this change and how will it benefit them?