ADVISOR EMPOWERMENT

Getting to Independent

A Guide for Launching or Growing Your Own Investment Advisory Practice

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CFA, CFP®, CLU®, ChFC, MSFS, CVA, ABAR, CM&AA, CCIM

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A Guide for Launching or Growing Your Own Investment Advisory Practice

Dedication

This book is dedicated to my Lord and Savior, Jesus Christ, my loving wife, Molly, my precious princess, Madison, my amazing son, Andrew, my Church, my mother, Anne Maas, and in loving memory of my father, Henry Maas.

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Synergy's valued clients, who inspire us to keep moving forward and provide meaning to our work.

Synergy Asset Management's RIAs and IARs ... You have made the Dream, for all of us, come true. Thank you!

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3. **Maximize your productivity, minimize your stress.**
4. **Streamline your efficiency.**
5. **Regain your time.**

Your New Secret Weapon -

The Power of SAAM™

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Preface

Why We Wrote This Book

This book is a how-to guide that shows you how to build your business as an independent Registered Investment Advisor (RIA) and or how to build your practice as an IAR within an RIA. Our intention is not to provide legal, tax or compliance advice; we will provide that information at a later date should you decide to align with us. Rather, this simple and unique guide is designed specifically for you if you are (1) thinking about making the transition into your own independent financial practice; or (2) you already have an advisory firm and are eager to improve your company's efficiency so you can expand your clientele and services, and increase your revenue; (3) are looking to build your career as an IAR. Whichever situation is true for you, this guide will clearly show you how to make a successful transition so you have more business success, prominence, personal wealth, and the professional joy that comes with serving your clients well.

Synergy has been providing expert counsel to entrepreneurs for over 20 years, and we've heard a variety of reasons why businesses are started. Some are for the money, some are for the challenge, and others are for the dream of successfully working for yourself.

The problem is that many entrepreneurs start their businesses without ever really understanding what they want from their business in the long-term. We believe the true definition of a business is one in which the owner can walk away for six months, sit on a beach in Maui, and continue to benefit from a thriving business. With this definition there is real value – an asset that has true market value and which can be sold, and sold at a good price, because it operates without requiring the owner's presence. The cash flow continues even with the owner's absence, and this cash flow drives value.

It's not going to happen overnight. There is always a lot of hard work in building your own business, but you are far more likely to achieve your goal when you start with a clear idea of what you want to achieve and have a plan to get there. This book provides the plan that will steer you through the obstacles and help you realize your dream.

Synergy Asset Management was founded by Joe Maas, a financial advisor in the financial services industry for over 30 years. Joe possesses nine industry certifications and has helped hundreds of clients accumulate and retain their wealth through a collection of innovative investment portfolios.

Joe has lived what he is preaching, starting out with making cold calls as a financial services salesman, to transitioning from sales to financial planner to owning his own business and eventually developing and growing his business into a successful company. Joe has done it all, and he knows you can do it, too.

In Joe's words: "I started out as a sales guy selling insurance by making 1,000 cold calls a week. Eventually, I sold enough insurance to become the sales manager. The more I learned and the more clients I brought in, the more I realized we didn't offer what many people needed. They needed more sophisticated insurance products, financial planning with a greater scope, and better investment management. I transitioned to co-founding an independent introducing broker/dealer.

However, just getting bigger and bigger wasn't the future I wanted. In 2001 I went back into private practice, and I founded Synergy Asset Management as a private wealth management RIA firm offering focused personal service to private clients. Over the last two decades Synergy has evolved and became Synergy Asset Management, offering comprehensive and integrated investment management services for high-net-worth investors, business owners and financial advisors."

You and Synergy Asset Management are the key to each other's financial success. We provide a wide variety of services to

independent RIAs and partner RIAs who value the proven experience and expertise of our guidance. We also relieve you of time-consuming and complex tasks so you can have the extra time you need to acquire new clients and increase the value of your business.

We accomplish this by empowering independent RIAs with our SAAM™ program. Our Strategically Aligned Asset Management program helps immensely by making your daily professional experience easier, lighter, more enjoyable … and more profitable.

By outsourcing unwanted tasks and responsibilities to Synergy, the RIAs who work with us have more time to do what they most enjoy, expediting their path to success financially, professionally and personally.

The SAAM™ program focuses on three essential pillars:

Pillar 1. We provide active and dynamic investment management; in addition to our array of portfolios built for all market conditions, we also provide custom portfolios for high-net-worth clients with specialized goals, offering you another level of service.

Pillar 2. We help you attract new clients while improving the retention rate of your current clients so you continually increase the value of your business.

Pillar 3. We work with you to grow your practice with our wide variety of practice management services that ease the burden and expense of time-consuming and repetitive tasks.

Our hope is that we can provide the SAAM™ program's many outsourcing services to your company so you can expand as rapidly and comfortably as you desire.

The comprehensive 360° financial industry experience we're offering you now through the SAAM™ program is the core of

this truly amazing break-through book. We hope you enjoy reading this material and discover how we can align for our mutual benefit … because the future is bright.

Let's get there together!

Introduction

How This Book Will Change Your Life

This introduction provides important insights about how Synergy's unique new program, the Strategically Aligned Asset Manager, or SAAM™, can catapult your career in the financial services industry to new levels of efficiency, healthy time management, marketing and sales production, and more time for you and your family.

This is a tall promise, but one we know we can deliver because of our experience and the many registered investment advisors who are pleased and grateful for the support they are receiving from Synergy. We believe you'll find this information valuable, inspiring, and perhaps the precise pathway you've been seeking to improve your professional work life. Let's give it a spin and see what you think.

Our #1 Goal

Everything we do at Synergy Asset Management is to help you grow your business. We want you to have more time to do the professional activities you want to do, and not get stuck and tied down doing the important and necessary activities you don't like.

If you're feeling like a racehorse pulling a plow, we have an answer for that. If you want more time to build your client relationships and improve the client experience, we can make that happen. If the idea of spending more time with your family is important to you, we can help you improve your lifestyle. Is having more clients and a larger bottom line one of your goals? We can also help you achieve this as well.

How do we do all this? First, I want to tell you something about our history and how we got to where we are today so you can understand why we're so confident about what we can do for you.

Our History ... in Two Minutes

We'd like you to meet Joe Maas, our founder and CEO. Joe started his career in the financial services industry about 30 years ago as an insurance agent for John Hancock. With his success in sales, he quickly became an agency sales manager, and recruited, trained, and hired financial advisors to sell insurance products, mutual funds, stocks, annuities, and long-term care.

Transitioning from John Hancock, Joe started a broker dealer branch that served stockbrokers, insurance professionals, and financial planners. Joe and his support team did everything for these associates including trading, billing, reporting, management ... everything and anything that was needed to support the effectiveness and efficiency of these traders and representatives. Additionally, Joe was responsibility for the compliance department, so he also refined his knowledge and skills in this category.

After several years, Joe decided to return to private practice, establishing three firms. One was an SEC registered investment advisory firm that provided fiduciary services for clients needing investment advice and services. The second firm was a formal business valuation and consulting company to assist clients with the valuation, growth, and sale of their businesses, and also managed the owner's post-entrepreneurial life to assure a comfortable lifestyle or employ the proceeds to invest in a new business opportunity. The third company was a mergers and acquisition commercial real estate firm that helped clients buy and sell private companies and real estate. Joe's companies excelled in these areas and were best suited to serve the lower-middle market business owner of between $2 million and $50 million in sales.

Joe's companies thrived and it wasn't long before Joe's former associates asked Joe to start managing their clients' investment money for them. Joe's client portfolios were doing noticeably well, and his former associates wanted to outsource

the investment management portion of their business to Joe's company because investment management is time-consuming and complicated, on top of being the most visible and most important item clients care the most about.

As Joe tells the story, he was very flattered but said, "No, thank you" because his practice was going well and life was good. However, his associates did not give up and they kept after him until finally Joe acquiesced. "Don't shoot! I'll do it! I'll do it!"

One thing was certain, though; when Joe decided to come back and help advisors, he promised it would not be as another off-the-shelf money manager. Joe wanted his new company, Synergy Asset Management (www.synergy-am.com) to be unique, especially in one very important way.

It's clear there are a lot of smart people in the industry, and we're sure you're a witness to the variety of intelligent advisors working in the mainstream, or who are experts with attractive specialties. Joe is one of them; he has a great pedigree. Joe has nine industry credentials and 30 years of experience. He is also the author of five industry-related books about investing, 401(k) s, real estate, exit planning, and insurance.

What Joe decided to do was deliver a model that would truly help advisors grow their practice, a service lacking in the industry. After a lot of thought and discussion, Joe decided to create SAAM™, the Strategically Aligned Asset Management program.

Being Superman

Financial advisors can't do it all. There are just too many wheels, belts, pistons, and valves to owning and supervising a high-level financial advisory practice and still have and enjoy a decent lifestyle. Most financial advisors spend 50 or 60 hours a week trying to build relationships with their current clients, responding to client needs, and acquiring new clients.

Running on this kind of treadmill, it's very difficult for advisors to maintain any type of institutional fiduciary asset management program. There's just too much going on!

This is where the SAAM™ program enters the picture, helping you unclutter and focus on the important parts of your business. Joe's approach was to establish a new framework that offered institutional and independent fiduciary services, integrating financial planning and investment management that benefits your clients and saves you the time this gigantic task would otherwise consume, giving you the opportunity to interact more wholesomely with the clients you have, as well as providing you with the time to develop new relationships with prospects who become your clients.

This is the most important way SAAM™ serves your best interests ... giving you the opportunity to maintain strong client relationships and expand your client base so your business grows in value ... along with your own personal wealth.

The SAAM™ model has two elements. The first part is that you, as the financial advisor, act as your clients' chief wealth officer; your clients remain your clients, and you continue as the main client facing advisor.

Behind the scenes, Synergy serves you and your clients as the chief investment officer, managing all the trades, doing all the reporting, conducting all the research, and delivering portfolio management. The SAAM™ model is composed of vast integrated resources that create a unique fiduciary approach to wealth management.

Who Do We Serve?

We're glad you asked. The SAAM™ model is a good solution for two types of advisors. Here is an overview:

1. SAAM™ is exactly right for the independent advisor who either owns or wants to own their own business, enjoying the prestige and profits of being a business owner. This advisor can hire other IARs to work in their company as the business grows.

2. The SAAM™ model is also good for the advisor who wants to partner with one of Synergy's RIAs. Synergy will refer you to one of the trusted RIA advisors in our network.

Which of these two choices is most appealing to you?

The 4 Phases of Professional Advancement

At Synergy, we see professional development in the financial services industry in four distinct phases:

1. The first phase is when an individual begins their career by selling a financial product. Some people start by selling insurance, others sell stocks, and some sell bank accounts, but usually everyone starts as a salesperson.

2. In the second phase, some of these salespeople decide to become fiduciaries and acquire their Series 65. Now they can provide fiduciary advice.

3. In the third phase, some of these fiduciaries decide to start and manage their own financial advisory business, so they get a website, hire an assistant, acquire an office and hang out a shingle; they're now running a small business.

4. The fourth phase is when these businesses decide to transform into companies. Now the business owner is a CEO and is no longer a financial advisor or a financial technician because the CEO must supervise his or her firm. The company has 20-30 people on staff, there may be three or four junior advisors, there's a compliance department, a marketing department, an IT department … this is a real company.

But maybe you like the idea of staying a salesperson because you enjoy working with clients and signing-up new ones; if so, the SAAM™ model can help you. If you want to be a business owner, the SAAM™ model can also help you do this. If you want to become a company, the SAAM™ model can help you here, too.

Synergy Asset Management and the SAAM™ program can help you pave the professional path you desire, whether it's for growing your client base, growing your business, advancing your career, or whatever it is you choose to do. Wherever you are now, we will meet you there and help you get to the next level.

With the SAAM™ program, your clients will have two fiduciaries sharing the workload. You remain the chief wealth officer, working with your clients, helping them with their goals and financial plan. Synergy takes the role of chief investment officer, implementing the investment policy statement you establish with your clients. With Synergy, you no longer have to go to a TAMP who then goes to a money manager who invests your clients' money in mutual funds. With Synergy, you directly touch the source; you're connecting with and speaking with the chief investment advisor, not some go-between at a large investment corporation.

Now you have direct exposure to the "manufacturer"; having fewer middlemen, there are also fewer fees, and this means higher returns for your clients, which translates into higher client satisfaction with you and your firm, and this also increases client retention.

The SAAM™ model helps you invest more time with your clients. You can unclutter your desk and reduce your busy work schedule, using the time you gain to focus on your clients ... and your family.

The SAAM™ Model's 3 Primary Services

Synergy's three primary SAAM™ services:

1. We manage your money. As a separate account portfolio manager, we do all the analysis, trading, reporting and billing for you.

2. We help you attract clients. We want you to have more clients because then you are more successful, and so is Synergy. We are very willing to spend time helping you attract clients and give the support you and your practice needs.

3. We help you grow your practice. Synergy has decades of experience with increasing the value of businesses through its M&A background, assuring owners of a positive succession, and building your firm's resources and marketable value for a comfortable lifestyle after the sale. Our mission is to help you build more sustainable transferable value that will result in a higher after-tax gain, should you ever decide to sell your practice.

These are just a few of the benefits of working with the SAAM™ program; As you get to know SAAM™ by reading this book, you'll discover even more benefits that are just right for you.

The Client Onboarding Process

One of the important things to keep in mind is that if a client goes to our website, they won't see us competing with you. Our client-facing profile is as an asset management firm, and frankly, we avoid taking on direct retail clients because they don't fit our #1 purpose.

The first step when a client contacts us is to match that client with one of our advisors. We won't take them on directly, but will deliver them to you so they become your client, not ours. The second step is yours, which is to begin working with your new client and discovering their investment objectives. In

the third step, Synergy's chief investment officer or portfolio managers will help you with portfolio design, strategy selection, and IPS creation using our 22+ portfolios or two hedge fund portfolios.

The SAAM™ model comes into play for individuals as the Strategically Aligned Asset Manager in which we partner with you, the advisor, to deliver portfolio management by making investments for your clients based on their lifestyle return benchmarks you recommend for each client.

Many of our RIAs use us as their chief investment officer and or director of advanced planning, restoring the time they need to provide more comprehensive and personal direct client services, attract new clients, and grow their business.

We can also partner with you to provide more benefits for your business, delivering not only portfolio management but also support for your business planning, employee benefits, 401(k)s and pension plans. Our staff has experience and expertise with tax planning, investment strategies, business valuations, and business succession planning.

Remember, our #1 goal is to grow your practice, and when you align with Synergy, we can extend these services to your clients. Think of us as an extension of your own firm. The great news is that now your firm can provide all these advanced business planning services to your clients, greatly increasing your services and your market appeal.

SAAM™ Solution #1: We Manage Your Money

Synergy Asset Management is a dynamic global asset manager. When we call ourselves dynamic, this means we are constantly active with our analyses, our calculations, and our decision-making. We do not relax our inquiries or blindly follow the advice of other analysts; we have our own analysts and our own methodology. We're not constrained to Morningstar boxes.

We analyze and identify the best potential for returns and loss prevention, and we make our decision and commit to a trade only when we are as certain as possible that we have a good investment opportunity for our clients. We do not set-and-forget because the markets are also dynamic; this is why we constantly observe, analyze, consider, and decide.

We deploy our processes and construct 22+ portfolios and the two hedge funds built for all market conditions. As your independent money manager, our responsibility is to provide professionally managed portfolios, institutional trading, reporting, billing, communicating, and continuing education for our RIAs. We're your research department and we provide the best execution with overlay management. As a Strategically Aligned Asset Manager, we are your partner.

Of course, we have extensive research capabilities and trading partners; we have access to the largest and most respected global asset management firms research and counterparty services. Though we use the services of these large institutional research and trading providers, we avoid the big-name bias of blind execution and herd mentality. If we were a captive stockbroker at the large institutions, our portfolio construction would largely rely on Monday morning management meeting where we would be given a list of the 10 stocks the company wants us to push, and we would be selling you those stocks.

We don't have those biases. We have our own independent team of CFAs and engineers analyzing the markets on a daily basis. The benefit to you is that you have direct access to these people, access that you currently don't have in your current practice. We bring heavy lifting to the table as your institutional SAAM™ partner.

Our value proposition for active portfolio management is that we believe we're building robust, prudent, and purposeful portfolios by blending quantitative methods, rules-based technical analysis, multifactor models, regression analysis, chart analysis, and other technical techniques. We also conduct

fundamental analysis using bottom-up and top-down research, and we're also willing to be passive when necessary.

We use dynamic modern portfolio theory, advanced risk models, and traditional asset allocation when appropriate. We are not an either/or organization, but rather we employ a both/and philosophy. We are inclusive, not exclusive because we believe the truth lies in the middle. We're always looking for the preponderance of evidence, and that's why we don't rely on only fundamental or technical or asset allocation strategies or models. We are neither only passive nor only active because we look at the evidence and then we allocate capital appropriately.

We have 22+ core portfolios. 15 of these portfolios are asset allocation strategies; we have individual bond strategies; and we have six individual stock portfolios. The stock portfolios are a focused dividend portfolio, a focused growth portfolio, a focused blend, focused value, a Christian-Judeo faith-based portfolio, and a portfolio for environmental social governance (ESG). You can read more about all these portfolios on our website, https://advisorempowerment.com/portfolios/

The 15 asset allocation strategies are organized into three sets of five portfolios each, and each set ranges from conservative to aggressive. We've titled these three sets of portfolios as follows, based on their intended performance: Tugboats, Speedboats, and Sailboats.

The Tugboats are risk-based management portfolios, designed for investors who are interested in gains but are more committed to wealth preservation. The Speedboats are a more traditional asset allocation model, intended for investors who favor more efficient allocation to return and risk. Our Sailboats are 100% tactical allocation, responding to the ebb and flow of the markets, seizing opportunities and protecting wealth depending on which way the wind is blowing.

As mentioned, we have individual global bond portfolios composed of individual bonds. These portfolios can include

bonds from anywhere on the globe, and it includes government bonds, mortgages, international emerging markets' bonds, US corporate bonds ... whatever our analysts believe will provide good returns with safety. We believe individual bonds are much safer than bond mutuals because we can control the risk; we can hold the bonds to maturity and know what the return is estimated to be. There is always the risk of default, but we believe our bond portfolio is a smarter way to invest in bonds.

Our six individual alternative strategies are referred to as "satellites". That's because we employ them in ways that augment our clients' wealth development and preservation, using them as an additional tactic in support of our clients' core portfolio investments. We have a liquid real estate portfolio, and a liquid focused metals portfolio, two hedge funds, a variety of private real estate opportunities, and we build custom structured notes created by going directly to the issuing parties and cutting out the middleman, saving your clients' cost for unnecessary fees.

This brief description gives you a broad overview of our portfolio universe, with more details available on our website. Moreover, as your outsourced chief investment officer (OCIO), we can custom build multimanager portfolios, or any other strategy you may need to navigate and negotiate the markets' moods.

SAAM™ Solution #2: We Help You Attract New Clients

Increasing your client base is essential for adding value to your business and improving your personal lifestyle. Synergy has developed a unique SAAM™ marketing program to help you attract and convert your prospects into clients. We have developed a unique 5-step marketing curriculum to win clients and expand your influence in the marketplace.

Step #1: We write a 140-page book for you. Being a published author is obviously a fantastic way to build credibility for you and your practice. Your book focuses on you and your financial advisory services so prospects understand the value and service

you represent. Synergy has a writing and publishing team dedicated to quickly producing your book through several interviews and with your final approval.

Step #2: We also write a simple workbook based on your book. We recommend you use this workbook when giving online or in-person workshops because it is an excellent way to engage your audience as you present the key elements of your professional service and value. Leading our writing and publishing team is a Doctor of Education and professional instructional educator who ensures that your workbook is an insightful curricular activity for your audience, and that it's effective with emphasizing the many benefits of becoming your client.

Step #3: Our team will also create a professionally developed PowerPoint presentation you can use online or at in-person events. Having a book about your practice, a workbook you can employ with your audience, and a professional presentation gives you the marketing tools you need to stand out, communicate, convey your value, and secure new business.

Step #4: You receive a high-level whitepaper about you and your firm that acts as an impressive brochure, and also serves as a leave-behind piece when meeting with prospects.

Step #5: The final step is creating an attractive click-funnel website you can use when marketing, helping you secure leads who become prospects who become clients who add value to your business and increase your ability to broaden you and your family's lifestyle.

These are the five steps of our marketing curriculum. As you can see, it's much different than other marketing strategies because it offers a lot more quality than merely giving you a brochure or a PowerPoint, or some other disconnected marketing collateral.

Of course, we also provide you with additional materials like monthly, quarterly, and annual market reports and videos. We have a number of whitepapers in our archives you can

use when presenting to your prospects and clients. We also have investment policy statement software to help you communicate important information clearly to your clients, and an online performance reporting system. In addition, we have management consulting, evaluation services, and continued education materials all designed to help you market, attract and retain your clients, and develop centers of influence.

We want you to stand out from the crowd and we believe our 5-step marketing curriculum and all our programs and materials are direct and purposeful, and thoughtfully designed to help you with ... SAAM™ Solution #3.

SAAM™ Solution #3: We Help You Grow Your Practice

Whether you're working for a financial services conglomerate and want to become an independent RIA, or you are a business owner with your own advisory firm, we will help you wherever you are along the spectrum of where you are now and where you want to be. If you're not independent and want to be, we can help you transition into your own business. If you're a sales guy and want to become a fiduciary, or are a fiduciary and want to become a business, we can help you. If you already own your firm and want to develop your practice, we can help you grow it. It simply doesn't matter where you and your career are; we can absolutely help you get to the next step.

Think of us as your business coach, or experienced team member. Once we understand your goals and prioritize them, we act like your financial planner. We review your current situation with our Practice Protection Planning Process, which has three steps. The first step is the practice assessment. This is where we perform an assessment and valuation on your practice, or your circumstances, to get a complete understanding of your current situation.

In the second step we select one or several priority tasks that will result in improved efficiency and effectiveness; as an example, we might decide to upgrade your money management

component. Perhaps we help you set-up a buy-sell agreement, or a marketing funnel. Whatever the priorities are, we get into the engine and change the oil, replace the spark plugs, clean the valves, and do whatever is needed to get your firm's engine running smoother.

The third step is practice transition. Based on your interests, maybe we'll be selling your company for you, or maybe you need us to help you merge with another company. Maybe you need our help to bring on a junior partner. Perhaps you want to add an insurance line or other new service to the products and services you offer, or maybe you want to switch an important element of your operations in some significant way. We can help you develop a well-documented robust succession plan. You may want us to help you transition to new performance levels based on best practices which are precisely correct for you as determined by our thorough assessment program; and we can help you sustain and grow your practice to your desired level. The end result is a clear process that understands and incorporates your goals, develops appropriate recommendations and then helps you achieve them.

Significant Value for You with SAAM™

The Synergy SAAM™ program offers you asset management, helps you attract new clients, and provides the support you need to grow your practice. We believe we have the solutions you'll need to accelerate your career and professional life while also expanding your personal wealth and the well-being of your family. We hope you're inspired by this book and discover the opportunities and treasures we invite you to use!

Chapter 1

There Has Never Been a Better Time Than Now To Go Independent

Chapter 1 Objectives

You will:

1. Learn why now is the best time to become an independent Registered Investment Advisor (RIA) or Investment Advisor Representative (IAR).
2. Know the six attributes you'll need for acquiring new clients.
3. Become familiar with the benefits and detriments of being an independent investment advisor.
4. Appreciate how the investment advisory industry is changing.
5. Understand the challenges the financial industry is facing.
6. Begin to understand whether you are well-suited to be an RIA or IAR.

* * * * * *

In 2018, U.S. News & World Report ranked the profession of Registered Investment Advisor as the eighth-best job in the U.S. In the last two years, the industry has become even more attractive and rewarding.

This is one of the few industries in which you can succeed as a solo practitioner, or build a major business managing billions of dollars in assets. You have the choice!

Technology has transformed the industry over the last quarter century from one centered around Wall Street to a now truly global business. Investment vehicles have proliferated; technology has dramatically reduced costs to invest and manage assets; research and educational resources have exploded; video conferencing has transformed client outreach, and the need for investment management and financial consulting is greater than ever. Similarly, the benefits of being in this industry have also grown significantly.

The coronavirus pandemic of 2020 provided additional impetus to become an independent investment advisor. While financial uncertainty put many careers on hold, it pushed other individuals into striking out on their own. Covid-19 created the immediate acceptance of virtual communications, making advisors and their clients more comfortable with online meetings. Financial industry employees, suddenly finding themselves working from home, discovered how easy it was to cut the ties to office and corporate restrictions, accelerating the transition of financial professionals to the welcome surprise of newfound independence. This independence can now become a feature of your professional life.

The goal of this book is to show you how to make a successful transition to independence. The process begins with understanding that our niche is largely a sales profession, but with a very important difference – you are a fiduciary to your clients. One of the most disturbing sales training programs we attended referred to clients as “buying units”. That doesn’t work in the investment advisory industry. You are legally held to the standard of a fiduciary and expected to put the interests

of your clients ahead of those of your firm, your employees, and yourself. You need to be genuinely committed to helping people create financial security. Your clients must always come first.

This is one of the most special and important elements of our profession and this industry … we have the ability and the responsibility to guide people toward financial health, a role that impacts lives for generations! We become the conduit for financial well-being that shapes lives, provides the amazing gifts of lifestyle security, education, retirement, estate preservation, charitable support … the list is lengthy, and each item on this list helps real people, creates the opportunity for personal and community development, and expands our influence through the lives of our clients.

We advocate that becoming an independent RIA and/or IAR, and being supported by an outsourcing expert like Synergy, helps you serve your clients better, allows you to grow your business faster, and will deliver an affluence and level of personal and professional self-respect rewarding you and your family for the rest of your lives.

Growing a registered investment advisory business can provide many of the conventional milestones with which society measures a person: income, wealth, identity, pride of ownership, and the ultimate American dream - Success!

But first, you need to acquire new clients and or maintain and preserve your current clients. This means you need:

- An aptitude for sales and marketing.
- Attention to detail.
- The ability to build strong client relationships.

- Being comfortable with numbers and analyzing data.
- Possess the ability to communicate with a wide range of people.
- A knack for simplifying complex ideas.

To build your business you will have to network and reach out to strangers, actively promoting your firm and its services. You will propose and make decisions that will impact the future financial security of your clients. As part of growing your business, you will hire and train employees and, if you find you have the wrong person representing your firm, you will need to make personnel changes that can be difficult.

You will negotiate service contracts and work with federal and state regulators when they audit your business practices. The responsibility for the success of your firm ultimately rests on your shoulders. The list of required activities in a variety of categories is lengthy, and completing this work professionally and on time can become overwhelming.

If you have worked in the financial industry for a few years as a broker/dealer registered representative, an insurance agent, or as an employee of a registered investment advisory firm, you are going to find there is a big difference between selling a product under the aegis of another company, and selling your own services through your own business. Now you need to become a leader, not just a salesperson.

When you successfully make the cultural adjustment to leadership, there are suddenly a great many compelling opportunities for building a business that provides professional and personal satisfaction as well as substantial financial rewards. Being a leader means knowing which tasks you and

your staff should do, and which ones distract you and your resources from proceeding as directly as possible to the success you wish to have. Imagine not having to do everything yourself. Imagine no longer being a race horse pulling a plow. Imagine being an unfettered eagle roaming the sky, seeking opportunities that will benefit you, your family, and your clients.

The Benefits of Independence

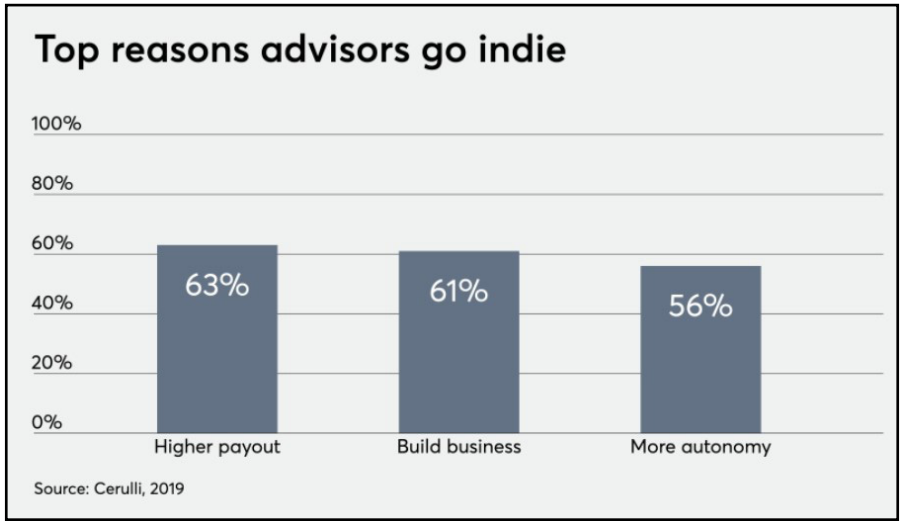

Figure 1: The Top 3 Reasons Advisors Go Independent.

As an independent investment advisor, you "own" your client relationships and the revenue they produce for you. You also own the responsibilities and costs of providing investment advice and management, but you can now shape how you provide your services and the associated economics of doing so. You control your fee structure, business expenses and overhead, your investment approach, investment options, and the types of clients you choose to solicit. You control how you get paid and your profitability.

You also have access to an essential factor of business success; you can now choose to outsource all the tasks you don't want to

do by utilizing the expertise of strategic partners like Synergy who can more efficiently and cost effectively support your operations in a wide range of business aspects, saving valuable time and money so you only do the financial advisor work you choose to do, you love to do. Life's too short to get bogged down doing tasks you either don't like or spend time learning the skills to perform at the required performance level.

Do it yourself … or outsource. Now you can choose what's best for you.

The Need for Financial and Investment Advice

Some Important Facts to Know

The RIA and hybrid RIA categories are now the fastest growing segment of the financial services industry, with year-over-year increases in excess of 3%. This impressive growth contrasts with the erosion that's visible with the declining number of national, regional, independent and insurance broker-dealers.

According to a joint study by the Investment Adviser Association and National Regulatory Services, in 2019 there were nearly 13,000 investment advisors registered with the Securities and Exchange Commission (SEC), representing roughly 43 million advisory clients. Along with the increase in the number of RIAs has also come a substantial growth in assets under management (AUM), more than quadrupling over the 18 years from 2001 through 2018.

Greater investor uncertainty from the economic impacts of the 2020 coronavirus pandemic and global geopolitical tensions, combined with a growing number of Americans in or nearing retirement age, is expected to drive greater need for professional financial advice over the next quarter century. The trend for

more financial advisors is steadily increasing. You're a part of a growing industry!

In addition to all these compelling metrics that are constantly creating increased opportunities for new RIA firms is the prospect that many existing investment advisors will be retiring over the next 10 years. The average age of financial advisors in the RIA, broker-dealer, and insurance industry is now in the mid-50s. Only among banks, boutique investment firms, and discount brokers does the average age fall below 50. Clearly, this means there is an obvious need for many more financial advisors in the near-term. This also means that the field is opening, providing you with more opportunity.

The explosion of technological resources newly available to the advisory industry has seen tremendous expansion, and this has contributed to the ability of small firms to build prosperous practices. Surprisingly, unlike many other industries, financial planning and advice is dominated by small firms. In 2019, IBISWorld estimated that an astounding 80.1% of industry operators were sole proprietors. The majority of employer firms had only between four and five additional employees in 2019.[1] The report credits the success of these firms with having the ability to build a loyal customer base, establishing a good reputation in their target markets, accessing market research, and being knowledgeable about the financial markets. A diverse range of clients protects these small firms from revenue volatility.

There are, of course, challenges in the industry. The economic and social impact of coronavirus will be with the markets for

[1] IBISWorld Industry Report 52393, Financial Planning & Advice in the US, November 2019; Anthony Gambardella, Pg. 18.

some time. Many industries have been badly damaged and market forecasters are anticipating below average returns in the years ahead.

Another challenge is fee-compression, which is very much a reality. The emergence of robo-advisors is viewed by many old-time advisors as a key reason for this phenomenon, but I think we will find this technology will also be one of the biggest drivers of new investment funds in the future. Robo-advisors are enabling many lower and middle-income households to invest in the financial markets through risk-controlled portfolios at minimal cost.

There are some good programs and talented managers backing-up the robo-strategies that will likely serve these individuals far better than if they invested on their own. It's also recognized that the more financial assets a person accumulates, the more they seek other opportunities to diversify and profit.

You won't see many high-net-worth and ultra-high-net-worth individuals using robo-advisors. Their financial needs often eclipse what the robos can provide, and this is where personalized investment advice, and access to focused investment advice, takes over. The future for registered investment advisors is bright!

Final Thoughts

Success as an RIA or IAR will always be determined by your willingness to change and adapt to new ideas, new technologies and better ways of doing business. If the rate of change inside your firm is not equal to the rate of change outside your firm, you are going out of business.

The RIA industry has always been relational. Workshops, in-person classes and dinner seminars have regularly been some of our most effective marketing tools. Though the current global upheaval has changed this format for the near-term as the whole world has become more comfortable doing business online, people enjoy meeting with each other and this effective style of doing business will return.

Before Covid-19, many advisors were worried about being driven out of business by robos, but we had already been moving in the direction of less personal relationships for decades. A personal advisor is not needed by everyone; many people are served well by robos, and the advisor who doesn't offer value will be replaced by the robos. All the new structural changes we're seeing–lower fees, new platforms, online seminars– make this business more challenging, but we will thrive when we embrace new ideas and make changes that adapt to the changing world. Nothing ever stays the same, and neither should we.

Top advisors were already moving toward procuring and servicing clients online using click funnels through online and national platforms. At Synergy, we are always looking for ways we can adapt appropriately to generate more referrals and more high-quality leads. It's imperative that we remember we are not "sales guys" anymore.

These days, a cold call isn't diving into a pitch, it's having a conversation. 90% of the time an advisor spends on a call with a client or prospective client, they should be listening, relating, and building trust. Establishing a strong relationship now comes first.

We must all evolve professionally and personally, and as a business owner, you must be excited about what you do and must learn to eagerly adapt to the unrelenting drive of change.

If you're not willing to prune what's no longer necessary so you can improve your business and up your game in every way possible, you may be limiting yourself from achieving the level of success you want.

There is no question about success being available because the evidence is clear. The real issue is how you can position yourself in this lucrative industry and acquire the success that comes from working smart.

Becoming an independent RIA or IAR offers you new opportunities for professional and career advancement because as a business owner, you can set your own financial goals, ones that benefit you and your family with added income and a better lifestyle. Synergy's SAAM™ program will smooth your transition from corporate employee to independent status, and help you become established as a business owner.

Our support continues with the wide variety of outsource services we provide, helping you stay focused on your client relationships and growing your business. We help you by providing strategies and materials that attract new clients as you steadily build your practice.

If you are already an independent RIA or IAR, we invite you to consider the many benefits of our SAAM™ program because aside from your skills and talents as an RIA, your most precious resource is your time. We help you regain your time through outsourcing the tasks that detract from your key goals … which are building client relationships and growing your business.

Our team at Synergy represents an irresistible opportunity … letting you work hard at what you like while leaving everything else (everything!) to us. Synergy Asset Management, LLC's commitment to providing independent, fiduciary, institutional,

asset management services starts with our team members. Our most valuable asset is the skills, experience, and personal dedication of every Synergy team member to each client. Our team comes from a variety of educational backgrounds and professional experience, which they utilize to accomplish our clients' professional vision.

Chapter 1, Lessons Learned

1. The convergence of the increased reliance on virtual meetings, technological advances, and the anticipated retirement of many financial advisors makes this an opportune time to become an RIA or an IAR.

2. Having the temperament to reach out to strangers and actively promote your company and its services is a prescription for success in this industry.

3. There is a big difference between being an employee of a registered investment advisory firm and becoming a business owner promoting your own services.

4. There are advantages and disadvantages to becoming independent; only you can decide if becoming independent is the right path for you.

5. A benefit of becoming an independent RIA is that you can now outsource many of the tasks you don't want to do to a full-service provider like Synergy Asset Management.

6. There is a strong demand for advisory services, and new opportunities appear to be growing steadily.

7. Synergy's SAAM™ program could be a great choice for you, restoring your professional time for a more dedicated focus on growing your business.

Chapter 2

The Investment Advisory Industry

Chapter 2 Objectives

You will:

1. Be introduced to the legal and professional qualifications needed to become an RIA.
2. Learn what it means to be a "fiduciary".
3. Learn some interesting facts about the typical SEC-registered investment advisor.

* * * * * *

The Registered Investment Adviser (RIA) industry was established with the Investment Advisers Act of 1940 and defined an RIA as a "person or firm that, for compensation, is engaged in the act of providing advice, making recommendations, issuing reports, or furnishing analyses on securities, either directly or through publications."

You will find the word "advisor/adviser" spelled with an "or" and an "er". There is no difference between the words. The SEC uses "adviser" in its communications; many individuals consider "advisor" with an "or" more professional, conveying the sense of "counselor".

In this book, we use the word "advisor" with the exception of referring directly to SEC actions. You may use whichever spelling you prefer.

While an individual can be registered as an RIA, the term RIA commonly refers to a firm that is registered with the Securities and Exchange Commission (SEC) or a state's securities administrator. An individual who works for an RIA and provides investment-related advice is an Investment Advisor Representative (IAR or IA, as in the Series 65 exam). IARs are limited in the advice they can provide based on the licenses they hold.

Legal and Professional Qualifications

To become an RIA or IAR, individuals must meet the legal and professional qualifications set forth by the state(s) in which they are seeking registration:

- Demonstrate knowledge required for the position of investment advisor through:

    1. Passing the Series 65 (Uniform Investment Advisor Law) exam on federal securities laws and other topics related to investment advice.

    2. In lieu of the Series 65, most states permit IARs to complete the Series 7 General Securities Representative Qualification Exam (requires broker-dealer sponsorship) in conjunction with the Series 66 Uniform Combined State Law Exam.

    3. Or meet state requirements for investment knowledge.

The Series 65, 7 and Series 66 Exams are administered by the Financial Industry Regulatory Authority (FINRA), a self-regulating, private organization that writes and enforces the rules governing registered brokers and broker-dealer firms in the United States. Unlike most securities-related exams administered by FINRA, however, Series 65 test-takers are not required to be sponsored by a broker-dealer.

Some states will allow advisors who carry the following designations in good standing to waive exam requirements. These designations include: Certified Financial Planner® (CFP®), Chartered Financial Analyst (CFA), Chartered Investment Counselor (CIC), Chartered Financial Consultant (ChFC).

- Register with the SEC or state securities authorities depending on the amount of money the RIA manages on behalf of their clients. Firms or individuals who manage more than $110 million in assets are required to file with the SEC. Firms with assets between $100 million and $110 million have the option to register with either their state(s) or the SEC. If an SEC-registered firm falls below $90 million in assets under management, they lose their SEC registration and must register with their state(s). Those with a smaller asset base generally must register with their respective states.

  Exceptions to state registration include:

  1. Investment advisors with their principal office and place of business in New York will generally register with the SEC if they have $25 million or greater assets under management.

2. Advisors to investment companies registered under the Investment Company Act of 1940 must register with the SEC regardless of assets under management.

3. Pension consultants with a minimum of $200 million in assets under advisement may register with the SEC.

4. Advisors required to be registered in 15 or more states as a result of offices in the states or more than the de-minimis number of clients required for state registration will generally be permitted to register with the SEC regardless of assets under management.

5. Internet-only advisors may register with the SEC regardless of assets under management.

A new investment advisory firm that believes it will meet SEC registration eligibility requirements within 120 days of its initial registration date may also file its initial registration statements with the SEC (but must be sure to withdraw from SEC registration and become registered with one or more states, if they fail to qualify for SEC registration within the 120-day period).

All advisers now register with the SEC and the States electronically through the Investment Adviser Registration Depository (IARD), a secure internet-based data system. SEC registered firms are also required to file a notice of SEC registration with each state in which they do business. (Most states do not require registration or notice filing if the advisor does not have a place of business in the state and/or has less than six clients in the state. But check the individual state requirements before deciding you do not need to file.)

Most RIAs register with the SEC or state authorities as a corporation or other legal entity, with each employee acting as an investment advisor representative (IAR). Registration or licensing must be renewed annually.

Registering as an RIA does not denote any form of recommendation or endorsement by the SEC or state securities regulators. It means only that the investment advisor has fulfilled all the requirements for registration.

- **File "Form ADV".** Form ADV is used by investment advisers to register with both the SEC and state securities authorities. Part 1 collects information about the investment adviser's business, ownership, clients, employees, business practices, affiliations, and any disciplinary events of the adviser or its employees. Part II includes a disclosure document that must be distributed to all clients.

    1. Form ADV (Part 1) can be accessed and completed on IARD and submitted electronically through IARD to the SEC. Part II of Form ADV is a narrative disclosure statement that an adviser files through IARD and must use to provide information to clients and potential clients.

    2. The SEC generally has 45 days after receipt of the Form ADV to declare an applicant's registration effective. The process for state-registered advisers varies from state to state and can be influenced by the scope or amount of "deficiencies" identified by the state during the application review process.

    3. **Act in a fiduciary capacity for their clients at all times.** The anti-fraud provisions of the Investment Advisers Act of 1940 and most state laws impose a duty

on investment advisers to act as fiduciaries in dealings with their clients. In the investment industry, a fiduciary is a licensed individual with the legal responsibility to act in the best financial interests of his or her clients.

The SEC maintains that a registered investment adviser has a duty to:

1. Make reasonable investment recommendations independent of outside influences.

2. Select broker-dealers based on their ability to provide the best execution of trades for accounts where the adviser has authority to select the broker-dealer.

3. Make recommendations based on a reasonable inquiry into a client's investment objectives, financial situation, and other factors.

4. Always place client interests ahead of his or her own interests.

The adviser must hold the client's interest above his or her own in all matters. Conflicts of interest should be avoided and/or mitigated to the extent possible. In those instances when a conflict may occur, the adviser must take great pains to describe those conflicts clearly and accurately as well as how the adviser will maintain impartiality in his or her recommendations to the client.

2019's "Typical" SEC-Registered Investment Advisor

As of 2019, there were approximately 13,000 federally registered advisers, and the vast majority were small businesses serving individual clients.

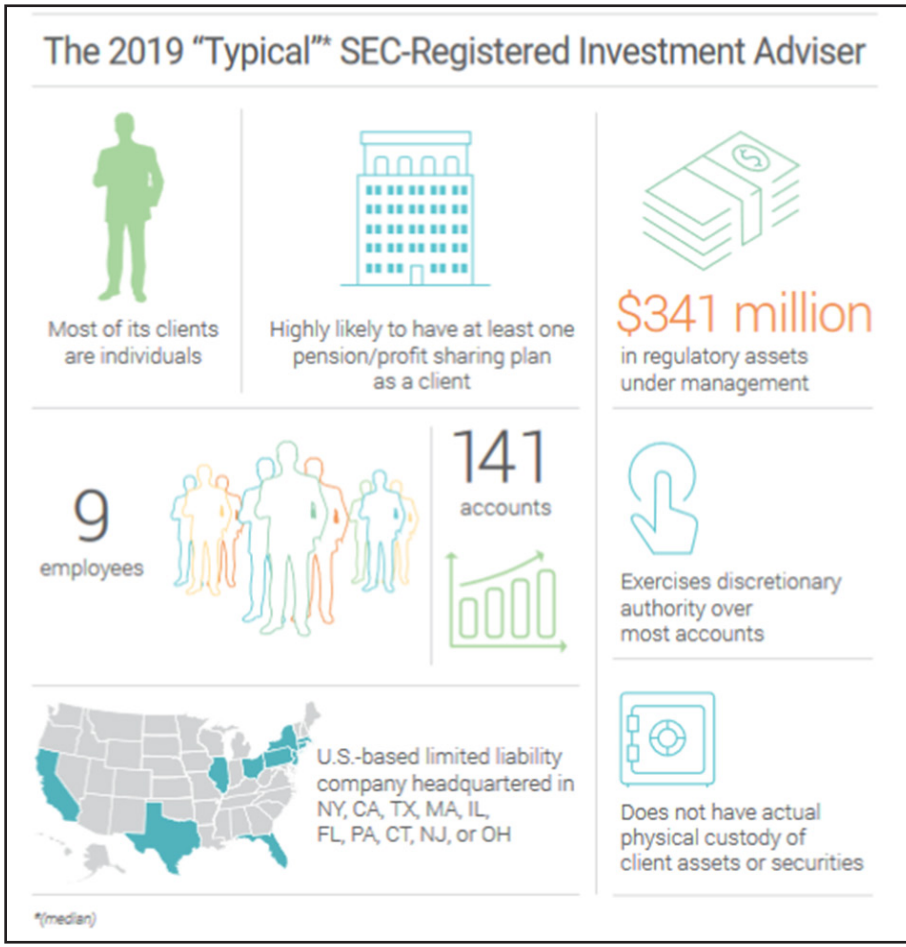

Figure 2: The 2019 Typical SEC-RIA.

Source: 2019 EVOLUTION REVOLUTION — A Profile of the Investment Adviser Profession© 2019 Investment Adviser Association and National Regulatory Services. All rights reserved.

Although the registered investment advisory industry has been in existence since 1940, it is an industry undergoing constant change as technologies, investment vehicles, and the structure of the financial industry continually evolves.

Final Thoughts

The Registered Investment Adviser industry was established over 80 years ago. Financial advisors wanting to be registered as an RIA can do so through the Securities and Exchange Commission (SEC) or through their state's securities administrator.

There are four legal and professional qualifications that must be met for individual be recognized as a legal RIA or IAR. Those for qualifications are:

1. Demonstrate knowledge required for the position by passing several professional examinations.

2. Register with the SEC or state securities authorities, as appropriate.

3. File "Form ADV", a registration form with required information about the applicant's RIA business, including a required disclosure document that must be given to all clients.

4. Act in a fiduciary capacity for their clients at all times.

Being a fiduciary means always acting in the best interests of the client, not oneself. In the next chapter, we'll explore the different types of business structures available for individuals interested in the financial services industry.

Chapter 2, Lessons Learned

1. There are legal and industry standards for becoming a licensed RIA or IAR.

2. The financial services industry is changing and improving all the time.

3. Being a fiduciary is an important legal designation.

Chapter 3

Business Structure Possibilities for the Independent RIA

Chapter 3 Objectives

You will:

1. Be able to identify the five investment advisory business structures.
2. Read about the seven resources you'll need to be a successful independent RIA.
3. More fully understand the pros and cons of becoming an independent RIA.
4. Realize why becoming a partner RIA could be a good choice for you.
5. Become more aware of several restrictions by becoming a "dually registered" advisor.
6. Explore the elements of becoming an IAR.

* * * * * *

When forming a Registered Investment Advisor firm, one size does not fit all. Your success depends on selecting the business structure that best fits your needs. This means defining the

lifestyle and business model you desire, identifying your goals and matching them to the business structure that's most appropriate for you.

The five business structures in the investment advisory industry are:

- Independent RIA
- Partner RIA
- Hybrid "Dually Registered" RIA
- Investment Advisor Representative (IAR)
- Solicitor-Only RIA

These structures may be organized as a sole proprietorship, S corporation, C corporation, Limited Liability Company (LLC), Limited Partnership (LP) or a business trust. Each business form has different legal requirements and powers. The one that's appropriate for your use depends in part on your personal financial situation as well as the long-term goals you've selected for your RIA business. Which of the following is best for you?

The Independent RIA

If you're an individual who enjoys independence and has an entrepreneurial mindset and vision, establishing your own RIA may be the right choice for you. With this model, you are in control and can build your business the way you wish.

To be successful you will need:

- Access to startup capital.

- Business management skills – you are responsible for all advisory and business operations.

- Experience as a manager, or have access to mentors, coaches or peers who provide advice as well as a sounding board for your ideas.

- A genuine desire to help people succeed financially.

- The ability to manage and direct staff members, and oversee the activities of vendors.

- The willingness to work hard (or work smart).

- The ability to adjust quickly to changing markets and technologies; the investment advisory business is incredibly dynamic, and yesterday's answers cannot assure success in tomorrow's financial world.

Along with the benefits of owning your own business, there are also drawbacks. Carefully consider the pros and cons of independence, some of which are listed in the following chart:

The Independent RIA

Pros	Cons
Ability to control your life and operate according to your standards and principles	Sole responsibility for the success or failure of the business.
Set your own schedule and work when, where, and how you wish.	Responsible for all expenses including potentially higher legal, insurance and overhead costs.

Pros	Cons
Ability to work with clients, vendors and employees who share your values.	Inability to take time off during the startup and establishment of the business.
Potential to create a business that can generate profits in the future without your direct involvement.	Need to hire and supervise employees with their accompanying liabilities.
Ability to create an enduring asset that can be sold or passed on to your children.	No support system in the early phases of the business.

The Partner RIA

If the thought of taking on a full set of management issues, such as making a steady flow of business decisions, investigating, calculating and recommending strategic and tactical investments, managing employees, being responsible for compliance and all the daily, monthly, and annual operations of an RIA business entity disinterests you, then perhaps entering a partnership structure may be the right choice. This option could take the form of teaming up with another RIA to launch a business, joining an existing investment firm with the understanding that your performance will earn partnership status for you, or purchasing a partnership in an RIA firm that already has an established infrastructure, people, processes, and a solid performance record.

You may also opt to partner with another firm for investment management or administration while you focus strictly on marketing, or perhaps your focus will only target investment management while your partners acquire new clients through marketing and sales.

The Partner RIA

Pros	Cons
You are no longer solely responsible for the success or failure of the firm.	You need to accommodate and work with the desires and ideas of another individual in running the business.
Costs are now shared; greater startup capital may enhance the firm's growth rate by helping fund operating expenses.	You lose some of your flexibility to set your own schedule and work when, where, and how you wish.
If you need to take time off during the startup and establishment of the business, someone is there to manage the business.	You will be expected to hold down the fort when your partner needs to take time off.
Your partner(s) will bring their own strengths and knowledge to the business.	Your shared vision and goals may diverge as the firm grows or time passes.
You may be able to offer a wider range of diversified client services.	You may find yourself sharing client relationships with less control over results.
You have someone to share decisions during times of adversity for the business.	You may grow to question your partner's wisdom and ability.
Ability to create an enduring asset that can be sold.	You no longer solely control when to sell and how profits are to be divided.

The Hybrid "Dually Registered" Advisor

In this structure, an RIA firm aligns with a broker-dealer for commission business. Dual registration allows the RIA to have

both fee and commission business, and possibly retain revenue related to past commissionable sales. The firm may also be able to offer a broader set of financial solutions including insurance and alternative investments.

While many of the pros and cons of the above structures will apply, the hybrid RIA is subject to both broker-dealer and RIA regulatory oversight and must follow the broker-dealer's compliance guidelines. There can also be requirements for the integration of systems, processes, statements, communications, etc.

Investment Adviser Representative (IAR)

Despite the similar-sounding names, registered representatives (RRs) are not the same as Investment Adviser Representatives (IARs). RRs work for broker-dealers—aka stockbrokers–and must always pay a percentage of their earnings as compensation for their back-office support and compliance oversight.

IARs are investment advisers who are employed by state or federal registered investment adviser firms. Depending upon the adviser firm, these individuals may have a fair amount of independence, including operating their own offices, providing advice on the value, purchase, and sale of securities, and managing accounts or client portfolios. They do so, however, under the supervision of the RIA and advise clients on behalf of the registered investment advisor (RIA). Depending upon the relationship with the adviser firm, the following pros and cons may exist. Each situation is different and may yield different advantages and disadvantages, making it essential to ask questions upfront before deciding to become an IAR for a firm.

The Investment Advisory Representative (IAR)

Pros	Cons
Ability to control your life and operate according to your standards and principles.	Do not "own" your clients.
Set your own schedule and work when, where, and how you wish.	Do not build a business that can be sold or transferred.
Provide services and products you believe are in the clients' best interest.	May not benefit from the growth and profitability of the RIA firm.
Little if any responsibility for the costs of running the company.	Vulnerable to loss of clients due to actions taken or not taken by the RIA firm.
Potential to share the profits resulting from your client relationships.	Limited (if any) input on business decisions within the RIA.

Solicitor-Only RIA

A registered investment advisory (RIA) firm that operates solely as a solicitor, often referred to as a solicitor-only RIA, plays a specific role within the financial industry. Unlike a fully authorized Investment Advisory Representative (IAR) who provides comprehensive investment advisory services directly to clients, a solicitor-only RIA primarily focuses on marketing and client acquisition. Here's a comparison of the pros and cons of a solicitor-only RIA compared to a fully authorized IAR:

The Solicitor-Only RIA

Aspect	Solicitor-Only RIA	Fully Authorized IAR
Role and Responsibility	Primarily focuses on marketing and soliciting clients for investment advisory services.	Provides comprehensive investment advisory services to clients, including financial planning and portfolio management.
	Does not provide direct investment advice.	Offers personalized investment advice and guidance.
	Typically earns a referral fee for bringing in clients.	Typically earns fees based on assets under management (AUM) or other fee structures.
Pros	Specialized in client acquisition, which can be valuable for established advisory firms looking to expand their client base.	Provides comprehensive financial advice and investment management services, building deeper client relationships.
	May have lower regulatory and compliance requirements compared to fully authorized IARs.	Typically earns fees based on AUM, creating a steady revenue stream that aligns with client outcomes.
	Can work with multiple RIAs, expanding their earning potential.	Requires a higher level of expertise and qualifications, building trust with clients.

Aspect	Solicitor-Only RIA	Fully Authorized IAR
	Can focus on specific niches or target markets for client solicitation.	May have access to more investment strategies and tools for client portfolios.
Cons	Limited scope of services and expertise, as they don't provide investment advice or ongoing client support.	Higher regulatory and compliance requirements, including licensing and ongoing education.
	Earnings may be variable and dependent on the success of client solicitation efforts.	May face challenges in acquiring clients, especially in a competitive market.
	May face competition from other solicitor-only RIAs in the same market.	Requires a deeper understanding of investment strategies and financial planning.
	May have to adhere to specific regulatory requirements for solicitation activities.	Revenue may be more reliant on market performance and AUM fluctuations.

In summary, a solicitor-only RIA specializes in client acquisition and marketing services, while a fully authorized IAR provides comprehensive investment advisory services directly to clients. The choice between the two depends on the goals and business model of the advisory firm, as well as the level of service they aim to provide to their clients.

Some firms may choose to utilize both roles to leverage their strengths and offer a broader range of services.

Which Is the Best Choice for You?

Now that you know the choices available to you when you decide to become an independent RIA, is there one that seems most appealing?

Becoming an independent RIA offers many significant benefits that will serve you, your clients, and your family. Among these benefits are:

1. Having entrepreneurial control over your business.

2. Receiving higher compensation for your work and time.

3. Enjoying a more rewarding quality of life.

4. Having the freedom to work with your clients in the ways you choose.

5. Being able to set the standard for your fiduciary model by aligning the interests of your clients with your own.

6. Establishing your fee structure, controlling your business expenses, and generating and keeping your profits.

7. Converting your expenses into business investments which create true market value for your business, increasing your opportunity for a higher sales price when you choose to exit your practice.

8. Having the opportunity to expand investment products and services you can offer your clients, including high net worth clients.

9. Enjoying the support provided by outsourcing the tasks you choose, providing you with more time to improve your client relationships and attract new clients.

10. Experiencing the pride of ownership and your ability to serve people with financial health that positively affects generations.

As you consider your decision to become an independent RIA, remember that you will be supported during your transition with the experience and expertise of Synergy Asset Management and our SAAM™ program, guiding you throughout the entire process.

Once you have successfully transitioned into becoming an independent RIA with your own practice, the SAAM™ program will continue providing the support you need for building a successful financial services practice.

When you outsource the standard but time-consuming tasks to Synergy Asset Management, you'll benefit enormously by having more time to invest in the activities that attract clients and grow your business, which accelerates your firm's growth and your family's ever-improving lifestyle.

A subsequent chapter focuses on writing your business plan, an essential activity for steering the course of your professional and financial success.

Final Thoughts

The five types of RIA categories presented in this chapter represent the most common RIA structures. The right one for your career as an investment advisor depends on your individual circumstances and could change over the life of your business.

To be successful, your business needs to reflect your values, long-term goals, and business plan. This is why starting your RIA must begin with understanding what you want from your business and creating a plan to develop the type of business you desire.

When you know what you want, you will also know what you don't want, and that's where Synergy Asset Management can step in with a helping hand and provide you with all the benefits of the SAAM™ program.

Chapter 3, Lessons Learned

1. There are several options for a professional career in the financial services industry as either an RIA or IAR.

2. The five business structure options each have benefits and detriments.

3. Before proceeding toward becoming an independent RIA or IAR, it's important to carefully assess your skills, resources, and interests before determining if one of these five options is a good choice for you.

Chapter 4

What Kind Of Business Do You Want?

"Start with the end in mind."
— Stephen R. Covey, The 7 Habits of Highly Effective People

Chapter 4 Objectives

You will:

1. Find out the difference between a business and a fancy job.
2. Know what a real business looks like.
3. Realize the value of starting your business with the end in mind.
4. Receive an introduction about how the market analyzes the value of a business.
5. Have a better idea about the life cycle of a business.
6. Consider the needs of a startup business.
7. Learn important information about a business's growth phase.
8. Understand the importance of creating an exit team.
9. Deepen your knowledge about how to proceed with starting your own business.
10. Appreciate the value of starting your own independent RIA practice.
11. Recognize that the SAAM™ program can provide the support you need to make your new business easier and more profitable.

Starting and Growing a Business

If you are an entrepreneur and business owner, or a person thinking about starting a new business, this chapter offers several insights about successful business strategies and how they can improve your daily business activities. It's also quite important to have a basic overview of the business life cycle so you see the whole picture.

Along the way, as you're introduced to each new step, please take a moment and look in the mirror, asking yourself about your true interests and if you are really willing to commit to learning what you need to know over the next several years. Those years will surely pass; how will you be in a better position on the other side of this interval?

- Do I want a business or a fancy job?
- What does a real business look like?
- How do I manage my business through its life cycle?
- Where do I begin and when do I know I've achieved my goal?

Start with the End

A business must begin with the end in mind. Why is this? When you first begin your business, time is your best ally, allotting the years you'll need to build your business. Then, when it's time to sell or exit, you've built as much market value as your diligence and time allowed.

The day will come when you'll leave your business, either voluntarily or involuntarily, but you will certainly leave it, and the beginning of your ownership is the best time to develop the strategies that will maximize your business's value … while you have the luxury of time to make improvements that increase the financial results you desire and deserve.

Unfortunately, most entrepreneurs end up with a fancy job they call a business. The place where they work looks like a business.

It has a business structure like a corporation or limited liability company (LLC). It has a sign with a name on it. It has customers and even hours of operation from 9:00 to 5:00.

But once the doors close and the person with a fancy job goes home, if he or she were to die that night, the doors would not open in the morning. Or, if the doors did open, the chances are that the entrepreneur's dream would not survive. And then, even if it did survive, the value would only be minimal for the surviving family. A so-called business like this is more of a hobby, a fancy job, but it's not really a true business. The owner did not build solid meaningful sellable market value during the years of ownership. The market won't value the business the way the owner hopes. It's just a store, a hobby, a fancy job. No one will pay top dollars for it because the value simply isn't there.

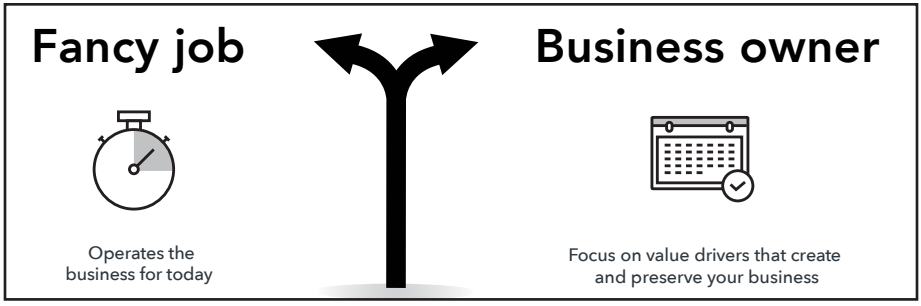

Figure 3: Fancy Job or Solid Business.

If the person with the fancy job worked for many years before deciding to retire and then put this lifelong dream up for sale to the highest bidder, hoping to fill the retirement funding gap with the sale of the business, what would be the value to the new owner? There is often a big discrepancy between the sale price desired by the owner and the price the market is willing to pay because the price is based on the business's inherent and true market value ... as valued by the market, not the owner. Most business owners overestimate the value of their business because they use irrelevant metrics.

How Does the Market Value Your Business?

A business is valued with precise and exacting measurements based on accepted market standards. Every element of the business is weighed and measured for its value as a going concern, and unless the entrepreneur has spent time analyzing his or her business from the market's standpoint, using standards recognized and universally accepted methods of measurement, he or she will not have developed the business to increase value the way value is measured and purchased by the market!

If you desire a solid sale based on true value, you need to know how the market measures the value of your business and then build it with value-building strategies incorporated into your regular operations, objectives and goals. This is why it's critical to begin planning your business for an eventual sale before you even open the doors on the first day. You need a road map that continually builds measurable value until the day you sell or exit your business, possible now because you achieved your long-term personal and business financial goals. You started out knowing what the market would value, and you steadily built that value into your business over the years. This is a business in the truest sense of the word.

The good news is that when you're equipped with the proper mindset and the right set of strategies and skills, you can experience the dynamic and exciting adventure of navigating and negotiating challenges as a successful entrepreneur.

There is nothing wrong with having a fancy job and, for some, this is the right decision. However, if you genuinely want to own a business, you must take the path that leads to building a business with staying power – a business with true value and true financial rewards!Both the fancy job and the real business begin with similarities, but quite quickly the road veers and the paths become separate and distinct.

In the beginning, both paths look like a business. Both are a business entity, have a name, a website, and such details as employee benefits. The business owner's path differentiates by focusing on developing a system that breeds success through duplicable, controllable, and predictable procedures for operations that all drive toward the exit plan, maximizing value. The fancy job, however, travels the path toward a good livable wage, but with no emphasis on building and extracting value; results obtained without the intentions of a reasoned, accountable and clear plan are actually the product of luck.

What Does the Life of a Business Look Like?

Three Phases	Four Phases
1. START-UP PHASE	1. START-UP PHASE
2. GROWTH PHASEE	2. GROWTH PHASE
3. EXIT PHASE	3. MATURITY PHASE
a. Sell	4. EXIT PHASE
b. Close	a. Sell
c. IPO	b. Close
d. Expand	c. IPO
e. Merge	d. Expand
	e. Merge

Each phase poses its own unique challenges and rewards, and as an entrepreneur you will most likely gravitate toward enjoying one or two of the phases over the others. Many entrepreneurs prefer to focus on the start-up and growth phases, and they concentrate their skills on the continued development of new companies. They start them, build them, sell and exit them, letting someone else take the company to its next level through highly-honed management skills.

Just because you start a business doesn't mean you're the best person to manage it! Don't be afraid to hire people who possess different skills than you, and keep in mind that bigger is not

always better. Some businesses start fast and grow fast, and others start small and are most productive when they remain small.

The Start-Up Phase

After you've identified The Next Great Idea, it's time to put your thoughts on paper, perform your due diligence, and create your business. You will select a legal entity, a bank, an office location, assemble your team of advisers, hire an employee or two, raise some capital, finalize your business plan, and open the doors. The complete details of the start-up phase are beyond this book and require more consideration than permitted here. During this phase, it's important to allow as much time as necessary to develop a prudent and well-thought-out plan that will drive your success.

Start-Up Budget	**Operating Budget**
Personnel (costs prior to opening)	Personnel
Legal/Professional Fees	Insurance
Occupancy	Rent
Licenses/Permits	Depreciation
Equipment	Loan Payments
Insurance	Advertising Promotions
Supplies	Legal/Accounting
Advertising/Promotions	Misc. Expenses
Salaries/Wages	Supplies
Accounting	Payroll Expenses
Utilities	Salaries/Wages
Payroll Expenses	Utilities
	Dues/Subsscriptions/Fees
	Taxes
	Repairs/Maintenance

Figure 4: Business Start-Up and Operating Budgets.

Start-Up Checklist

1. Describe your business, its services, and its products.
2. Identify your market.
3. Analyze your competition.
4. Assess your skills.
5. Name your business.
6. Determine your financial requirements (budget), your financial constraints, and your pricing structure.
7. Identify start-up costs.
8. Select an accountant.
9. Determine your business structure.
10. Check zoning laws, licenses, and taxes.
11. Select your location.
12. Apply for a fictitious name (called a DBA for "doing business as").

Develop a Business Plan that Includes:

1. Business description
2. Marketing plan
3. Management plan
4. Financial plan
5. Obtain a tax ID number (EIN) from the IRS.
6. Apply for a city business license, or home occupation permit if necessary.
7. Select a banker, attorney, accountant, and insurance agent.
8. Open a business banking account.
9. Arrange for financing (or set aside capital for a worst-case scenario).
10. Obtain business insurance.
11. File legal documents to register your business.
12. Set up your financial records.
13. Consider how outsourcing some of your business tasks will help you improve the performance of your practice.

The Growth Phase

Creating revenue and driving profits should be one of your most important goals, yet sometimes growing too fast is worse than growing at a steady and controllable pace. Growing too fast can put you out of business if you don't have a well-organized plan to serve all your new customers. This is the phase in which you need to identify the key value drivers for your particular business, industry, and sector, and capitalize on them by executing the business plan you have spent so much time preparing.

There are many facets to growing a business, such as staff, operational space, borrowing capital and creating loyal customers … and everything in between. The key to value creation in your business is to focus on the activities and value drivers that create cash flow or some other measure of profitability that's applicable to your industry. Ultimately, this will bring you the highest exit value … the greatest financial reward.

Possible Value Drivers

- Positive Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)
- Excellent Customer List
- Product Differentiation
- Defensible Market Positioning
- Dominant Market Share
- Technology and Proprietary Processes
- Location

The Exit Phase

This is the phase you have planned and worked so hard to achieve. It's where you'll be rewarded for executing your business plan with a liquidity event, whether a sale or merger. In this phase, it's particularly important to establish your exit team,

which usually consists of a valuation expert, business broker, your attorney, and your accountant. Your team will provide you with invaluable advice in negotiating the pitfalls of a business transaction. Regardless of whether it is a sale to one or more of your employees or to an outside party, your exit team will pay dividends because of their expertise, guiding you with making the best decisions.

Various Methods of Sale

- Sale of your entire business to an unrelated third party.
- Sale of part of the business.
- Asset liquidation.
- Sale of a fractional business interest held by an owner to a co-owner or owners.
- Sell your interest back to the company.
- Sale of all or part of the owner's interests to an employee benefit plan for the benefit of the company's employees.
- Gift of part or all your business interests to family members, employees and/or management.
- Transfer business interests via estate planning.
- Sale of part or all your business interests to family members, employees, and/or management.
- Liquidation of the business.

Where Do I Begin?

If you ask a group of students in high school if they planned to fail in life, the answer would be a resounding "No way!" However, if you followed the same group of students over the next 40 years of their lives, you would most likely see the recurring pattern of failing to plan.

This is the same pattern for many entrepreneurs, failing to plan the successful life of their business. Why?

In my experience, it is due to the complexity of their circumstances and the lack of a proven system, or plan, to guide

them. They are too busy working in their business and do not spend enough time working on their business.

The following is what I call a mini-plan and, of course, it can be expanded to suit the individual needs of your business.

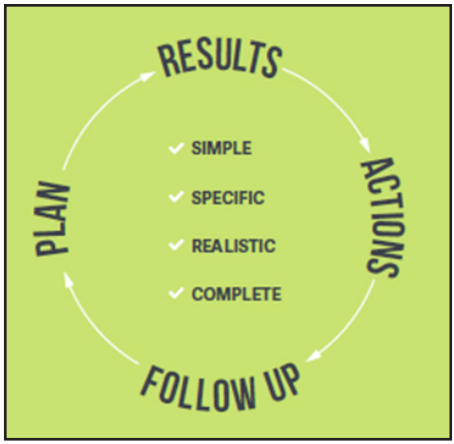

Figure 5: Example of a Mini-Plan.

Simple: Is the plan simple? Is it easy to understand and take action? Does it communicate its contents easily and practically?

Specific: Is the plan specific? Are objectives concrete and measurable? Include specific actions and activities, each with specific dates of completion, specific persons responsible, and specific budgets.

Realistic: Is the plan realistic? Are sales goals, expense budgets, and milestone dates realistic? Nothing stifles implementation like unrealistic goals.

Complete: Is the plan complete? Does it include all the necessary elements? Requirements of a good plan vary, depending on the context. It must cover at least the basics.

Quick Assessment

Start your plan with a quick assessment. You may want to use a SWOT analysis:

- Strengths
- Weaknesses
- Opportunities
- Threats

Explain Your Strategy

- Think strategically. (What is your path to success?)
- Describe what you are trying to do. (What is your executive summary?)
- What is your value proposition? (What value do you represent for your clients?)
- What is your competitive edge? (What do you do better than the competition?)

Set Objectives

Objectives are business goals. You must set objectives and then create a plan to achieve them.

- Make sure your objectives are concrete and measurable.
- Be specific. What will determine if you are on target for achieving your goals.
- Establish how you will monitor your progress.
- Set a timetable for completing goals.
- Assign responsibility.
- Provide resources such as funding or staff assignments.

Write a Mission Statement

Use your mission statement to define your plan's concept. (i.e., define your business, identify your process for client acquisition, customer services, sales, etc.)

- Describe your plan for customer satisfaction.
- Explain your workplace philosophy.
- Identify your value-based marketing strategies.

Keys to Success

- Think about the keys to success.
- Focus on the main elements that will ensure your plan works.

Tools and Resources

- Make a list of the tools and/or resources you will need to execute your plan.

Breakeven Analysis

- Does your plan make financial sense?
- If so, what are the fixed costs, variable costs, and projected revenues?

Market Analysis

- What are other successful people or firms doing?
- What has worked in the past?
- What has not worked in the past?

Pause for Reflection

- Does your plan make sense?
- Can you bring together the keys to success?

Presentation

- Present your plan in a well-communicated, professional manner. Business plan templates are available online, including templates by Microsoft Office subscribers with step-by-step instructions and prefabricated slides for the

executive summary, company overview, financial plan, and more. An Internet search will find both free and fee-based business plan templates to help you determine your business's legal structure, define your target audience, and map your marketing plan. Find the right look for your company because appearances matters!

Final Thoughts

As you contemplate the idea of becoming an independent RIA, remember that you now have an opportunity to advance into a higher level of your profession by becoming the owner of your own RIA practice.

As the founder of your new business, you'll experience both benefits and challenges, and Synergy Asset Management will be by your side providing expert advice along with all the advantages of the SAAM™ program, making your transition to independence easier and faster, and supporting you and your clients with a great variety of outsourcing services that help you stay focused on your most primary purpose: growing your business.

Establishing your own RIA practice can be the beginning of an extraordinary adventure, providing essential financial information to your clients that help them attain financial security and prosperity for themselves and their families while also expanding your own financial horizons. Synergy Asset Management can help you grow your business so you and your family's dreams can come true.

Chapter 4, Lessons Learned

1. The difference between a business and a fancy job is that the business appreciates in value through the achievements of a plan that continually adds value according to industry standards. A business builds inherent and long-lasting value while a fancy job provides temporary revenue.

2. Having an exit plan when you first start your business is essential. An exit plan can maximize your time as an owner so you can increase the value of your business and achieve an optimum sale price.

3. Starting your own business requires careful deliberation; it's wise to consult with others to fully understand whether business ownership is the right choice for you.

4. When choosing the right kind of independent RIA category for your business, whether it's your own RIA practice, becoming a partner with an existing RIA, or having a hybrid model, your business will benefit by aligning with Synergy Asset Management and the many outsourcing and support components of the SAAM™ program.

Chapter 5

Writing Your Business Plan for Success

Chapter 5 Objectives

You will:

1. Understand the importance and purpose of having a business plan.
2. Be able to identify the common topics addressed in a business plan.
3. Become familiar with the degree of detail required of a solid and comprehensive business plan.
4. Understand how to write your business plan to fit the category of independent RIA you choose.
5. See the value of including outsourcing services in your business plan.

* * * * * *

A business plan is a blueprint for success; it outlines the steps you intend to take as you set up your new independent fiduciary practice. Your plan should be logical, well-thought-out, clear and easy to read, accurate, and reflect your passion and interests for developing your new business, keeping a professional tone throughout. Business plans can range from a few pages to several hundreds of pages, but most importantly, your plan should appropriately address the strategic needs of your new business.

According to CEG Worldwide[2], 80% of advisors producing annual revenue of $1 million or more have written plans. Those with revenue of $75,000 or less have written plans only 7% of the time. If you are sincere about creating a real business, a business plan is an essential tool because it guides you on your path to success by setting the stage for growth, making financial forecasts, looking at growth over segmented time periods, and defining the opportunities and threats your practice is likely to face.

Another way to consider this planning process is by looking at it from the perspective of a GAP analysis. A GAP analysis assesses the value of the business today, identifies the elements and the desired financial value you want your business to have in the future, and measures the distance between the two, known as the GAP. A plan is written that closes this GAP, identifying how the business moves efficiently from its status today into the successful status you want it to achieve tomorrow.

There is no one right way to write a business plan; however, there is a wrong way! You must make sure your plan accurately and honestly describes your idea, the market you are serving, your company's profile, its competitive advantage, and its projected financial statements. Clarity and honesty will make your plan an effective tool.

Another consideration is your audience. Who will you be asking to read your business plan? Yourself, investors, the bank, your organization's management team, or a combination of all these people? It's a common practice to write a different plan for each individual audience so the plan is tailored to address the questions and concerns each group may have. This might be an advantage, but I suggest that if the business plan is properly written, one plan will do. However, you could consider creating a few different presentations to better communicate or highlight

[2] CEG Worldwide is a leading coach for top financial advisors. https://www.cegworldwide.com

certain aspects of your plan for different audiences so the needs of your business are presented clearly, necessary for getting the support you will need.

Over time, your business plan may change in response to new opportunities, new talents in your business or changing market conditions. Don't ignore your business plan when those events happen. Revisit your plan and update it as needed. You may discover you've lost your initial direction, to the detriment of your business, and you need to refocus your services. A business plan must be a living document, not something you put on a shelf and forget.

Topics Commonly Addressed in a Business Plan

The following topics are commonly addressed in a business plan. This is not an exhaustive list. A business plan must be customized for use by the person preparing it.

- Short summary of the business.
- History of the business.
- Products and services and how they will meet the client's needs.
- Your sustainable competitive advantage.
- How operations will work.
- Strategic alliances.
- Market information, size, growth rate, government regulations, etc.
- Marketing information, distribution channels, promotions, pricing, etc.

- Rivalry from the competition.
- Management team and their bios.
- Ownership structure.
- Staffing structure and necessary training.
- Client communications.
- Financial plans, balance sheet, income projections, cash flow statements, budgets, pricing, and distribution models.
- Capital required, debt, equity.
- Exit strategy.

The Business Plan's Table of Contents

Here is a common and more formal table of contents.

1. Executive Summary

- Objectives
- Mission
- Keys to Success

This is a summary of the main highlights of your plan. Get it right or your target readers will read no further. As a general rule, the first paragraph should include:

- Business name
- Business location
- What product or service you sell
- Purpose of the plan

Another paragraph should highlight important points, such as projected sales and profits, unit sales, profitability, and keys to success. Include critical elements you do not want anyone to miss.

Include a highlight chart or matrix which projects sales, gross margin, and profits for the next several years.

Your plan's objectives should be specific goals that can be measured. Keep the list to three or four objectives because long lists make it harder to focus.

As a service company, you may not care about gross margin or unit sales, but you can still set objectives for total billings or commissions, for personnel or contracting costs, or for customer satisfaction according to a specific measure.
Use your mission statement to establish your fundamental goals for the quality of your business offering, customer satisfaction, employee welfare, compensation to owners, etc. A good mission statement can be a critical element in defining your business and communicating clearly to employees, vendors, customers, partners, or shareholders.

2. Company Summary

- Ownership
- Start-up Summary

Describe the ownership and legal establishment of the company. Specify whether your company is a corporation, partnership, sole proprietorship, or some other type of legal entity, such as a limited liability partnership.

You should also explain who owns the company, and if there is more than one owner, in what proportion. If your business is a corporation, specify whether it is a C corporation (the more standard type) or an S corporation (more suitable for small businesses without many owners). Also, specify whether it is privately owned or publicly traded.

- Explain the list of start-up expenses (expenses you make before you start the business in the first month). Typical start-up expenses include legal expenses of establishment, expenses for developing logo and stationery, and for setting up an office.
- List the assets you want the company to have when it opens for business.
- Describe how you intend to finance both the expenses and the initial assets, which typically means borrowing money and bringing in new investments.
- If employees will work remotely, plan what systems, equipment and monitoring will be required.

3. Services

Describe the services you offer, how they are provided and by whom, and plans for future service offerings and/or products.

4. Market Analysis Summary

- Market segment
- Target market strategy
- Competition and buying patterns

Describe the different groups of target customers included in your market analysis and explain why you are selecting these as targets.

You may also want to summarize market growth, citing highlights of growth projections if available.

If you are looking for investment, then you may have to use this section to display your wisdom and understanding of your industry, but don't overdo it.

Remember that planning is about making good decisions, applying focus and enforcing priorities, not about testing your knowledge.

If you are writing an internal plan and have no audience other than your own team, be sure to conduct enough market research to make sure you are not missing key points.

The market segmentation concept is crucial to market assessment and market strategy. Use this part of your plan to explain the segmentation, define the different classifications, and develop as much information as you feel you need to present about the customers within each market segment group.

The most classic market segmentation divides people by demographics (age, income, gender, occupation, education, etc.) or geographics (city, state, county, ZIP code, etc.).

Accredited/qualified investors are likely to be high net worth, or financially sophisticated individuals with different product requirements.

Some of the more recent trends include correlating behavioral patterns and so-called psychographics, which produced the famous classification of "yuppies" and "baby boomers". Each of these labels represent specific sets of behavior patterns and have value in segmentation.

Use this topic to introduce the strategy behind your market segmentation and your choice of target markets. Explain why your organization is focusing on these specific target market groups.

- What makes these groups more interesting than the other groups you have ruled out?
- Why are the characteristics you specify important?

Explain the general nature of competition in this industry and why the customers choose one business over another.

- How do people in your target customer group choose between competing service businesses?
- What factors make the most difference for your business? Price or billing rates? Reputation? Image and visibility?
- Are brand names important? Or is customer choice simply word of mouth, to which the secret is long-term, satisfied customers?

5. Strategy Implementation

- Competitive advantage
- Marketing strategy
- Sales strategy
- Sales forecast

You don't have to have the competitive edge to run a successful business: hard work, integrity, and customer satisfaction can substitute for it, but an edge will certainly give you a head start if you need to bring in new investments.

- What is your competitive edge?
- How is your company different from all others?
- Do you have expertise in a specific product or client niche?
- Is there a sustainable value you can maintain and develop over time?

Also, look at Michael Porter's Five Forces:

1. Competition in the industry
2. Potential of new entrants into the industry
3. Power of suppliers
4. Power of customers
5. Threat of substitute products

Porter's Five Forces is a framework for analyzing a company's competitive environment, including how the number and power of a company's competitive rivals, potential new market entrants, suppliers, customers, and substitute products influence a company's profitability. Five Forces analysis can be used to guide business strategy to increase competitive advantage.

Your marketing strategy normally involves target market focus, emphasis on certain services or media, or ways to position your organization and your service uniquely.

Sales strategy comes later. Don't confuse the two. Marketing might affect image and awareness and propensity to buy; sales involves closing the deal and getting the order.
Strategy is creative and hard to predict. Your marketing strategy depends a great deal on which market segments you have chosen as target market groups. You might also want to look at media strategy, organizational development, or other factors.

Describe your sales strategy as it differs from marketing strategy. Sales should close the deals that marketing opens. Sales strategies deal with how and when to:

- Close sales prospects.
- Compensate salespeople.
- Optimize order processing and database management.
- Maneuver price, delivery, and conditions.

As with your marketing strategy, your sales strategy depends a great deal on which market segments you've chosen as target market groups. You don't sell major deals to large companies the same way you sell cereal boxes off grocery store shelves. Think about how you sell in your business. What is your strategy for optimizing your way of selling? What will this strategy require in terms of the capabilities of future sales representatives that you will need to hire?

Emphasize important points and explain assumptions.

- What growth rates are you expecting for the more important lines, and what are your growth rates in units and in dollars?
- Why are you projecting your sales at this level? Why not less, or more?
- What are the main driving forces behind the sales forecast?
- How does growth relate to your market analysis, your main target segments, your sales strategy, and marketing strategy?
- Is your sales forecast believable? Why?
- What events might turn the sales forecast downward?
- What kind of events are you assuming will happen to assure sales happen?

6. Management Summary

- Personnel Plan

Summarize how many employees the company has, how many managers, and how many of the managers are founders. Develop an organization chart that shows how you envision the company will look as it matures.

Is your team complete, or are there gaps to fill? Is your organizational structure sound, with job descriptions and logical responsibilities for all the key members?

Do you have an appropriate salary structure to attract and retain the talent you need to be successful?

Particularly with start-up companies, you may not have the complete team as you write the plan. In that case, be sure to point out the holes and weaknesses, and how you intend to fill them.

When writing your personnel plan, consider how outsourcing some or all of the many required standard and fiduciary tasks can be beneficial for the efficiency of your practice, saving your business unnecessary personnel expenses and training time.

7. Financial Plan

- Assumptions
- Break-even analysis
- Profit and loss
- Cash flow analysis

- Balance sheet
- Ratio analysis

This is a summary of your financial plan.

How fast is the business expected to grow?
How do you intend to finance that growth?
Are you growing slowly and producing profits?

In the printed plan, this summary is followed by subtopics describing each of your tables in detail:

- General Assumptions
- Break-even Analysis
- Profit and Loss
- Cash Flow
- Balance Sheet
- Ratios

Another option is to summarize your financial plan in a more general way. This option fits when your financial plan is a significant piece of your expansion or your new business start-up, either because it involves new investment, new loans, or a change in the way you do business with accounts receivable, payables, or inventory. For example:

- If you are planning to grow your service business and finance growth by increasing fees, that might be an element of a new financial plan.
- A new long-term loan or major change in your short-term borrowing might also be part of a plan, even if these items

do not show up clearly in the financial charts and tables that follow in the printed version.

Explain the break-even assumptions from the Break-even Analysis.

You might also cover the implications of the break-even. For a start-up company, you should compare the break-even point with your sales prospects. For an ongoing company, the break-even analysis should show that you are running comfortably above the break-even point.

Explain the important points of your profit and loss projections, such as percentage increase in sales and profits, your gross margins, and key budget items.

How realistic are your sales and expense projections? How good do your numbers look?

Explain the key elements of the pro forma cash flow, which presents projected changes in cash balances. In most business plans, the cash flow is negative for some months.

- The cash balance, however, must not go below zero; that would be equivalent to a negative balance in the checking accounts, which means bounced checks and other serious problems.

You may choose to borrow money from a personal or business credit line or through a Small Business Administration (SBA) loan to support your weak months and pay it off during your strong months.

You might also be looking for new investment to improve your cash flow, or taking a long-term loan, or selling assets. Explain your plan here, in as much detail as you can, because your cash flow is critical.

Remember, you don't spend profits, you spend cash. You can be a profitable business and have no cash. Many businesses are profitable when they die; they just can't get the money from inventory or receivables in order to pay their bills.

Explain your balance sheet. The balance sheet includes all assets, liabilities, and capital.

Add interest to the table by identifying highlights. For example:

- If your numbers look good, then your net worth is going to improve (net worth = assets less liabilities).
- If you are bringing in new investments, point out the increase in equity capital.
- If your liabilities go down, or working capital increases, be sure to point that out.

Sometimes you need to note a concern or weakness in the balance sheet. Maybe the balance sheet shows you are weak on working capital or high in inventory and receivables. Business plans are not necessarily all good news. You might have to establish a plan to improve the weaknesses in your balance sheet.

It's important to validate your business plan with accurate research. If you're writing your plan to obtain funding, it's critical that your financials make sense to bankers and investors.

If you can, explain why some ratios change. If you can't really explain the changes, at least the ratios will be in your plan, calculated correctly, so analysts who work with your figures can find and use them.

When writing your business plan, always keep your primary goals in mind, which are to improve client relations and attract new clients so you steadily grow your business.

Your business plan should include outsourcing some or all of the many standard and fiduciary tasks your financial advisory business must regularly complete.

By outsourcing the financial management of your clients' AUM, as well as many other time-consuming and repetitive tasks, you'll save money on personnel expenses and retain valuable additional time you can dedicate to improving your client relationships and client retention; you will also have more time to attract new clients, continually expanding the value of your business and its profitability.

Final Thoughts

The question "Do you own a business or a fancy job?" can be a fresh way to look at starting a business or when evaluating your current business.

Understanding the path you are on and where it will lead can help you take control of growing your business more effectively and efficiently.

First, identify your goal. Is it to own a business or to have a really good job? Focus on the path that leads you to your intended goal.

Second, identify the segment of the business life cycle in which your business is currently operating. Use this internal business audit to more completely understand where your business is and where it is heading.

Finally, based on the first two steps, create a plan that is appropriate for your audience. Keep it simple. Be specific and realistic with your planning, and as complete as necessary to identify how you will achieve your business goals.

Your business plan is your guide to success, not a binder that gets left on your dusty shelf. It is a living document and should be reviewed regularly, many times a year, to make sure that you are following your prescribed path to success. You can make changes to your business plan because it is not set in stone, but the changes you make should be mindful of the steps you need to take to build value in your business so when the day finally comes to exit, your years of work provide a harvest of financial and personal satisfaction.

Synergy Asset Management provides business planning services, so when you're ready to become an independent RIA, we can help you create a business plan that describes your pathway to success, and helps you transition into your new business … whether you choose to have your own RIA practice, become a partner in another RIA practice, or establish an RIA hybrid practice.

If you are already an independent RIA, we can also analyze your business plan and make recommendations for improvement. Our SAAM™ program offers many services, features and benefits that will expand the productivity and profitability of your RIA practice. Key among these benefits is how SAAM™ restores your time so you can grow your business faster, maintain good client relationships, and regularly acquire new

clients who add significant value to your business.

Our goal at Synergy Asset Management is to help you grow your business, and the SAAM™ program is a powerful tool that provides welcome relief to your hectic professional schedule, saving you time and money, and supporting you and your family's new lifestyle.

Chapter 5, Lessons Learned

1. A business plan is not simply an exercise to satisfy a loan officer; rather, the business plan should become a living document that's reviewed on a regular basis to ensure the business is growing as planned.

2. A business plan can be adjusted when market factors indicate a change is appropriate.

3. Your business plan keeps you focused on building value in the business over time so you can sell or exit your business with optimal market value.

4. A business plan is essential for your business success because it identifies your business goals and objectives, and then details how you will achieve these targets over a defined period of time.

5. Your business plan must include support services that make your business efficient and effective, such as aligning with a business ally with proven expertise in outsourcing fiduciary and business services.

Chapter 6

Writing a Business Plan

Chapter 6 Objectives

You will:

1. Understand the purpose of a business plan.
2. Know why you need to write a business plan.
3. Realize why you must spend time developing a detailed plan.
4. Learn about the seven essential sections of a business plan.
5. Recognize the importance of conducting careful market research to identify how your new business provides products and services that are in demand.

* * * * * *

Having a detailed and well-considered business plan is an essential tool when starting a new business. A business plan identifies the core elements of your proposed business, and represents the road map or blueprint that clearly explains:

1. The precise goals of your business

2. Your realistically-based expectations for the first five years

3. The activities you intend to do to achieve your business goals

Writing a business plan can take many days or even weeks, depending on the amount of reflection needed and the variety of detailed information required to compose an accurate statement of your business's potential for success.

A number of companies specialize exclusively in writing business plans for anyone starting a new business, and Synergy Asset Management also offers this service, particularly for RIAs who want to become independent and start their own financial advisory practice.

Unless you have experience with managing a business or writing a business plan, it's best to seek the advice of a professional company because then you're more likely to have a plan that comprehensively represents a solid plan of action, essential for business success.

Before you begin the process, it's important to identify your audience. Are you creating the business plan strictly for your own benefit so you can keep your goals and objectives clearly in focus, or will you be seeking funding from a bank or investors, or do you intend to acquire business partners? Usually business plans have a specific reader in mind, and you can always adjust the narrative of your plan for different purposes.

When you have a good business plan, it will guide you through every stage of startup and management because it describes your structure, explains your supervision and management, and identifies the strategies you will use to grow your business.

The traditional business plan format is highly detailed and typically includes these sections:

1. The executive summary

2. The company description

3. Market analysis

4. Organization and management

5. Custodial accounts

6. Technology

7. Product line and/or services offered

8. Marketing and sales

9. Financial projections

10. Request for funding (optional)

11. Compliance

Use the following information as an overview of each section's content as you contemplate the structure of your financial services advisory practice and the details of how you intend to manifest the vision of your successful business.

1. The Executive Summary

The executive summary is an introduction to your plan, informing your reader about what your company is and will do, and why you believe it will be successful. For our purposes, your executive summary will establish your business in the financial services industry, providing fiduciary investment advice to clients. This is a good place to briefly identify who your clients will be, such as professionals in their 40s and 50s, or older people approaching retirement, or the younger set who need good investment advice as well.

The executive summary is also where you should include your mission statement, some basic information about your products and services, a bare introduction to your company's leadership team, your employees, and your business location. This is the right place to include some initial financial information, and mention how you intend to grow your business.

2. The Company Description

In this section of your business plan, provide detailed information about your company and explain the problems your business will solve. Be as specific as possible and identify the specific clients your investment advisory practice will serve. If you intend to attract business professionals, be detailed in your description of this category's persona. Describe how these business professionals earn their living, where they live, their demographics of age, marital status, number of children, income, assets, lifestyle, etc. The more complete and detailed your description, the more likely you are to position yourself and attract this group of potential clients. When your target is hazy, your marketing will also be hazy. When your market is clear and distinct, your marketing will be concise and your success more likely.

Use this section to also explain your competitive advantages. Perhaps you have experts on your team. Maybe one of your key officers is an investment expert, or has years of experience working in the financial services industry. If you specialize in retirement planning, or believe you have insights and a unique connection with Generation X investors, now is the time to say so. If you intend to align with Synergy Asset Management for managing client assets and outsourcing a variety of required tasks such as compliance, marketing, customer relations, client education, etc., this is the right place to explain your competitive advantage and how you will stand out in the market. The

company description is the perfect place for identifying all your perceived company strengths.

3. Market Analysis

This is the section in which you show you have a very clear understanding of the market and the demand for your products and services. If you are intending to offer fiduciary services in your city, or regionally, or online, you need to make the case that the products and services your business offers will be in demand. This means you'll first need to do some market analysis to identify whether or not you are entering a crowded marketplace or one that is hungry for what you plan to offer.

Conceptualize this task as if you were planning to open a new pizzeria in town. If your town has 20,000 people and there are only three pizzerias, your pizzeria will probably do quite well, especially if you offer unique pizzas; maybe your pizzas are gluten-free, or have a Greek flair, or your pizzeria has outdoor dining near the park, or you'll be the only pizzeria in town offering Chicago-style pizza.

If, however, your town of 20,000 people already has 30 pizzerias, your slice of the pie could be quite thin, and maybe offering the people in your town another pizzeria is not such a good idea after all.

In the market analysis section, you'll need to do competitive research that addresses what other businesses in your niche are doing, their strengths and weaknesses, opportunities, threats (SWOT), and how your strengths will give you an edge, increasing your chances of becoming established and achieving business success.

Do you notice trends in the market? Is there a void that needs filling? Are your competitors engaged in activities you can do better? What is your business's unique selling proposition? Why will clients prefer doing business with you than with any other competitors in your market area? Is there a neglected population that's underserved? Is there a population you should avoid? What products and services are unavailable or insufficiently advertised that you could bring to the market to your advantage? These are the kinds of questions that must be asked and answered in this section of your business plan.

4. Organization and Management

Your new business is supervised, managed, and staffed by people filling important roles. In this section of your business plan, describe how your company is structured and the different staff positions needed for operations.

Your first focus of this segment should be on the legal structure of your business. Is it better for you to incorporate as a C or an S corporation, a general or limited partnership, sole proprietor, or limited liability company (LLC)? Before you can decide, you'll need to become familiar with these different business structures; each has its own benefits and detriments. If you're unfamiliar with these types of business structures, you should definitely consult with a professional organization such as Synergy Asset Management.

After you've identified your business structure, you should then focus on your firm's management and staff. As a fiduciary advisory firm, you'll need a compliance officer to ensure you meet your legal requirements with the Securities Exchange Commission (SEC). You'll also need an investment team to identify and analyze investment opportunities, create portfolios for your clients, make trading decisions, monitor investments

and make periodic reports about your clients' portfolios' performance.

You will probably require a financial planning team to guide your clients with their wealth planning; sufficient people for your firm's operations such as front desk, accounts payable, accounts receivable, client file maintenance; an accountant; legal representation; personnel for on-boarding new accounts; and sufficient staff support to maintain business operations. You're likely to require consultants for technology operations, and specialized professionals for communications, marketing, client education, and other activities that help your business meet its responsibilities and appear compelling and attractive in the marketplace.

If you know who will be joining you in your firm, you should include resumes and CVs of these individuals as evidence of your authenticity and your confidence with establishing an effective business with a high potential for success.

There are also a number of other important items you'll have to include when you describe the details of setting up your new business. You'll need business insurance, errors and omissions insurance, and liability insurance in case of accidents on your premises. There are business registration documents to complete, and you'll need to establish a bank account for receiving and expending funds.

5. Custodial Accounts

As a fiduciary, you will be establishing custodial accounts for your clients, so you'll need to decide which custodians will hold your clients' investments.

You and your team will also need to become proficient with investment account transfers, and have a new account registration process for clients who select your firm for financial advice and investment.

6. Technology

Technology plays an important part in your infrastructure, so you will need CRM (customer relationship management) software, the ability to keep customer information cyber-secure and in compliance with privacy regulations, a document management system, a portfolio management system, an accounting system for invoicing, accounts payable and accounts receivable, and other management programs that keep your company efficient and effective.

You'll also need to consider subscribing to several investment advisory services such as Bloomberg, Zacks, MorningStar, etc., so your investment team has the information they need to do expert work. Or, a popular option is to outsource these services and expense to an Outsource Chief Investment Officer (OCIO).

Your office will need phones, a photocopier, a fax and scanner, furniture, computers, televisions, whiteboards, office signage, a mail meter, and office supplies. All these items need to be mentioned in your narrative and in your financial expenditure projections in the sixth section of your business plan as well.

7. Product Line and/or Services Offered

Not all financial advisory services are the same, which is why you need to describe the products and services you will specifically offer. For example, if your advisory practice has a specialty focus on people who own their own business, you may decide to offer a business valuation service. In addition, you

might want to offer mergers and acquisition consulting, estate planning, exit planning, buy-sell agreements, and gap analysis services.

If your focus is on young married couples who are starting a family, it makes sense to offer products and services that help these families invest for the future and plan for their children's education, buying a home, and setting a foundation for retirement.

Perhaps your advisory practice intends to consult with companies interested in establishing 401(k) programs or insurance programs for their employees. Consider the needs of your target demographic and explain the products you will sell or the services you'll provide for this population.

Investing is a dynamic activity, so you'll need to have state-of-the-art technology trading programs that will help your investment team perform with excellence on a daily basis, giving them the tools they need to observe, analyze, monitor, and make decisions on trades that directly affect the wealth and safety of your clients' funds.

Another essential factor when offering your products and services is employing the right kind of technology, allowing you to serve the multiple needs of your clients. You'll want to mention your plans for providing effective and comprehensive technological services that accentuate communication and allow your clients to access their portfolio information while also availing themselves of product information that can expand your business revenue. In addition, you'll need financial planning programs and other product-based software that interest clients and attracts prospects. When you align with Synergy Asset Management, you'll have access to all these systems.

8. Marketing and Sales

In this section of your business plan, you'll want to discuss how you intend to establish your brand. Your brand distinguishes you from your competition and helps you stand out from other fiduciary services. As mentioned before, you might choose to specialize with Gen X investors, or businesses interested in providing employee programs like 401(k)s. When people think of your company, your brand informs them about the kinds of products and services you offer.

Your brand relates to your value proposition, which are the key elements of the value you offer prospects and clients. It's difficult to be all things to all people, especially when you're just starting out, so the more you focus on the essential value you offer the market, the stronger your practice will be viewed. Companies grow and change, and you can always add more elements to your value proposition later, once you've become more established.

One of the best ways you can excel is by enhancing the client experience. In today's financial services market, clients are expecting more service than in the past. Your clients are more educated about financial planning and wealth-building, and because they know more about investment, they expect more from you.

When you spend more time with your clients, meeting with them regularly to explain their portfolio performance or contacting them about the financial services you provide such as gap analysis and estate planning, they are more likely to remain loyal and continue their account with your firm.

When clients feel disassociated, it doesn't take much for them to decide to move on to another financial advisor. Customer service

is the key to client retention, and client retention is a big factor with maintaining your business revenue.

Marketing is a critically important feature of every business. You'll want to explain your marketing strategies for attracting prospects and transforming them into clients. Synergy Asset Management has a 5-Step Marketing Curriculum, which we call the Synergy Aligned Asset Management™ program or SAAM™, that establishes you as an authority with a book about your practice and the benefits you offer through your variety of products and services, as well as a PowerPoint workshop presentation you can deliver either online or in person that explains how your business expertly meets the financial needs of your clientele. You'll also receive a workbook that engages your prospects during the workshop, a specially designed marketing website, and other features. This effective marketing program is explained in detail later in this book.

In this section of your business plan, your goal is to describe how you plan to attract and retain clients, and how you enroll new clients. You'll be referring to this section later in your plan when you make financial projections, so be as thorough as you can with your explanation of marketing and sales strategies. Among the items you should mention is building a website, having press releases, holding events, attending conferences, building a professional presence on social media, etc.

9. Financial Projections

Another very important section of your business plan is providing estimations and calculations of your business's anticipated expenditures and revenues. You're in business to make money, and you need to honestly portray how many sales you think you can make with each of your products and services over a five-year period.

The goal of this section is to present enough information that convinces your reader that your business is financially stable and will be successful. If your business is already a going concern, include income statements, cash flow statements, and balance sheets from the last three years. If you are not yet in business, you'll need to forecast your income and cash flow statements, balance sheets, and expenditure budgets. Because the first year is usually the most unstable, it will be very helpful if you use quarterly projections. Be completely explicit about why you are projecting the quarterly revenue you identified. Remember that graphs and charts are a great way to illustrate your financial assumptions.

10. Request for Funding

You'll need this section only if you plan to ask for funding. Here is where you describe your funding needs over the course of the next five years and a detailed description of how you intend to invest these funds in your business. You may need these funds to purchase equipment or materials, pay salaries and benefits, or dedicate the funds to specific costs until your revenue is sufficient to cover those expenses. You'll also need to describe your plans for paying off this debt. Your lender will need to secure the loan against collateral, so include a list of the items and their value you can use to acquire these funds.

11. Compliance

As a fiduciary and an RIA, there are a number of compliance requirements. In this section of your business plan, include a summary of the compliance issues and your intentions to comply. This will reassure the people associated with your business that you are aware of your obligations and will meet them.

Before you open for business, you will need to create comprehensive compliance policies and procedures to ensure adherence to regulatory requirements. These may include guidelines for client onboarding, investment management, record-keeping, reporting, privacy, and cybersecurity. You will also need to implement effective systems to monitor and enforce compliance within your organization.

Final Thoughts

A business plan is essential because it explains all the important details about your business. The time and focus you invest in doing this activity helps you more clearly understand the multitude of details and their relationship with establishing and managing your business.

Whether or not your business plan will be used to help you acquire funding, writing a business plan provides a highly useful document that gives you a significantly better chance of success than you would have without it. A business plan should become a living document, not just a dust-gatherer on a shelf. It's a good practice to keep your business plan handy to remind yourself about the vision you have for your business, the steps needed for growth, and how successful you are with achieving the goals you've outlined. You don't have to follow your business plan "no matter what" because owning a business is a dynamic experience; things don't always go according to plan. It's perfectly all right to make changes to your business plan as events and circumstances require.

Remember that you're just like the airplane pilots who fly from Los Angeles to Hawaii; they make dozens of adjustments to their controls over the course of their flight. This will be the same for you; you'll need to periodically update your business plan as storms blow you off course, but you'll know your destination,

will be able to pilot your business with confidence, and clearly know when you arrive.

Chapter 6, Lessons Learned

1. A business plan is an essential tool for success.

2. Each of the seven sections of a business plan have a specific purpose for a key area of the business.

3. Writing a business plan requires careful consideration so the plan is useful as a blueprint for success.

Chapter 7

"The Terrible Ds" and Succession Planning

Chapter 7 Objectives

You will:

1. Become familiar with the term "The Terrible Ds".
2. Realize how disastrous one of The Terrible Ds can be for your business.
3. Learn how a buy-sell agreement can protect your business.
4. Appreciate the value of creating a buy-sell agreement for your business.
5. Understand how a buy-sell agreement is funded.
6. Decide if a buy-sell agreement is appropriate for your business.
7. Broaden your understanding of the business valuation process.

* * * * * *

Chapter 4 began with this idea: "The best way to start your business is to begin with your end in mind."

The start of a business is also the best time to make contingency plans for "The Terrible Ds" and how your business will continue if you can no longer be a part of it.

The Terrible Ds are Death, Disability, and Divorce. No one likes to talk about these three what-ifs, yet they happen all the time. If you're the co-owner of a valuable business entity (corporation, partnership, or LLC) and one of the Ds happens to you or one of your co-owners, your business could be torpedoed by the courts, the tax man, the heirs, or an angry ex-spouse. To prevent the destruction of your business by death, disability, and divorce, you need to establish written and signed agreements at the initiation of your business while everyone is healthy, happy, less money is at stake, and extreme emotions are not involved.

When You Are in Business with Co-Owners

Maybe you've heard about buy-sell agreements but haven't taken time to understand how they can help you. Perhaps you've dismissed them as not being applicable to your circumstances. Whatever your reason, if you're in business with co-owners, you should anticipate the strong possibility of your business derailing if you don't have a buy-sell agreement in place before an unexpected disaster strikes.

You've worked too hard for too long to see your business disrupted. Not having a buy-sell agreement is like not having a will for your personal estate. When something happens, and all too often it does, you want to make sure your business, which represents your income and a good portion of your financial estate, will remain secure through any storm. Why risk your financial well-being when a solution is so easily available?

Imagine this scenario: your business partner dies in a traffic accident. Immediately, your business is locked down and involved in estate proceedings, hampering the ability of your company to conduct business as usual. You and your business are caught-up in the details of your partner's will, if he or she has one, and must answer time-consuming questions about the

true market value of your business based on industry standards. This process is not expeditious and takes time when time is precious.

The very real possibility now exists of having to liquidate the business to pay your partner's interest to his or her survivors, which also creates a tax nightmare, or requires you to find a way to pay your co-partner's estate in a timely manner. Is this a scenario you've anticipated? Most business owners haven't.

Here is another scenario. You or one of your co-owners has tried desperately to save your marriage, but there is no recourse except divorce. This means splitting the estate…and splitting up your company.

Now you have the emotional trauma of divorce added to the financial trauma of having to conduct a business valuation, dealing with an inquisitive attorney and an acquisitive ex-spouse. This is a dilemma that might keep you awake at night as you anticipate the heart-rending future.

Why would you want to go through this experience if you don't have to? Yes, this is another task for your already very busy desk but consider how important the successful completion of this legal arrangement will be for assuring the continuity of your business when tragedy strikes. It just makes good business sense!

What Is a Buy-Sell Agreement?

A buy-sell agreement is a legal document that helps business co-owners:

- Transform their ownership interest into a liquid asset when required.

- Secure business ownership from unwelcome changes.

- Eliminate IRS estate tax valuation proceedings during difficult emotional periods.

In effect, a buy-sell agreement can provide the prearranged transition your business will need to settle accounts with a co-owner, ensure that the current co-owners continue without the intrusion of an unwanted new co-owner, and avoid the time-consuming and distracting activity of going through an untimely business valuation required by a court or the IRS.

Three Kinds of Buy-Sell Agreements: There are really only two kinds, and a third that is a hybrid. In a nutshell, here is some basic information about them:

Cross-Purchase Agreements: This type of buy-sell agreement creates a contract among all the co-owners that legally obligates the co-owners to buy-out another co-owner's interest in the event of a triggering event. A triggering event can be such conditions as the death, disability, divorce, or departure (i.e., retirement) of a co-owner.

Redemption Agreements: A redemption agreement is like a cross-purchase agreement except instead of the co-owners buying out a co-owner's interest, it is the business that is legally obligated to buy-out the interest.

Hybrid Agreements: A hybrid agreement combines the benefits of both, offering such options as giving the co-owners the right of first refusal to purchase the interest; if they decline, then the business will purchase the interest. The reverse is also true, in which the business has the first right of refusal with the co-owners obligated to buy the interest if the business entity does not.

There is some flexibility with a hybrid agreement such as including a clause stating if neither the co-owners nor the business entity buys the interest, it may then be sold to an outside party.

Three Primary Goals of the Buy-Sell Agreement

A buy-sell agreement assures three essential benefits:

- Identifies Buyer: Identifies a buyer for the departing co-owner's portion of the business

- Co-Owner Protection: Ensures that new owners cannot gain access to the business without permission of the current co-owners.

- Business Market Value: Confirms the market value of the business for estate and tax inquiries.

As you can see, these three benefits are very important to the continued vitality of your business. If any of these goals were unmet, your business could suffer from the ensuing confusion and rearrangement.

If you value these outcomes, you should make an appointment to meet with a professionally trained financial advisor or Certified Financial Planner®, attorney, and/or other appropriate professionals to discuss your unique circumstances.

Important Details to Know

As with any legal document, there are a number of items requiring careful review. Make certain you consult with an attorney familiar with buy-sell agreements. Here are a few details to consider:

- Assuming you already have a business entity with co-owners, the agreement **must be aligned with other business documents** such as the Articles of Incorporation, etc.

- Any **pre-existing contracts such as loans or leases** should be reviewed to ensure no violation will occur with a buy-sell agreement.

- Aside from the triggering events already mentioned (death, disability, divorce, retirement,) careful reflection may reveal **other potential triggering events such as bankruptcy, or the loss of a professional license** that could mandate the departure of a co-owner.

- **Community property states may make spouses legal co-owners;** the laws of your state should be reviewed with an attorney to determine the effect on the buy-sell agreement.

- The buy-sell agreement should **identify the valuation method** (see valuation section below) that will be used to determine the market value of the business entity. As there are several different ways to conduct a business valuation, co-owners should establish which method makes the most sense for the business entity, while satisfying requirements for the IRS and estate taxes.

- Another important detail is determining **how money will be paid by the remaining co-owners** to the departing co-owner or his or her estate. This may take the form of a lump sum payment, or periodic payments with previously determined amounts.

- Consider what might happen if a triggering event occurs with one co-owner and then **a second triggering event occurs before the first event has been resolved.**

- **Redemption agreements,** because they name the business entity as the primary respondent, can generate complications with federal income tax regulations. Redemption agreements are particularly troublesome for C corporations. Cross-purchase agreements are preferable, so consult your attorney and tax consultant.

Every effort should be made to clearly describe all the details of how your business entity's buy-sell agreement will be defined so when the agreement is called into effect, nothing has been left to guesswork and all parties know exactly what to expect.

Where Does the Cash Come From?

Life insurance and disability insurance can both be used as tools to offset the expense of funding when a co-owner either dies or becomes incapacitated. In a cross-purchase agreement, the co-owners purchase a life insurance policy on each other's life. When one of the co-owners dies, the survivor receives the death benefit and uses that money to purchase the interest of the deceased co-owner.

All of this can be explained in more detail. As an RIA working with Synergy, we'll provide the information you need to know so you can protect your business.

While the life insurance premiums are not tax-deductible, the death benefit proceeds are free of federal income tax.

In a redemption agreement, it is the business entity which purchases life insurance policies on each of the co-owners,

and the business receives the death benefit proceeds which then purchase the deceased owner's interest. The death benefit proceeds from a redemption agreement will also be free of federal income tax.

Disability insurance works in a similar fashion. While the premiums are also not deductible, the benefit payments are often free of federal income tax.

When other triggering events occur, such as divorce, bankruptcy, retirement, etc., the remaining co-owners in a cross-purchase agreement will need to personally fund the purchase of the departing co-owner's interest. Smart co-owners will establish an investment fund dedicated to the purchase of the other co-owners' interests so these funds have time to grow and accumulate, should they be needed.

If your business entity has chosen a redemption agreement, and your buy-sell agreement stipulates that your business will purchase the departing co-owner's interest, then it is the company that will need the funds to pay. Again, careful planning will alleviate pressure should the business need to make payments to a departing co-owner.

The Importance of the Valuation Process

A company's valuation is an essential task because its true market value, and thus its true monetary value, is unknown!

Since the buy-sell agreement is a document that defines how the ownership of a company will be bought and sold among the partners or their heirs, an effective buy-sell agreement must include detailed information about how the value of the company will be determined. Without this information,

conflicting interests and imbalanced apportionment could disrupt relationships and even the performance of the company.

The company's valuation is a critical task because the biggest unknown is the monetary worth of the company. Without predetermining several legally significant elements, a huge difference in the monetary value of a company may result. This is no idle matter!

Every business transaction has a buyer and a seller, and the inherent conflict is that the buyer wants to buy low and the seller wants to sell high. Without carefully identifying specific details of the arrangement, the partners may unintentionally cause unwelcome results for themselves or their heirs.

Partners entering a buy-sell agreement are wise to remember that either partner could become the buyer or the seller in time, so a discussion is needed to have an agreement that's fair to all. Even though the partners may be friends working toward the same expectations, when one of the parties dies or must sell their portion, the original buyer and seller arrangement could be affected by unexpected and competing influences to the monetary detriment of one or all of the business partners.

Five Defining Valuation Elements

It is not in the best interests of the partners to have a business appraiser interpreting the partners' intentions. The buy-sell agreement must clearly set the details for the following five elements:

The Standard of Value. There are several ways to value the monetary worth of a company, such as fair market value, fair value, book value, intrinsic value, and investment value. Based on the standard selected, varying monetary values could result.

Business partners typically prefer the most appropriate standard for the highest cash value. If, however, the partners failed to identify the standard of value and a valuation expert has to use his or her professional judgment, the results may not be what the partners intended. Therefore, the standard of value must be very clearly identified in the buy-sell agreement.

The Level of Value. There are several designations for the level of value a partner can own. A valuation analyst needs to know if there is a control or non-control level of value, and if there is a marketable or nonmarketable level of value. These are the four basic "levels" of value, and they apply to all businesses. These levels of value have a hierarchy, and premiums and discounts are applied when calculating a partner's share of influence and the financial value his or her share represents. Here is a simplistic view of these four levels of value:

The highest level of value is "strategic control value". Partners with strategic control value expect the highest level of benefits such as expected business and financial synergies, as well as a predominant share of future cash flows.

Second highest is "financial control values" in which partners with this designation anticipate only additional future cash flows, exclusive of strategic control.

A partner with "marketable minority" value has no control over company policies or decisions yet has a financial share in the value of the company. The advantage for a partner at this level is the ability to convert the owned interest into cash relatively quickly, with limited cost, and surety of proceeds.

Finally, a partner with "nonmarketable minority" value also has no control over the company's policies or decisions, and may be unable to easily and quickly find a ready market for

the purchase of the owned interest, since interests in private companies are not as easily liquefied as interests in public companies, and financial results are less certain.

As you can see, it is critically important for the valuation analyst to have clear information about the level of value each partner owns…or the ensuing confusion could create circumstances that may be extremely difficult to resolve.

The "As-Of" Date. Identifying the date by when a company's valuation will be conducted is important because the timing of the valuation could significantly affect the apportionment of the company's value to the partners. For example, many businesses receive all their cash flow in one or two months, or in a cyclical pattern. If the company receives most of its revenue in one half of the year and not the other, when a partner dies or must sell his or her portion in the low-revenue half of the year, is the partner or the partner's estate entitled to the revenue for the entire year…or just a portion of the year? This is why the "as-of" date is so important.

The Appraiser's Qualifications. The partners should agree on the qualifications of the appraiser. An appraiser should be a professional valuator certified as a CFA or a CPA, with credentials from the National Association of Certified Valuation Analysts (NACVA) or the Uniform Standards of Professional Appraisal Practices (UPAP).

If the partners hire an inexperienced valuator or someone who is under-credentialed, a huge problem could result. Establishing minimum qualification standards for the appraiser could be a significantly important factor with achieving valuation success.

The Appraisal Standards. When the company's valuation is conducted, specific expectations for the process must be

followed, and these standards should be written into the buy-sell agreement so there is no room for conjecture. Such details as gathering specific data, determining the basis of value, identifying the interest being appraised, and specifying appropriate assumptions are all key factors having a significant impact on the results of the valuation. The methodology of the process should be clearly determined in the agreement.

Three Other Important Aspects of the Valuation

1. The Treatment of Life Insurance Proceeds:

Since most buy-sell agreements include life insurance as a funding source, the partners must decide on whether the proceeds from a life insurance policy will be a corporate asset or a non-corporate asset. The company's valuation could be affected tremendously and it may also leave one of the partners with an unintended inequity. When life insurance proceeds are not a corporate asset, the result could be a larger monetary value, yet if the life insurance proceeds were a corporate asset, the company's value could be significantly less.

2. When to Value:

Conducting a periodic valuation of the company is a smart business practice. It is much wiser to test the valuation process and become familiar with the results before being forced to conduct the valuation under pressure when one of the partners is deceased or must sell under duress. Having a valuation performed every few years will help the partners identify inconsistencies that could negatively impact the buy-sell agreement when someday it must be activated. This process also gives the partners a baseline so the partners can read the appraisal report and clearly see how

the selected protocols affect the outcome. If the partners agree that the outcomes are not as expected, the buy-sell agreement can be updated and made more comprehensive.

3. Who to Value:

It is often in the best interests of the company to have a single appraiser, thus limiting potential conflict. The alternative, which is each partner having their own appraiser, is likely to be divisive as different valuations will almost surely result. After agreeing on a single appraiser, the partners should test the appraiser's abilities with a formal business valuation.

This also helps the single appraiser become familiar with the company and the partners' expectations. In later years, the appraiser may no longer be with the selected valuation firm, but someone else in the firm would be able to follow in their professional footsteps.

In Summary:

The valuation of your company is the essence of your buy-sell agreement. Without the clarifying details of the defining valuation elements, the treatment of life insurance proceeds, and a periodic valuation by a single appraiser, the company's buy-sell agreement could lead to disorder, perplexity, and even rancor.

I recommend establishing and then testing your buy-sell agreement with a business valuation as soon as possible and regularly thereafter so you can ensure that what is written in your buy-sell agreement actually provides the expected results.

Instead of waiting 10 or 20 years until the death or departure of one of the partners, conducting a valuation now and every three to five years will limit the potential for confusion and financial disparity that could otherwise result in contested findings. It truly is not a good idea to leave this to chance!

Most appraisers work by the hour, so the size and complexity of the company play a big part in the cost. According to Mariner Capital Advisers, the cost of a business valuation can vary from $5,000 to over $30,000, but here again the complexity of your business are the key determinants of cost.

Final Thoughts

The protection of your business and the health of your financial future are at stake. When you are in business with a co-owner or a group of co-owners, in many ways their fortunes and misfortunes are yours.

Because they own a portion of your business, each of you have an obligation to collectively secure the business entity's well-being, as well as a responsibility to assure the continued effective operation of the business when personal, professional, or financial complications arise.

It is natural to expect that events will occur during the course of your business relationship with each other, and it is paramount that a plan exists to counter the negative effects that may befall your business from the variety of life experiences that may jeopardize its solvency. A buy-sell agreement is an exceptional tool to safeguard your interests.

It's not a matter of whether an unanticipated event will occur. It is good business to provide assurance that your business will continue when circumstances affect the lives of your co-owners. A buy-sell agreement assures that the business you have worked so hard to develop and mature will continue to perform effectively during times of significant change.

Chapter 7, Lessons Learned

1. Having a buy-sell agreement in place is essential when you have business partners.

2. Even though business partners may start the business as amiable friends or colleagues, having a buy-sell agreement in place is a tremendous asset if the relationship sours.

3. Unanticipated events happen all the time, so securing your interest in a business with a buy-sell agreement is a very smart business tactic … for all the business partners.

4. A buy-sell agreement has significant variables, so it's best to get professional advice from an experienced firm, such as through Synergy Asset Management's SAAM™ program.

Chapter 8

Contingency and Continuity Planning

Chapter 8 Objectives

You will:

1. Become informed about one of the biggest threats faced by RIAs.
2. Understand the meaning and purpose of a succession plan.
3. Know the four components of a sound succession plan.
4. Identify why transferring the ownership of a business is more complex and transferring the ownership of other assets.
5. Receive an introduction to six different succession strategies for RIA firms.

* * * * * *

In addition to plans that cope with the "Terrible Ds", the start of your life as an independent investment advisor is also the time to create a succession plan.

According to the RIA Trend Report 2016, one of the biggest threats facing registered investment advisors and RIA advisory firms is not having a formal exit strategy or succession plan in place. For many practices, a succession plan is needed only

after a key employee quits or retires. However, to be effective, succession should be an ongoing process that develops talent, identifies future partners, and prepares key players to assume essential responsibilities.

This chapter explores the value of establishing an overall succession plan for RIAs and RIA firms. There are various planning strategies available, from buyout agreements to mergers. However, certain firms may want to consider an Employee Stock Ownership Plan (ESOP). If done correctly, an ESOP can attract and retain top talent, while giving firms the flexibility to change ownership either gradually or all at once.

What Is a Succession Plan?

Ideally, a succession plan is a comprehensive approach to transitioning a business from the current ownership and management structure to a new one.

A succession plan typically involves an internal sale to an existing partner, a family member, or a younger advisor within your firm or an external sale to a larger firm.

A sound succession plan should address the following:

1. Converting business wealth to assets that can be used to fund the owners' retirement.

2. Transferring ownership in the business to the desired successors.

3. Addressing estate planning concerns, including minimizing estate and gift taxes, providing liquidity to the estate, and planning for a surviving spouse.

4. Choosing and grooming future leaders to successfully run the business.

Transferring ownership in a business is unlike transferring ownership in any other asset. Often, a significant portion of a business' value is attributable to the owners' personalities, efforts, and relationships. Thus, without planning, the value of the business is likely to decline drastically when the owners are no longer involved. This decline in value certainly can have an adverse effect on the owners' financial situation in retirement. In the event an owner's disability or death forces an ownership change, any decline in the business' value can be financially devastating to the other owners.

Succession planning for RIA firms is especially critical. A capital-intensive business, such as a manufacturer, may be able to survive without a strong leader during a transition period. However, for an RIA firm, an owner's knowledge, efforts, and relationships are critical to generating revenue. So, there is very little time the firm can survive without a new owner in place. Generally, the smaller the firm, the more immediate the need to replace revenue generated by a departing owner. This is because clients of smaller firms tend to show loyalty to specific partners.

Another issue for many RIAs is the lack of a fully funded retirement plan. Again, the smaller the firm, the less likely that a funded retirement plan exists. To the extent there is no funded retirement plan, the RIA typically relies on the proceeds from selling his or her interest in the practice for retirement income.

In states that prohibit non-RIAs from owning an interest in an investment advising practice, succession planning may be more difficult, since the pool of potential ownership successors is limited. If a successor is not brought into the practice early, groomed, and retained, the RIA owner will be forced to either

sell or merge the practice in order to retire. The value of a practice with no viable successors is very low if the owner suddenly dies or becomes unable to practice. Clearly, the smaller the number of owners, the more vulnerable the practice is to the loss of an owner.

Finally, a transparent succession plan can improve communication within the firm. This is particularly important for employees who may feel threatened by pending ownership and management changes. A well-defined succession plan can assure employees that such changes will not affect compensation or progression within the firm.

Succession Strategies for RIA Firms

The following discussion summarizes aspects of succession planning unique to RIAs. It also describes some fairly typical buyout and retirement arrangements in RIA practices. Note, however, that these are only generalities. Details will depend on the practice, its geographic location, and the overall economy.

Buyout by the Remaining Owners

A firm with multiple owners should include provisions for owner retirement in its partnership (or shareholder) agreement, or in a buy/sell agreement. A common arrangement is for a retiring partner's interest to be bought out by the firm over time.

A five-year to ten-year payout is not unusual. Like any other buy/sell agreement, it's best for all owners to agree on the terms of an owner's retirement before anyone retires.

Some agreements call for the withdrawing partner's capital account to be bought out. In addition, the remaining partners agree to make retirement payments. The formula for

determining the retirement payments is often based on prior compensation. An amount equal to three years' compensation is common, but details can vary. For example, the amount may be the last three years' compensation, average compensation based on the preceding five or 10 years, or some other measure of past compensation.

The firm can carry life insurance to fund the buyout. Although the buyout may occur before the owner's death, the firm can borrow against the policy's cash surrender value to fund the payments. Also, the proceeds can be used (when the owner eventually dies) to replenish working capital after the retirement or buyout payments have been made.

Restrictive Agreements

When an owner leaves a firm, a very real concern is that he or she might take some of the firm's clients. Thus, most owners will be required to sign restrictive agreements when they are bought out. These agreements should be entered into carefully, as they are usually enforceable.

A noncompete agreement prohibits a former owner from competing with the firm, usually in a specified geographic area and for a defined time period. Non-solicitation agreements merely prohibit the former or retired owner from taking the firm's existing clients. Both noncompete and non-solicitation agreements generally provide for some type of payment to the firm in the event they are breached.

Under a non-raiding agreement, the former owner agrees not to solicit the firm's personnel to work for a competing enterprise. Finally, owners may be required to sign a confidentiality agreement, where they agree not to use or divulge any sensitive or proprietary information learned in the course of employment.

Owners should be aware that much of the information and materials maintained by accounting firms may qualify as trade secrets.

Practice Continuation Agreements

Under these agreements, another firm (or firms) agrees to take over a firm's operations in case of owner disability, death, or retirement. They are similar to buy/sell agreements in that the payments (or formula for computing payments) and the events that trigger the agreement are agreed upon in advance.

Typically, the firm that agrees to continue the practice pays the other RIA (or his or her estate) a percentage of collections over a set time period (often five years). Other items that must be negotiated include (1) the events that will trigger the agreement, (2) the definition of disability (if disability is a triggering event), (3) the delivery of files and records, (4) what assets will be transferred, and (5) the nature and duration of the retiring RIA's involvement in transitioning the practice (if the agreement is triggered by retirement).

To ensure that the firm's clients continue to receive the same quality of service, the practice continuation agreement should be made with a firm that is capable of fulfilling the agreement and located in the proprietorship's practice area. Because the agreements are legally binding contracts, RIAs should consult with legal counsel when entering into them.

Selling an RIA Practice

Most RIA firms with more than one owner restrict the ability of any owner to sell his or her interest in the business. Therefore, a sale of a practice to someone outside of the firm is most practical when the entire practice is being sold.

As with any business, either the business assets or the entity itself can be sold.

The seller often has a vested interest in retaining clients for the new firm. Many sellers are compensated based on a payout formula that considers client retention. Thus, the seller's proceeds are maximized when clients continue to seek the firm's services after the ownership change.

Merging with Another Firm

For larger firms, a merger may be more common than selling a practice. In addition, a merger may be a good succession vehicle for a firm with several partners nearing retirement age. Those partners can retire shortly after the merger and receive retirement payments from the merged firm. The remaining partners are willing to make the retirement payments in exchange for the clients acquired in the merger.

Typically, deciding how the profits of the merged entity will be divided is the most important issue for all the parties. One approach is to look at the net income of each party before the merger. Post-merger profits (at least up to the combined premerger amounts) are divided in proportion to each party's premerger amounts. Any additional net income can be divided the same way, or any other way upon which all parties can agree.

Example 1: Dividing profits after a merger:

Cliff Parks is a sole practitioner whose average net income for the last three years is $200,000. He merges his practice with Peterson & Peterson, a firm whose average net income has been $1,800,000. The parties agree that the first $2 million of net income should be allocated 10% (200,000 / 2 million) to Cliff and 90% to the historic partners of Peterson and Peterson.

However, because Peterson & Peterson has contributed proportionately more for overhead items that Cliff's practice just didn't have (e.g., a marketing department, better office space, etc.), any profits above $2 million are allocated 95% to the former Peterson & Peterson owners and 5% to Cliff.

Even if the goal of the merger is to allow the RIA to retire, it may make sense for the owner to continue working for the merged firm for some time. Having the owner stay involved long enough to fully transition clients to the merged firm should help maximize client retention and thus produce the most revenue for the retiring practitioner, since retirement payments are often based on past compensation or billings from his or her former clients. It can also help minimize problems for staff members as the firms are transitioned. Of course, RIAs who are not ready to retire immediately can continue to work for the merged firm but with a lower level of responsibility and more flexible scheduling.

Using an ESOP as a Succession Vehicle

An ESOP is an Employee Stock Ownership Plan. As an alternative to the preceding strategies, an ESOP can be integrated into a firm's succession plan. An ESOP is a special type of qualified retirement plan established for the benefit of a corporation's employees [IRC Sec. 4975(e)(7)]. Unlike the typical qualified plan, an ESOP invests primarily in the employer's stock. The ESOP may borrow in order to buy the stock, and the debt is repaid using the employer's contributions to the ESOP. According to the ESOP Association, there are approximately 10,000 ESOPs in the U.S., covering 10.3 million employees.

Observation: As a qualified retirement plan, an ESOP must meet many tax and regulatory requirements. Consequently, the compliance costs of establishing and running an ESOP are

quite high. For example, fee quotes of $50,000 to $100,000 for setting up a plan and implementing a transaction and $10,000 a year for administering the plan are not unusual, even for a relatively small group of employees. The good news is that if the plan passes muster, its tax treatment is a certainty.

Note: The discussion here only scratches the surface of ESOPs. For a more detailed discussion, see PPC's Guide to Buying or Selling a Business. Information on this Guide can be found at tax.thomsonreuters.com/store or by calling (800) 431-9025.

How an ESOP Works

A corporate employer establishes an ESOP to which it makes annual stock or cash contributions. Contributed cash is used to purchase the corporation's stock or retire debt incurred to acquire the stock. Assuming all the technical requirements are met, the corporation's contributions to the ESOP are tax-deductible.

Note: ESOPs must be created by a corporation. Most RIA firms are either partnerships or Limited Liability Companies (LLCs) treated as partnerships for tax purposes. Such entities will need to convert to an S corporation or a C corporation before setting up an ESOP. These corporate structures allow the business to issue stock.

A C corporation has no restrictions on the number of shareholders it can have and the classes of stock it can offer, creating greater potential for raising capital. C corporations can also offer a broader range of tax-deductible fringe benefits. An S corporation is limited to 100 shareholders and can offer only one class of stock. With a C corporation, however, profits are taxed twice, first as corporate earnings and then when dividends are distributed to shareholders or when the company is liquidated.

Stock acquired by the ESOP is allocated to participants' accounts, typically based on their compensation. Participants usually have two accounts in an ESOP:

- A "Company Stock Account" to which is credited the number of shares of the company's stock that have been acquired by the ESOP and allocated to the participants.

- An "Other Investments Account" to which is credited the monetary value of all assets other than the company's stock that have been acquired by the ESOP and allocated to the participants, including the trust income or loss.

Since the ESOP is a qualified retirement plan, the amount allocated to the participant's account is not included in the participant's gross income in the year it's contributed. Instead, it accumulates tax-free until a participant retires, dies, becomes disabled, or otherwise terminates employment. Then, depending upon the distribution policy established by the ESOP, the stock is either distributed to the participant or sold and the proceeds distributed to the participant.

Any stock distributed from the ESOP is subject to a put option, pursuant to which the distributee may require the corporation to redeem the stock at the then-current fair market value.

ESOPs are subject to various tax and regulatory requirements. For example, the nondiscrimination, minimum participation, and vesting rules for qualified retirement plans apply to ESOPs. In addition, the corporation's annual contributions to the plan are limited to 25% of the total compensation of eligible participants (excluding compensation over $270,000 per person for 2017-see Notice 2016-62).

There are also strict rules that require an annual valuation of the stock held by the ESOP [Reg. 54.4975-11(d)(5)].

A comprehensive discussion of these rules is beyond the scope of this release. See PPC's Guide to Small Employer Retirement Plans for more information. For information on this Guide, visit tax.thomsonreuters.com/store or call (800) 431-9025.

Sellers Can Defer Gain: A major perk of using an ESOP is that a shareholder who sells stock to an ESOP may be eligible to elect to defer gain recognition under IRC Sec. 1042. To qualify for deferral, the:

1. ESOP must own at least 30% of the company's stock immediately after the sale,

2. Selling shareholder must have held the stock for at least three years prior to the sale,

3. Selling shareholder must purchase qualified replacement property within the period beginning three months before and ending 12 months after the date of the sale, and

4. Stock sold to the ESOP must be a qualified security.

If the Section 1042 tax deferral election is made, the selling shareholder is not subject to tax on the gain attributable to the sale of stock, and the tax basis for the qualified replacement property is the same as the selling shareholder's tax basis for the stock that was sold to the ESOP. Taxable gain is recognized when the qualified replacement property is sold or otherwise disposed of.

If the selling shareholder retains the qualified replacement property until his or her death, the gain on the stock sale to the

ESOP will be completely tax free because of the Section 1014 basis step-up, although the qualified replacement property will be included in the decedent's taxable estate according to the usual estate tax rules. Thus, IRC Sec. 1042 and the provision for qualified replacement property allow closely held corporate shareholders to create a diversified investment portfolio without incurring income tax in the short term.

Example 2: Rolling over into qualifying investments:

John Foster is the sole shareholder of Foster RIA, PC. He is planning on retiring in about five years. John has worked with Cheryl, an experienced senior manager, for about 10 years and sees her as the future of the practice. As part of its succession plan, the company establishes an ESOP. According to a recent valuation, the company is worth approximately $10 million.

John decides to sell 30% of his stock to the ESOP at a discount of 40% (15% lack of marketability discount + 25% minority interest discount). John's net proceeds from the sale are $1.8 million [$10 million x (100% - 40%) x 30%]. If

John makes a timely Section 1042 election, he can rollover the proceeds into stocks and bonds of other qualifying U.S. corporations without paying one penny in federal income tax. The shares purchased by the ESOP will be allocated to Cheryl's company stock account in proportion to her compensation.

Unfortunately, the deferral of tax on sales to an ESOP under IRC Sec. 1042 is not available to S corporation shareholders. However, this is mitigated to some extent because the tax basis for the shares of an S corporation is likely to be higher than in the case of shares of a C corporation. This is because a shareholder's basis is increased by his or her share of corporate income and decreased by distributions.

Final Thoughts

Due to its very nature, there is no time like the present to establish a succession plan. A well-defined succession plan helps ensure your business's continued longevity and potential for ongoing success.

Just like most people avoid writing their last will and testament, business owners often delay planning an exit strategy and succession plan, mistakenly thinking these are tasks that can wait.

Assuring the successful transition of your business into capable hands, either because of unexpected events or through intentional design, will serve you and your family, and these two essential tasks, rather than viewing them as presently unnecessary or too time-consuming to initiate and complete right away, should be regarded as so significant that they are placed at the very top of your list.

As you consider the six succession strategies contained in this chapter, remember that when you align with Synergy Asset Management, you have an experienced ally to help you develop your succession plan, yet another benefit of using the variety of services available to you through the SAAM™ program.

Chapter 8, Lessons Learned

1. Not having a formal exit strategy or succession plan in place is one of the biggest threats facing registered investment advisors and RIA firms.

2. A succession plan is a comprehensive approach to transitioning a business from its current ownership and management structure to a new one.

3. A sound succession plan describes how the wealth represented by the business will be converted into other assets that can be used by the owner; transfers ownership to the desired successors; addresses estate planning concerns; and selects and prepares the future leaders for successfully managing the business.

4. Succession strategies for RIA firms include: buyout by the remaining owners; restrictive agreements; practice continuation agreements; selling the RIA practice; merging with another firm; and establishing an ESOP.

Chapter 9

Creating Your Team

Chapter 9 Objectives

You will:

1. Realize the importance of establishing a strong professional team to assist you.
2. Identify the professional expertise you'll need to enlist.
3. Take a closer look at what these business professionals can provide for you and your business.
4. See the wisdom of outsourcing your RIA activities and responsibilities to an experienced fiduciary company like Synergy Asset Management with its SAAM™ program.
5. Appreciate the importance of synchronized teamwork.

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No matter what else you do, one thing's for certain: don't go it alone.

Whenever possible, always outsource the tasks you would rather not do, or are not qualified or licensed to do. While it might seem attractive to be a Renaissance Man, in today's specialized business environment it's more important to acquire the best support available so you're confident that your responsibilities are being met by specialized professionals, freeing you to focus

on the work you're good at doing, that you enjoy doing, and which will more rapidly increase the value of your business and your personal net worth.

Managing investments and providing financial advice is a highly regulated industry. If you make one significant mistake, the federal or state government can close your business. It's also true that the more clients and assets your firm manages, the more complex your need for support becomes. While you may be able to manage the many functions of an investment advisory practice in-house, you can't do everything, and you certainly can't do everything well while also trying to build your business. In the early life of your business when you cannot afford to hire additional staff, the right team of advisers, vendors and industry support is critical for your survival.

Having the right team to meet the many needs of your firm allows you to focus on bringing in new clients and accelerating your growth. Creating your team is an investment in the future success of your business. Do not rush. Take the time you need to install the right systems and have the necessary support in place when you open your doors for business.

The resources an investment advisor typically needs include:

- Outsourced services: When time-consuming and repetitive tasks or tasks that are not fully in your wheelhouse are delegated to a professional fiduciary company, you liberate yourself from the chains that are slowing you down, restoring the time you need to focus on your primary goals: serving your clients and their high expectations, and attracting new clients to grow your business. The SAAM™ program provides the back office support you need, and is proficient with managing your client's assets, removing a critical burden from your shoulders.

- Legal counsel: Being a fiduciary requires close attention to the many legalities of our profession. The SAAM™ program can help you find the legal attention you'll periodically need, as we have a number of curated attorneys we can recommend.

- Compliance counsel: Maintaining compliance within your role as a fiduciary financial advisor is paramount. Compliance can be complex and confusing, but the SAAM™ program can recommend compliance experts to guide you through the maze, keeping your firm compliant and always ready to pass your audit scrutiny with flying colors.

- Business insurance: Because of the nature of your work, acquiring the right kind of insurance requires knowledge and experience. Again, the SAAM™ program will help you find the professionals who can guide you with making the best decision.

- Accounting support: Having the right systems and practices in place are critical; your clients are counting on you to maintain precise records, and you need to be assured that your billing and revenue is accurate and timely. The SAAM™ program can do your billing and reporting, but does not keep your records; instead the SAAM™ program will help steer you toward the experts who can meet this need for you.

- Technology support: The SAAM™ program's technology consultants provide objective advice suited to your circumstances, focusing on maximizing efficiencies and working with you while building value in your firm, establishing a technological environment for steady growth.

- Custodial support: Synergy Asset Management works with Schwab, well-recognized as an industry pioneer and leader of asset custody for independent RIAs. We are also willing to work with any custodian that provides Synergy with the ability to provide competitive pricing, reduced fees, world-class service, and cutting edge technology.

- Financial research: Using a variety of market research firms such as Bloomberg, Morningstar, Inc., MarketWatch, Zack's, Valueline, Applied Finance Group, Dorsey Wright, Goldman Sachs, JP Morgan Chase, Vining Sparks, Morgan Stanley, Government Perspectives, Research Affiliates, and others, Synergy Asset Management reviews the data but relies only on its own unique interpretations of market activity for investment decisions.

- Third party money management: A keystone of the SAAM™ program, Synergy Asset Management has built its reputation on its strategies of "Precision Investing", and Synergy's 22+ portfolios have consistently recorded outstanding results with wealth retention and accumulation for the full range of investor needs.

- Marketing support: Also a key component of the SAAM™ program, RIA firms will benefit from the 5-step marketing plan that provides:

  1. A 140-page book describing the RIA's individual practice, client benefits and client services.

  2. A simple workbook based on the book that can be employed in online or in-person workshops for inducing prospects to become clients.

3. A PowerPoint presentation designed to highlight the RIA's value to prospects, and aligned with the content of their new book and workbook.

4. A give-away whitepaper for attracting prospects; and

5. A click funnel website for marketing and prospect capture.

Legal Counsel

The right legal counsel minimizes risks to your business, ensures a smooth transition from prior employment agreements, helps with the transfer of clients and assets as appropriate, and establishes compliance elements essential to meeting regulatory and fiduciary requirements. If you're leaving another firm and want to take your clients with you, get guidance from a competent attorney on exactly how to comply with the Broker Protocol. Your future business structure will impact your need for legal support. If you offer clients money management services, securities, and insurance products, you assume three different layers of compliance requirements.

Among the legal issues you will face are:

- Completing registration requirements and regulatory filings including your ADV Parts I and II and state registration documents and the potential for ADV Part III.

- Developing your compliance program, including your firm's:

- Code of ethics: Your clients and prospects will be interested in assuring themselves that you follow ethical standards for financial advisors, which includes acting in the best interests of your clients, declaring and avoiding conflicts of interest,

guaranteeing that your clients provide informed consent and comprehend the advice they are receiving.

- Privacy policy: Given the ongoing threat of privacy invasion, particularly when it comes to financial assets, your firm must have and follow a carefully worded policy assuring absolute client privacy.

- Client advisory agreements: These agreements are standard in the industry, defining the arrangement between your firm and its clients; as legally binding documents, they require scrupulous care.

- Compliance procedures: Because of the nature of fiduciary compliance, it's important that you don't mistakenly make more work for your firm than necessary. SAAM™ compliance experts can guide you with making the right decisions.

- Policy and operating procedures: Your firm relies on these systems of performance; it's important to have the most effective policies and procedures in place so your firm is efficient, maintains fiduciary integrity, informs your staff with operational expectations, and stays current with industry changes.

- Assisting you with updates to compliance procedures and documents, and responding to regulatory changes: In a dynamic industry like financial services, improvements and new regulations must be expected, and as changes are required, your firm must adapt its compliance materials. Though necessary, this often consumes time that might otherwise be applied to other important tasks.

- Assuring that you are prepared for periodic audits of your

business by the SEC and state regulators: As a fiduciary, your firm will be audited, so having a firm like Synergy Asset Management and its team of compliance experts steadily helping you stay compliant, and being available during your audit review, is an enormous benefit.

The SAAM™ program can assist with all these policies, procedures, documents, expertise and support, making it easier for your new firm to get established or if you already have an independent RIA firm.

While it might seem reasonable to assume that if you run a clean shop and act in the best interests of your clients, legal problems should not arise, but this is not always the case. For example, even if you use an independent custodian to hold client assets and send third party statements, there are circumstances in which the SEC could still regard your firm as having custody of client assets, which raises additional compliance issues.

In addition to all the other tasks a specialized attorney can provide, legal counsel that's experienced in investment advisor regulation and compliance can be a necessity.

Business Insurance

Insurance safeguards your investment in the business from unforeseen events.

- Errors and omissions insurance protects your firm against trade errors and practice liability: You must always remember that you don't know what you don't know, so having errors and omissions insurance will protect you from being blindsided.

- Directors' insurance covers defense costs in legal action

against an owner: As the owner of your fiduciary firm, you need to make sure that your activities, even when performed with the highest integrity, are protected by insurance in case of a lawsuit.

- Key man insurance is life insurance for key owners and/or members of your RIA firm: If your firm has a key man with responsibilities that are unmatched by anybody else in your firm, this insurance protects you against losses should this person leave.

- A fidelity bond covers losses from criminal or dishonest acts of employees: As unfortunate as this may be to consider, there are occasions when temptation exceeds an employee's ability to resist. This insurance protects your firm against losses of this nature.

You will also need property and casualty insurance, and health insurance for yourself, your family and future employees. An insurance consultant helps you assemble insurance coverage crossing between insurance firms to achieve the best fit for your business, which should include a buy-sell agreement.

Accounting Support

You may not need a full-time accountant, but having access to a person proficient in the skills of accounting will protect you financially and help save you money. Remember there are numerous federal, state, and local requirements for business filing during the fiscal year, and it's important that your paperwork is filed diligently and accurately so you don't risk your license to do business. You have to know where every dollar is coming from, where every dollar is located, and how every dollar is being spent! An experienced accountant who is familiar with investment industry requirements will serve you well.

Technology Support

Technology is the lifeblood of the investment advisory industry allowing firms – from solo practitioners to RIAs employing hundreds of IARs – to compete successfully in an industry once dominated by large Wall Street investment banks. In fact, the RIAs' freedom to choose from a variety of technology providers that can automate business services can be a competitive advantage over long-established firms locked into proprietary systems.

Common technology elements of an RIA include:

- Market data, investment modeling, and decision-making: This is a huge component of your firm's brand; your clients are expecting good portfolio performance, and this may be the reason they chose to become your client in the first place.

  You can't afford to disappoint your clients because they are counting on you to retain and accumulate their wealth. Reviewing market data, setting up investment portfolios and making trading decisions is a full-time job.

- Many RIAs prefer to outsource this enormous task to a fiduciary investment company with proven results and a variety of portfolios that serve all their clients' needs. Synergy Asset Management has 22+ portfolios with excellent performance histories, and can accommodate all of your clients' special requirements.

- Trading software: There are hundreds of programs, but knowing which ones are the most effective, how they're effective, and what they are most effective at doing requires a lot of time and hands-on experience.

- Financial planning software: It's likely that many of your prospects and clients will be interested in your guidance for planning their financial future. You have to know how to analyze your clients' wealth and project how to help them reach their financial goals at an appointed time in the future. The SAAM™ program provides the software that removes the guesswork and makes you look like a financial planning genius.

- Portfolio management and reporting: This is also a big, continual, and time-consuming task. You will have to constantly make decisions about the contents of your clients' portfolios and produce accurate quarterly and annual reports for all your clients. This is definitely an area of your practice that is wise to outsource.

- Client account consolidation: Account aggregation software is becoming a popular option for consolidated reporting.

- Customer relationship management software: An important feature of any business in today's world is having your clients' information immediately available and being able to conduct regular communication with clients about issues particular to their circumstances. This is another feature of the SAAM™ program.

- Phone systems: There are many providers, and some are better than others. Our team at Synergy can help you choose the right provider for you from among the services we've vetted.

- Compliance management: As mentioned previously, regulatory compliance is a giant task, and Synergy capably assists RIAs and IARs in discussions with their compliance attorneys and consultants.

- Document management: Having your documents organized and available whenever you need them is mandatory. Synergy can help you establish a comprehensive and effective document archive.

- Client proposals: Delivering a customized proposal that clearly outlines and details your proposed intentions for the assignment of client wealth requires careful thought, planning, purpose, process, and presentation. Synergy excels at this task, reducing your time while highlighting your firm's expertise.

- Business accounting: Accounting is the lifeblood of every business, and knowing the details of revenue, expenditures, forecasts, billing, accounts receivable, accounts payable, taxes, reporting, budgeting … are essential to your firm's solvency.

- Cybersecurity: You'll need to have a secure system in place that protects your clients' information as well as your firm's. There are a lot of protocols and details to this category, and it's best to have an expert guide you; we are available to discuss our cybersecurity program with you, should you need a good model to follow.

In addition to selecting the right applications for your business, integrating these applications can improve workflow throughout your business.

You will also be investing in systems architecture: computers, office networking, Internet access, phones, data storage and other technological needs. If you have the knowledge and temperament to manage your technology needs in-house, there are resources you can tap for assistance. Another option is to outsource technology functions to a third party and minimize

in-house infrastructure with the assistance of technology consultants.

Custodial Support

Custodians hold physical possession of the client assets you manage. With certain limited exceptions, an investment adviser is required to maintain client funds and securities with a "qualified custodian". Qualified custodians can be banks, registered broker-dealers, futures commission merchants, or certain foreign entities.

Custodians provide five primary services:

- Maintain client funds and securities in a separate account for each client under that client's name or in accounts that contain only client funds and securities under the name of the investment adviser as agent or trustee for the clients.

- Process transactions when securities, mutual funds and Exchange Traded Funds (ETFs) are bought and sold.

- Collect dividend and interest payments.

- Make distributions to you or a designated party.

- Produce monthly statements that document holdings, cost basis and current market value, and prepare reports to the IRS including forms such as 5498, which reports your total annual contributions to an IRA account, identifies the type of retirement account, amounts that you roll over or transfer from other types of retirement accounts into this IRA, and the fair market value of all the investments in your IRA account.

The primary firms that provide custodian services to independent RIAs include:

- Charles Schwab/TD Ameritrade: Schwab and TD Ameritrade are becoming the same company; Schwab purchased TD Ameritrade in 2020. Schwab is known as a pioneer in the RIA services industry.

- Fidelity Institutional: This company is Fidelity's business unit, and offers a range of products and services.

- Interactive Brokers: This company is a large brokerage service also offering a range of products and services.

- And more all the time…

There are a wide range of "second-tier" smaller custodial firms that also offer solutions for independent RIAs, often serving niche product and service areas. Because switching from one RIA custodian to another can have substantial costs and require clients to approve the transfer of their funds to another firm, it is important to determine which custodian is the best fit for how you serve your clients and how you want to conduct business.

There may also be circumstances when working with more than one custodian allows you greater investment flexibility and allows you to better serve your clients.

Financial Research

Investment research platforms help investment professionals locate, sort, and analyze relevant data that shapes the investment decision-making process. They provide access to massive data sets and the tools to analyze that data. Each platform has its own unique capabilities from providing market

data to fundamental research data including access to key documents, estimates, market news, and financial statements.

The Bloomberg Terminal is perhaps the best known of the research platforms. Others include, OnPointe, YCharts, Morningstar's Pitchbook, Zacks, S&P Capital IQ Platform, Factset and many others.

The right financial platform for your business depends on your investment approach and the requirements of your strategies, as well as how you present and market investments to your clients.

Marketing Support

Every investment advisory firm needs a degree of marketing support. Even if you intend to operate your advisory practice as a family office, serving just one client, you will be interacting with investors, service providers, vendors, and regulators. If you do not project yourself as an established business, there will always be questions about how authentic and professional your abilities are. Appearance really matters.

How you market yourself also matters. If you are not experienced at selling yourself and your capabilities, or if you find it difficult to close a sale, consider a marketing/business coach. Shop carefully. You want a coach who knows the investment advisory business and has a highly satisfied client base.

Basic marketing tools you will need include:

- Professional logo: Important for branding, a logo builds trust in your firm and visually describes your services' benefits.

- Professional business card and stationery, digital and print:

These also establish the validity and permanence of your business.

- Mission statement: Your prospects and clients will be interested in your mission statement because it states the degree of your interest and service to them.

- Website targeted to your desired client base: We live in an online world; having a website that's clear and easy to understand is necessary because most people today prefer to read about you and your firm online before they'll consider contacting you in person.

- Email service: People are most likely to inquire about your services through email before they decide to make a call.

Marketing presentation materials: You can have the best financial services' firm in the country, but if no one knows about it, you won't have any business, literally. Marketing materials are essential, and the SAAM™ program provides a number of high quality materials you can start using right away, in addition to the 5-step marketing plan which includes a book about your practice, a workbook you can use in an online or in-person presentation to prospects, a PowerPoint presentation based on your book, a whitepaper give-away, and a click funnel website.

As your business gets underway, new needs will arise including brochures, marketing campaigns, and more. You do not need top dollar design and marketing firms to create good marketing materials, but what you need is a solid professional look that is easy to identify and read.

Your mission statement is your positioning statement. Its purpose is to clearly state what you do and why, and simple enough to use as an elevator introduction. You also want to keep

your website simple and precisely targeted to the audience you want to reach.

Your pitchbook is your in-person benefits and skills presentation; it must demonstrate the value a client receives from working with you.

When you evaluate marketing providers, remember that the investment advisory industry has limitations on how marketing is conducted. Rule 206(4)-1 – the Advertising Rule – prohibits or restricts client testimonials, references to past specific profitable investment recommendations, and portfolio performance without substantial disclosure.

Applying the Advertising Rule to traditional media has long been a challenge; interactive digital environments pose even more obstacles that must be addressed. Amending the Advertising Rule is on the SEC's regulatory agenda to make it easier for advisers to make greater use of electronic media, but until the rule amendments are in place, Rule 206(4)-1 places very real limitations on your marketing materials. If your firm is dually registered with a broker-dealer, your advertising falls under Financial Industry Regulatory Authority (FINRA) restrictions as well.

Industry/Professional/Service Group Membership

Starting a new company is a lot easier when you have peers who have faced similar issues as you, and may have already solved the problems you are struggling with now. Find an industry or professional group where you can learn from your peers about emerging trends, useful tools, different business models in the industry, reputable vendors who understand your business, etc.

In addition to networking with fellow advisors, you will have a wonderful opportunity to build strong alliances and find mentors who can help you succeed.

As you build your resource team, other needs will come up as well. When it comes to finding the right team members, seek referrals and references. Network with peer groups and other RIAs. Look at multiple providers and check online reviews. Consider attending conferences and interviewing sponsor firms. Taking the time to find the right providers can make a difference between your firm's success or setback.

Final Thoughts

Your business success depends on forming a group that serves your business and your clients, providing the intellectual and licensed expertise you need to be successful.

Synergy Asset Management is an important component of your Success Team, alleviating you of the time-consuming distractions that gnaw at your potential, restraining you from having the time to fully express yourself professionally in those areas where you have expertise and feel the greatest joy for your labors.

Take a moment and reflect on how wonderful it will feel to outsource the tasks and responsibilities your clients expect of you, and turn them over to a qualified fiduciary ally whose expertise is seamlessly knitting the tapestry of your business.

When you choose Synergy and the SAAM™ program, you've chosen a higher level of professional performance for your clients, your business, and your own personal well-being.

Chapter 9, Lessons Learned

1. Your success is predicated on the support of a team of professionals.

2. It's impossible to do everything yourself. Having a team of professionals who are experts in their fields will augment your proficiency and free-up your time so you can focus on completing the tasks in your own areas of expertise.

3. There is little value in being consumed by tasks you don't like to do. There is only so much time in a day and it's better to focus on the activities you like and do well instead of being distracted and overwhelmed by those you don't.

4. When you focus on what you love to do instead of what you have to do, you become more efficient and are more likely to accelerate the value you're building in your business.

Chapter 10

Compliance in a Highly Regulated Industry

Special thanks to Ryan Walter, Esq., a Partner and member of RIA Lawyers. Mr. Walter provided the following chapter on regulatory compliance.

Chapter 10 Objectives

You will:

1. Learn about SEC registration and notice-filing.
2. Understand some of the exceptions that preclude your filing with the SEC.
3. Become informed about filing with a state instead of the SEC.
4. Learn about how IARs must file to become a legally recognized representative.
5. Understand some of the basic components of a sound compliance program.

* * * * * *

Introduction

Starting your own registered investment adviser ("RIA") can be one of the most exciting, stressful, rewarding, taxing, exhilarating, and terrifying ordeals that a financial services

professional can experience. There are thousands of variables, mountains of regulations, and innumerable potential issues, small and large alike, that can present themselves, often in unexpected ways. I've personally counseled dozens of industry professionals in their transition to independence, and I've found a number of recurring themes and questions that confront new advisers as they set off on their own.

While I will attempt to address these issues in broad strokes, there is one overarching point to keep in mind: it's not rocket science. There are literally thousands of independent RIAs in operation across the country, and a significant number of them are small, one-person shops. If these people have cracked the code on how to operate independently and compliantly, so can you.

At the same time, financial services, and the investment advisory sector specifically, is a highly regulated area. There are potential pitfalls around seemingly every corner. It is important to arm yourself with knowledge of when and where these issues might occur, but that is not always enough. Having sounding boards you trust and can rely upon for guidance is essential. Regardless of whether this takes the form of a securities attorney, compliance consultant, professional working groups, or some other resource, guidance from a seasoned expert can significantly reduce your risk and, in the long run, may save you and your clients significant amounts of stress and, more importantly, money.

With that, let's take a walk through the process.

SEC Registration and Notice-filing

Registration is the first step toward providing investment advisory services. In most cases, both the firm and at least

one firm representative must be registered, or be eligible for an exemption or exception from registration, before advisory services can begin. This means that evaluating your registration requirements involves analyzing the issue from both an entity-level and individual-level.

Before a firm can become registered, it must first determine whether to be registered with the SEC or with one or more states. Under the Investment Advisers Act of 1940 (the "Advisers Act"), firms are prohibited from registering with the SEC unless certain criteria are met. This determination is largely based on the amount of assets you expect to manage. A firm may, but is not required to, register with the SEC if the firm has assets under management of at least $100 million. Firms with assets under management of $110 million or more must register with the SEC.

Of course, for firms applying for initial registration, the assets under management at the time of application would be $0. The firm is not managing assets because it must first be registered. The SEC permits firms to apply for registration, even with $0 in assets under management, if the firm has a reasonable expectation that it will be eligible for SEC registration (by accumulating $100 million or more in assets under management or meeting one or more other SEC eligibility criteria) within 120 days of the date on which the firm's registration with the SEC becomes effective. For firms that are transitioning a large number of client relationships from a predecessor adviser, this gives some leeway in order to become registered with the SEC while client assets are in transit.

Generally speaking, firms that expect to have less than $100 million in assets under management may not register with the SEC and must instead register directly with one or more states.

But, as with anything, there are exceptions which allow firms that do not meet this threshold to register with the SEC:

- Firms with more than $25 million in assets under management and with their principal place of business located in the state of New York (known as the "mid-size adviser exemption").

- Pension consultants which advise on $200 million or more in retirement plan assets.

- Advisers which would otherwise be required to register with 15 or more individual states (the "multi-state adviser exemption").

- Advisers that render investment advice exclusively through an Internet website (the "Internet adviser exemption").

If the firm has determined that it is eligible for registration with the SEC, it must also consider whether the firm must "notice-file" in one or more states. Often, firms must notice-file in any state in which the firm maintains a "place of business" and any other state where the firm maintains more than five client relationships. But notice-filing requirements vary on a state-by-state basis, so it is important to carefully evaluate each state's notice-filing requirements to ensure that the firm is notice-filed in all appropriate jurisdictions.

State Registration

Firms which are ineligible for registration with the SEC will have to evaluate state law to determine their registration obligations. But there are 50 states! How can an adviser be sure it is appropriately registered without sifting through 50 states' worth of regulations?

A useful exercise is to first identify the state(s) in which the adviser will have a "place of business". A place of business can be any location, including the adviser's private residence, from which the adviser will regularly meet with or communicate with clients, or any location that the adviser holds as being a location from which the adviser will provide investment advisory services. Typically, any state where the firm maintains a place of business will require that the firm's registration.

The next step is to identify the states in which your clients reside. Many states provide a de minimis registration exemption, meaning that the state does not require registration if the firm has no place of business in that state and provides investment advisory services to a limited number of clients (typically five or fewer) during the preceding 12 months.

By identifying the states in which the firm will have a place of business and in which the firm's clients reside, the firm can winnow down the number of states that would have an interest in requiring the firm to register. This can greatly limit the scope of research required in determining the firm's eventual registration requirements.

However, like notice-filing, each state maintains its own registration requirements, each with its own distinct nuance. A careful evaluation of each state's registration requirements will be necessary.

Individual Registrations

A firm does not act on its own – it provides its services through one or more representatives ("investment adviser representatives" or "IARs"). IARs have their own registration obligations, separate and apart from the firm's registration.

IARs do not register with the SEC. Instead, all representatives register with one or more states, even if their employing firm is SEC-registered. However, there is once again a slightly different analysis for determining representative registration requirements, depending on whether the firm is SEC- or state-registered.

IARs of SEC-Registered Firms

The Advisers Act prohibits states from requiring "supervised persons" of SEC-registered advisers to be registered as IARs unless that person also meets the SEC's definition of "investment adviser representative" and has a place of business in that state.

A "supervised person" can be any employee, officer, or director of an adviser, or any other person authorized to give investment advice on behalf of the adviser and subject to the adviser's supervision and control. For the most part, this will include all persons who intend to act as IARs of a firm.

If the individual is a supervised person, we can proceed to the next step in the analysis. If the individual is not a supervised person, then the Advisers Act prohibition will not apply, and the individual will, instead, have to conduct a broader analysis of state registration requirements (see below for IARs of State-Registered Firms).

An "investment adviser representative", as defined by the SEC, generally includes any supervised person of an adviser who has more than five natural person clients (excluding high net worth individuals). If an individual is an investment adviser representative, as defined by the SEC, then only states in which that individual has a place of business may compel that individual to register. The last step, then, will be to consult

the laws of those particular states to determine what, if any, registration requirements apply.

Lastly, if the individual is a supervised person, but is not an investment adviser representative (again, as defined by the SEC), then no state can compel that individual to register!

IARs of State-Registered Firms

IAR registration requirements for representatives of state-registered firms (or for representatives of SEC-registered firms who are not supervised persons, as discussed above) follow a similar theme to state registration requirements for firms – that is, a state will typically require a representative to be registered with that state if the representative either works from a place of business or has more than five clients in that state.

However, once again, each state will have its own distinct nuances. By first identifying the states in which the representative has a place of business, as well as the states in which the representative's clients reside, the adviser can greatly limit the scope of its required research to only those states which would have an interest in registering the individual representative.

Compliance Considerations

Now that the firm and its representatives are registered, care must be taken to ensure that applicable laws, rules, and regulations are followed. Becoming a registered investment adviser, whether with the SEC or in one or more states, means that the firm and its representatives agree to subject themselves to the regular review and scrutiny of regulatory examiners. Adverse findings in these examinations can have a profound impact on firms, often through required public disclosure. In

order to avoid this, firms must take care to ensure their business practices align with the relevant rule of law.

Of course, a knowledgeable professional is of tremendous value in this process. But professionals cost money, and most small firms often cannot dedicate the resources necessary to bring these professionals on board full time.

Instead, firms are expected to adopt a formal compliance program. This program, which is generally distilled into one or more sets of policies and procedures, should be based upon and tailored to the specific practices of the firm and the specific requirements put in place by that firm's jurisdiction(s).

A sound compliance program will be designed to reasonably ensure that the firm and its representatives do not intentionally or inadvertently violate applicable laws, rules, and regulations. However, a useful compliance program cannot be so stifling as to hinder the adviser's ability to do business. It is a difficult balancing act, to be sure, and there will always be certain activities that are strictly prohibited. But a good compliance program should be viewed as more of a speed bump in the business process – a series of checks – rather than a brick wall.

Once again, the specific rules and regulations applicable to a firm will vary based on whether the firm is registered with the SEC or with one or more states. Certain concepts and themes generally apply, regardless of the firm's governing regulator. A brief, non-exhaustive discussion of these topics follows:

- **Compliance Manual:** Firms will generally be required to adopt a formal written compliance manual, tailored to the firm's specific practices and the requirements of the firm's applicable regulator(s). The policies and procedures contained in a compliance manual form the backbone of a

firm's compliance program and can serve as an invaluable resource in training new employees.

A firm's compliance manual will generally describe the rules and regulations applicable to that firm and how the firm intends to comply with them. Topics covered by a compliance manual will typically include advertising, best execution, books and records, business continuity and disaster recovery, custody, cybersecurity, fiduciary duty, personal securities trading (via a Code of Ethics), portfolio management processes, privacy, and much, much more. By ensuring that applicable rules and regulations are considered in drafting internal procedures, a firm can have confidence that, by following its adopted procedures, it has complied with the relevant rules in play.

One of the most important, and often overlooked, considerations for a compliance manual will be detailing how certain processes are documented. As many regulators like to say, "If you didn't document it, it didn't happen." In other words, it is typically not enough to say you did something – you must prove your actions through documentation.

- **Advisory Agreements:** Written advisory agreements form the basis of an adviser's relationship with the client. Proper agreements not only describe the adviser's agreed-upon scope of services with the client and applicable fees, but can provide valuable protections to the firm and its representatives by limiting liability, defining the ongoing obligations of each party, and providing for dispute resolution through arbitration or mediation.

- **Form ADV:** The Form ADV is the firm's registration document. It is filed either with the SEC or with one or more states in order to initiate the registration process, and thereafter must be kept accurate and up to date on an

ongoing basis. The Form ADV must also be updated at least once annually and re-filed with the SEC or state(s) within 90 days of a firm's fiscal year-end.

Form ADV also serves as an adviser's primary disclosure document for clients. It contains detailed information regarding the firm and its ownership, services, fees, practices, affiliations, disciplinary history, and conflicts of interest, among other things.

The Form ADV will generally be delivered to clients prior to or at the time of engagement. Thereafter, firms will generally be required to either offer or deliver the Form ADV to existing clients within 120 days of each fiscal year-end.

- **Privacy:** Firms are required to adopt formal policies and procedures to protect the privacy of nonpublic personal information of its clients. Firms must also disclose their privacy practices to clients at the time of engagement. Sharing certain client information with third parties, including affiliated and unaffiliated service providers, is generally prohibited unless those practices are described in the firm's privacy policy and disclosed to the client. In certain instances, clients must also be given an opportunity to opt-out of the sharing of their information.

Many states have adopted compulsory reporting requirements as a result of certain privacy breaches. If nonpublic personal information of a client is obtained by an unauthorized party (inadvertently or through malicious action), advisers may be required to report the unauthorized acquisition to the state securities authority, the state attorney general, or other parties. Privacy policies, then, should attempt to shield client information from unauthorized access in an effort to avoid these reporting requirements entirely.

- **Annual Review:** Compliance is not a "set it and forget it" aspect of an adviser's practice. It is an ever-changing program which must be kept current with the adviser's practices and new and evolving regulations. Establishing an adequate compliance program, then, is just the first step in an ongoing process of review, scrutiny, and updating.

Each year, advisers are required to review the adequacy of their compliance policies and procedures pursuant to an "annual review". This annual review generally consists of identifying and cataloging unique risks applicable to the firm, ensuring that the firm's compliance program accounts for these risks in a reasonable manner, and, to the extent necessary, supplementing or replacing compliance procedures accordingly. If any procedures are lacking, or if there is a pattern of non-compliance with respect to a particular policy or procedure, the annual review process can bring these issues to light and can help guide the adviser to improving its processes.

The annual review should also incorporate a review of recent regulatory changes, an analysis of how these changes impact the firm's operations, and the adoption of appropriate compliance procedures to account for these new requirements. This helps ensure that the firm's compliance program remains up to date on an ongoing basis, even as the regulatory landscape continuously evolves.

- **Registration Renewals:** At least once per year, advisers must confirm that the firm and its representatives' respective registrations remain accurate and appropriate. This means re-evaluating whether the firm and its representatives are registered or notice-filed in all appropriate jurisdictions. Adding new jurisdictions to a firm or representative's registration can subject the adviser to additional, or differing, regulatory regimes, so the addition of new jurisdictions

should also prompt a review of the firm's overall compliance program, to ensure that the firm's program can account for any new requirements.

- **Training:** Initial and ongoing training for firm representatives is hugely valuable. Each adviser will account for its inventory of risks in a unique way, so each adviser's compliance program will be different. It is, therefore, imperative to ensure that the firm's representatives are all on the same page with respect to how the firm accounts for its risks. This is imperative both as part of the onboarding process for any new representative, and as an ongoing basis to ensure that representatives are kept abreast of developments and changes to the firm's compliance program.

Final Thoughts

From the initial registration to the establishment of a formal compliance program to the regular upkeep and maintenance of the program, compliance is a continuous and ongoing process. There is no one-size-fits-all approach and no surefire way to ensure that a firm's activities are always completely in line with legal or regulatory requirements.

But if you've read this far, it is surely because your curiosity, ambition, or plain desire to help your clients has led you to conclude that independence is the right path for you. If so, then the seemingly overwhelming world of compliance should not be what scares you! Compliance is complex, certainly, but the advisory industry as we know it would not exist if it was impossible.

With the help of a seasoned professional and a tailored and specific compliance program, advisers can minimize regulatory

risk and proceed with the confidence that their and their clients' interests are protected.

Ryan Walter counsels the financial services industry on a wide range of topics including formation, compliance, and employment-related matters. He represents clients in all aspects of securities arbitration proceedings and regulatory matters.

Prior to forming RIA Lawyers, Mr. Walter spent time as an Associate Attorney with Stark & Stark, P.C., and in a Compliance role for a $500 Billion+ investment adviser in North Jersey. He also has experience as an equities trading and financial compliance examiner for the Financial Industry Regulatory Authority (FINRA) in New York City.

Chapter 10, Lessons Learned

1. Compliance is a very important issue, and having an experienced and reliable team assuming these responsibilities for you and your business will satisfy your concerns.

2. There are a variety of choices available for becoming a professional in the investment advisory industry.

3. A sound compliance program must be created, implemented and reviewed at least annually.

Chapter 11

Managing Client Assets

Chapter 11 Objectives

You will:

1. Learn the two key functions of every financial services practice.
2. Find out why and how the traditional perspective of financial advisory services has shifted to a new focus in the last 10 years.
3. Discover what is replacing the traditional primary focus of advisory practices today.
4. Identify the key feature significantly improving client retention.
5. Understand the value and importance of outsourcing investment management.
6. Recognize the differences between conducting investment management activities in-house compared with outsourcing this responsibility.
7. Contemplate the single most powerful benefit advisors receive with investment management outsourcing.
8. Be able to dispel a myth about investment management outsourcing.

* * * * * *

Every financial services practice needs two things: sales and analysis/portfolio management. The firm needs to continually build its client base, which is the function of marketing and sales; and the firm must also manage its clients' assets, which require market analysis, decision-making, monitoring, and reporting. How well the investment advisory firm does these important tasks primarily determines the longevity and value of the business.

Traditionally and until recently, many RIA firms chose to do this work in-house, hiring expensive market analysts and portfolio managers to analyze, trade and accumulate wealth for their clients. The alternative was to place clients in giant institutional investment firms, relying on a corporate team of analysts and traders, giving clients access to investment products that didn't always match the clients' needs and impacted portfolio appreciation with high fees. A customized approach was rare and clients were told to accept the circumstances as the best opportunity available.

The New Client Experience

My, how times have changed!

In the last 10 years, the investment services industry has had to make important shifts because of the advent of technology, increased market information, competition among RIA firms, and demands from clients for more tailored services including, but not limited to money management. It's true … your clients want their money to stay safe and increase over time, but clients today expect even more. They want a better client experience, improved service, advisor availability, and products and services that prepare clients for the change-of-life situations they anticipate such as estate planning, business valuation, insurance coverage, and retirement planning.

Research confirms a continuing decline in the number of advisors who regard money management as their most important service to clients. The industry is steadily shifting from a primary focus on investing to a more well-rounded focus on holistic financial planning, and advisors are recognizing there is more value for their practice and bottom line by offering a wider range of financial products and services.

Making these options available for their clients significantly improves client retention while also adding to the firm's revenue.

This change in the perceptions and business activities of financial advisors has created a new challenge. With the increased expectations of clients, there has also been a corresponding increase in the quantity of demands made on advisors, which has further increased the burdens of providing decent customer service as well as paying for the expanding expenses necessary to meet these mounting expectations.

Is hiring, training, and supervising new staff the right answer? We don't think so.

What Exactly Is Investment Management Outsourcing?

Investment management outsourcing means an advisor delegates some or all of their investment activities to a third-party fiduciary investment manager. This professional wealth management company provides a range of curated portfolios with specific investment strategies the advisor can use for investing their clients' assets, based on each client's expressed financial goals.

The investment management outsource provider maintains continual active monitoring of all strategies and investments, bases portfolio construction on academically sound investment philosophy, provides preconstructed portfolios that satisfy a wide range of client goals from saving to wealth accumulation to retirement income, and offers customized portfolios for investors with unique needs, such as high-net-worth clients.

When selecting an investment management outsource provider, it's an advantage to choose an investment firm that broadens the available portfolio choices so there is a greater variety of options for your clients.

When you have a larger variety of portfolios that are attractive to a different niche of investors than you currently serve, such as portfolios for investors interested in real estate, precious metals, energy, faith-based investments, and environmental, social, and governance (ESG) portfolios, you have a wider net for new clients.

Expanding your portfolio choices through the larger resources available from an investment management outsource provider means improved client opportunities because you and your firm become more attractive to new clients who might not otherwise be interested.

What If You Don't?

When you are your own firm's portfolio manager, there are a host of items in which you or your investment team must be fully accomplished. You will need to establish an investment philosophy based on standard industry practices, and construct investment portfolios that rely on objective research, data, and analysis that create atypically diversified portfolios.

You will need to keep these portfolios well-positioned through continual market ups and downs with a proven, time-tested, repeatable investment process.

How well-versed are you on fundamental analysis versus technical analysis, active investing versus passive investing, strategic investment versus tactical investment, and asset allocation versus focus investing? How willing are you to risk your clients' investment wealth by making investment decisions on their behalf?

Successful investing depends on the integration of your clients' unique circumstances and the prudent identification of long-term strategies designed to achieve client goals with the greatest probability of success. Your portfolios will need to adapt to all market conditions with the best opportunity for risk-adjusted returns.

You will need to meet with each of your clients and identify their level of comfort with risk and return, their reasonable financial goals, and then you or your team will have to carefully monitor and adjust the portfolios to meet your clients' expectations.

You may not be able to interest clients if you only have a small handful of portfolios; you will probably need at least a dozen portfolios that focus on different investment interests ranging from conservative to aggressive. You will have to be proficient in your knowledge of bonds, stocks, ETFs, domestic and global investment opportunities, and specialties such as precious metals, futures, cash instruments, etc.

The bottom line is that you'll need to present your portfolios to your clients with confidence and fiduciary integrity, and be able to answer questions that assure each client that their investment with you is safe and likely to achieve its stated goals.

How prepared are you to do this? Are you willing to have you or your team put in the daily, weekly, and monthly time to achieve results that satisfy your clients and retain their business?

Wouldn't it be easier to outsource your investment management services?

How much time and expense would you save if you did, and how much of the time you'd save could you invest instead on improving client relationships and attracting new clients that grow your business?

Successful money management is anything but easy. As a Registered Investment Advisor, you are a fiduciary. Your first responsibility is to the interests of your clients. This means doing your best to meet their financial objectives within their risk tolerance.

Are you prepared for that?

This is an area in which Synergy Asset Management excels.

What If You Do?

The benefits are obvious.

The key specific and immediate benefit is regaining your professional time for the primary tasks of maintaining solid client relationships through an enhanced client experience which in turn improves client retention, and just as importantly, acquiring new clients which accelerate the growth of your business.

Other benefits of outsourcing the investment management component are:

1. Time to improve or add other value-added services clients want and expect

2. A decrease in personal stress levels

3. The availability of specialized portfolios for clients with particular needs and unique financial goals

4. The ability to interest high-net-worth clients

5. Easier compliance and audit processes

6. Advances in business valuation

7. An increase in AUM

8. More personal income

9. A decrease in operating costs

10. A stronger and more efficient firm

11. Increased confidence with improved portfolio oversight through a larger team of dedicated professionals monitoring investments and maintaining portfolio strategies

12. More value and better investment solutions for clients

13. Broad improvement across the entire business spectrum when the burden of investment management tasks is assigned to an outsourced provider

14. Increased client referrals

15. A reduction in customer service costs

16. A reduction in HR costs

17. A reduction in office service costs

18. A reduction in insurance costs

19. A reduction in IT costs

20. Enjoying life more.

Among all these startling and welcome benefits, the single most powerful benefit advisors receive from investment management outsourcing is having additional capacity with the time they regain for improving and building relationships with clients, seeking and developing additional business opportunities, having extra time for family, and having fun with personal activities.

Time is irreplaceable, and having more of it by releasing investment management to professional fiduciary experts can generate all these wonderful benefits for you, too.

Let's Demystify a Myth

There are a number of myths about outsourcing that are inaccurate, but there's one about investment management that should be discounted here. That's the myth that outsourcing investment management is expensive, which is simply not true. In fact, the reverse is true.

Though there are fees for investment management outsourcing, this cost should be viewed in context. When you consider how much time you're saving for other important activities, and the amount of time your staff will also regain, and the expenses you'd have to pay when you increase the size of your staff for

market analysis, trading, monitoring, and reporting, you'll find, as many advisers have, that outsourcing investment management will save you money.

Also remember that since you will now have more time to focus on client satisfaction, retention, and attracting new clients, you should expect an increase in AUM, more personal income, less operating costs, and a higher business valuation.

When you delegate investment management to an outsourcing firm, you eliminate the in-house research and investment activity costs. The results should be a net gain for your firm … with reduced costs, reduced stress, and more wealth overall. Most advisors who outsource investment management claim the costs are reasonable, and even less than expected with a net gain.

Pick a Winner

Advisors who choose Synergy Asset Management and the SAAM™ program are enthusiastic about the benefits they receive when they outsource their financial management component.

Synergy Asset Management is an innovative fiduciary firm with years of experience with providing investment outsourcing solutions. This expertise has helped us establish a comprehensive program tailored to your needs and the needs of your clients. You can regard us as an extension of your team, complementing your firm's activities.

We have a dedicated team of market and investment professionals, and we continually invest in the right people, systems, and technologies that help you achieve steady success. We are proactive with our advice, and use advanced technology

which tests the likely outcome of investment decisions; we can execute changes quickly and efficiently to capture market opportunities when required.

Acting as your Chief Investment Officer or Outsourced Chief Investment Officer (OCIO), Synergy Asset Management provides oversight of all investments.

We are a skilled provider with superior resources and employ our expertise and implementation with day-to-day attention. We employ and maintain a strong governance process that keeps our portfolios honed to their respective goals.

Given the increase in client expectations, your firm has increasingly less time for activities that aren't core to your business. For example, a public water utility should focus its time on water treatment and resource management rather than managing employee 401(k)s.

Synergy Asset Management employs a dedicated team of in-house specialists who provide market oversight and strategic investment advice for all market opportunities on a global scale. You can be confident that your fiduciary duties and responsibilities are competently shared by Synergy and consistently met.

With all the unexpected events happening in the financial realm and the multitude of challenges faced by corporations of all sizes in all market sectors, investment management shouldn't be a professional concern of yours. Consider partnering with Synergy Asset Management, a fiduciary expert who can improve your firm's governance, eliminate resource limitations, and decrease your cost of doing business.

This will help your firm not only stay competitive, but also give you an edge in the market as you offer a variety of strong, well-performing portfolios that extend your reach, improve your perceived value, enhance your product range, and expand your service capabilities.

Access to Expertise

Think of this from your clients' perspective. They don't really care how much time you put in every week, or how much time your staff spends analyzing, monitoring, and trading. All they really care about is that you're available for a conversation when they call you, and that their wealth is protected and increasing.

Investment management is time-consuming and expensive when done in-house. Unless you really love this component in your role as a financial advisor, your clients, your RIA, and your family will be better served outsourcing this critically important task to experts who spend their entire professional day, week, month, and year focused only on this single task.

Synergy Asset Management's singular mission is to help you grow your business, a result we can achieve with you when you join us and let us be your firm's wealth manager. When you delegate your investment management component to our outstanding outsourcing firm, you've taken a huge step forward, improving your client service and choosing a higher quality of life for you and your family.

Final Thoughts

Your destiny is in your hands, and you can decide to continue down the traditional path of conducting financial management in-house, or you can decide to take advantage of the many benefits that quickly become available when you outsource

money management to a qualified and highly respected wealth management provider.

When you think about it, as a traditional financial advisory firm, you are already outsourcing many of your activities and fiduciary responsibilities to the giant investment institutions, so outsourcing to an independent fiduciary firm isn't much different … except for one very significant detail.

With an independent fiduciary firm like Synergy Asset Management, you have immediate and direct access to their team of investment experts, people you will come to know, like, and trust. When was the last time you had a chance to speak with the portfolio manager of Fidelity's Large Cap Growth Index Fund? Instead, at Synergy, this is the kind of availability and service you can expect and will come to treasure when you work with Synergy Asset Management.

Chapter 11, Lessons Learned

1. Traditional financial advisory services have changed in the last 10 years, focusing now on providing a more holistic approach to financial planning.

2. Building client relationships by being available and more proactive with your clients improves the client experience and results in a higher level of client retention.

3. Investment management requires a high degree of expertise and experience. This activity is highly time-consuming and costly when conducted in-house.

4. There are many significant benefits to outsourcing investment management.

5. Time that is regained by outsourcing investment management can be applied to building client relationships and expanding your program for more client acquisition.

6. Synergy Asset Management is an experienced wealth management outsource provider with a team of high-level financial analysts and traders who analyze, trade, monitor, manage, and report, while also keeping all 22+ portfolios focused on their investment objectives.

Chapter 12

Outsource or In-House: Which Is Best For You?

Chapter 12 Objectives

You will:

1. Appreciate the importance of outsourcing some or all of your financial firm's tasks.
2. Confirm that the key to your business success is improving client service and acquiring new clients.
3. Gain insights on how you and your business can benefit by working with Synergy and the SAAM™ program.
4. Reflect on the value of the SAAM™ program and how it will be effective in your business and maximize your success.
5. Discover the two ways you can partner with Synergy for professional money management and business support.
6. Learn about all the other outsourcing services Synergy offers to improve your client relationships and grow your business.
7. Recognize the many ways your clients and future clients will benefit from Synergy's "Precision Investing" methods and customized client services.

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Being an independent RIA does not mean you have to go it alone and do everything all by yourself. You can scale your business

in partnership with firms such as Synergy Asset Management. Outsourcing can save you time, money, and give you the freedom to focus on what you love to do instead of always being tied down and doing what you have to do. This is a new kind of financial advisor empowerment, available through Synergy's SAAM™ program.

There is only so much time in a day, a week, a year. Your business is likely to be more successful when you outsource some, many, or all of the necessary but time-consuming tasks so you can focus instead on what you do best, and assign the activities you don't want to do to outsourcing firms that have the expertise, resources, and the team to do the job better.

Introducing Synergy's SAAM™ Program

Synergy Asset Management, LLC is an SEC Registered Investment Advisory firm headquartered in Bellevue, Washington, just outside Seattle. Our unique specialty is providing independent financial advisors like yourself with comprehensive investment management services and a plethora of resources and programs that make your professional life easier.

Our relationship with you and your firm is both independent and interdependent. Working as a team saves you hours and hours of time from having to do all the necessary but distracting tasks.

Instead, you can focus on using your time more efficiently by acquiring more clients and adding more value to your business, steadily generating additional income for you.

To help you better serve your clients, Synergy accepts the role of administrator, managing money, trading, reporting, billing,

and communicating current market events while you focus on your revenue-generating strengths of client acquisition, financial planning, and customer service.

We have only one purpose, and that is to help RIAs grow their business. Your success and the satisfaction of your clients is our highest mission. We are here to serve you and your clients, and as all our RIA advisors know, we provide the best personal service and technology available in a professional, timely, and superior manner.

In a Nutshell

Developing and managing a fiduciary financial services company in today's regulatory environment is time-consuming, challenging, and complex. To successfully deliver high-quality professional money management, insurance, and financial planning services to your clients, you need to hire the right team. The key to your business success is providing exemplary services to your clients, and continually acquiring new clients who increase your firm's revenue. The SAAM™ program is specifically designed to help you do these two essential tasks. We believe everything else should be outsourced.

The Power of the SAAM™ Program

Our team has created and refined a process that serves financial advisors by optimizing the way they deliver professional money management services to their clients. We call it the SAAM™ program.

The SAAM™ program helps financial advisors discover, design, and deploy their unique financial planning skills into a business structure that maximizes their success. Our method keeps you in control, minimizes fees, and enhances the way you do business,

ultimately providing you and your business with a sustainable competitive advantage while also providing your client with proficient, effective portfolios that guard and extend their wealth.

How We Offer SAAM™

We know one size does not fit all and establishing and maintaining a healthy business culture is imperative to your success. Therefore, our SAAM™ program offers two ways you can partner with us for professional money management and business support. We can help you build your own independent RIA, or we can connect you to one of our preferred advisors who will meet all your business needs.

Most firms offer one or two of these alternatives, but Synergy offers both, allowing you to select the exact services you want while having the freedom and support you want.

As an Independent RIA

If you are an RIA who is attracted to becoming independent and want to set-up your own registered investment advisory firm, or already have an independent advisory firm, this is the right choice for you. You stay in complete control and build your business with Synergy supporting and guiding you through the entire on-boarding process. We have a team of fiduciary experts who coach you, and once your firm is on board, we remain behind the scenes as your new practice's wealth manager while you develop your business exactly the way you wish, choosing only the SAAM™ services that are right for you.

As a Partner RIA

This choice is for the independent RIA who either wants to join an investment firm or may already be in a firm and wants to access the multitude of SAAM™ services. If the thought of taking on a full set of management issues disinterests you, such as making strategic and tactical decisions or being responsible for compliance, Synergy can help you find an existing and welcoming RIA investment firm, one of the many firms already in our preferred network throughout the United States

Also, if you are presently an RIA at an investment firm and want to use our services, Synergy will engage in the approval process with your current company so you can partner with us. Either of these choices is a good way to access the many unique and customized services Synergy offers through the SAAM™ program.

Stay Focused on the Big Picture

Think of yourself as an architect designing a building. Clients expect you to create the design that results in a building with a strong foundation, supporting framework and walls, and a solid roof. They don't expect you to pound the nails, but they do rely on you to work with a team of professionals that get the job done correctly under your direction, making their future a reality.

With Synergy Asset Management, you have the team you need to get you beyond the "fancy job" and become a business owner building a company with lasting and outstanding value that benefits your clients, and also benefits you and your family.

Depending on your business needs, we can either share or assume fiduciary responsibility by managing your clients' investment funds, performing best execution trading, managing

the billing process, preparing all required reports, providing expert financial research and analysis, supplying exceptional marketing materials, and producing insightful whitepapers and webinars that educate your prospects and clients about investment concepts, strategies, and relevant, timely information. The choice is yours!

We have also developed and continue to develop custom financial software that helps you address client goals and concerns while strengthening client communication. We relieve you of your many obligations, freeing you to concentrate on the details of serving your clients; the result of Synergy's fiduciary and business services support will be evident with the ever-increasing financial success enjoyed by yourself and your family.

Figure 6: SAAM™ Benefits

The Many Benefits of SAAM™

The Strategically Aligned Asset Management program (SAAM™) helps you in many significant ways:

1. You will now be able to offer more services and investment products to your clients.

2. You regain important professional time to focus on your primary mission: serving your clients and acquiring new clients.

3. Synergy provides professional, fiduciary money management based on standard investment practices, but with our own unique proprietary capital market assumption methodologies rooted in unbiased, objective research built for the long term and managed with the key I always focused on limiting risk.

4. You reduce professional stress by assigning necessary but unwanted tasks to Synergy.

5. You have a team of fiduciary professionals available at all times.

6. Your clients will benefit from Synergy's 22+ "Precision Investment" portfolios. Our strong research and analysis department reviews market information daily so your clients' portfolios are carefully and periodically adjusted to meet performance expectations while keeping fees to a minimum.

7. We gladly accept the responsibility for trading, reporting, billing, and communicating with your clients.

8. We have a unique marketing program to help you grow your business.

9. You remain in complete control as the primary relationship with your clients.

10. We offer continuing education to you and your team to keep your credentials current, and we also offer educational programs that enhance your relationship with your clients.

11. We provide comprehensive support and training on any aspect of the SAAM™ marketing program.

Whether you are a new RIA, an established pro, or an advisor in transition, we'll help you confidently scale

Your Role	Synergy's Fiduciary Services
Compliance	Professional Money Management
Financial Planning	Trading
Client-aquisition marketing and sales	Reporting
Operations and Practice Management	Billing
Insurance	Communicating
	Continuing Education
	Research and Analysis
	Best Execution
	Overlay Management

Figure 7: Two fiduciaries, two complementary sets of responsibilities.

and grow your business while enhancing your clients' experience. You remain in complete control as the primary relationship with your clients; Synergy is your back office

support team, propelling you forward and always helping you excel.

By removing the burdens of many time-consuming and distracting tasks, you stay competitive, ready to advance your business to ever-increasing levels of success. Our communication is excellent, and you will quickly come to regard us as a valuable strategic resource and an extension of your own in-house staff.

High Quality Marketing Materials

We want you to focus on the activities that add the greatest value to your practice, and one of the two core activities of your business is acquiring new clients.

To assist you, Synergy has developed an RIA marketing program which we call the Synergy Aligned Asset Management™ program or SAAM™. This is a 5-step marketing program designed to attract and secure new clients for you.

Step 1. We will write a 140-page book about your financial services practice. This book informs prospects about your story, gives details about your value as an advisor, and emphasizes the benefits of hiring your firm as their financial advisor.

We have an in-house writing and publishing team prepared to interview you and write, edit, and publish your book. Completion takes between 3 – 6 months depending on your availability. Becoming an author helps you stand out in the market, and your new book is an excellent way to attract attention, generate leads and acquire new business.

Step 2. Once your book is completed, our writing team will create a workbook based on your book that you can use in online

or in-person workshops. The point of the workbook is to engage your prospects in discussions and activities that lead to an awareness of your firm's value, and motivates your prospects to become your clients.

Step 3. We also prepare a PowerPoint presentation based on your workbook that you can use during your online or in-person seminar. This further enhances the workshop experience, assuring your value as an expert.

Step 4. A simple 4-page whitepaper based on highlights of your practice will be created as a calling card or leave-behind that you can give to prospects either in person, or through your website.

Step 5. The Synergy Aligned Asset Management™ program will also design and create a click funnel website you can use to attract prospects and direct them to inquire, gather information about your valuable advisory services, and offer workshop dates for sign-up.

Step 6. While not actually part of the Synergy Aligned Asset Management™ program, we can also recommend SEO marketing experts who can help you drive qualified traffic to your website.

But Wait! There's More!

Successful marketing requires reaching out to prospects with an effective message, so in addition to the SAAM™ marketing program you also regularly receive high-quality marketing materials and webinars for attracting prospects and engaging your clients. Qualifying advisors receive customized materials and may request co-branded written intangibles such as brochures and specialty whitepapers.

In addition, we also offer branding services that encompass a variety of ghostwriting and publishing options, so should you want materials written specifically for your firm such as having older documents refreshed, choose to offer blog posts on your website, want another professional book that's dedicated to a specific product like insurance or 401(k)s, our writing and publishing team is available to expand your marketing success.

SAAM™ Communication and Educational Materials

And, qualified advisors may receive:

- Weekly, monthly, quarterly, and annual market letters and videos sent directly to your clients, white-labeled with your name, logo, and brand.
- Investment Policy Statement (IPS) design software.
- An online performance reporting system.
- Management consulting and valuation services.
- Continuing education programs.
- High-level advanced financial planning consulting for high net worth clients.

Investment Philosophy and Portfolio Introduction

At Synergy, we always strive to manage clients' money exactly as if it were our own. This means investing for the long-term and relying on objective research, data, and facts that create atypically diversified portfolios. To keep our exemplary portfolios well-positioned through continual market ups and

downs, we use a proven, proprietary and time-tested, repeatable investment process.

Successful investing depends on the integration of the investor's unique circumstances and the prudent identification of long-term strategies positioned to achieve client goals with the highest probability of success. Our primary goal is providing clients with adaptive portfolios built for all market conditions with the best opportunity for acquiring the risk-adjusted returns clients wish to achieve.

With our Precision Investing process, clients determine the level of risk and return that makes them comfortable, and then our portfolios, which are specifically designed to achieve each investor's predetermined financial goals, are carefully monitored and adjusted to meet client expectations.

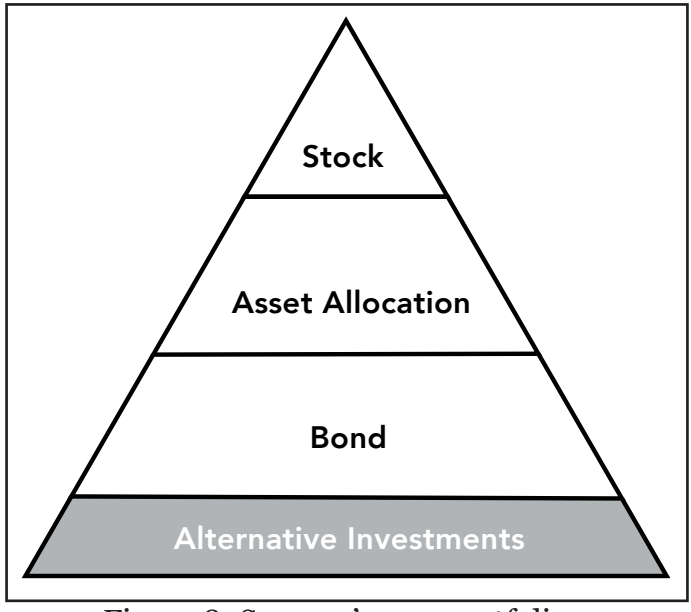

Figure 8: Synergy's 22+ portfolios.

Synergy has created 22+ portfolios built for all risk and return temperaments. These portfolio strategies help your

clients achieve their wealth accumulation, preservation, and distribution goals.

Each strategy is dynamically monitored, continuously measured, evaluated, and backtested to ensure investing success by our professional, licensed and certified financial team.

As market conditions change, we maintain portfolio efficiency by adjusting the portfolios to best fit their objective. Regardless of market conditions, one of these portfolios, or a combination of portfolios (core-satellite approach), will be a perfect fit for any and all of your clients.

Precision Investing with Synergy Asset Management

Synergy Asset Management brings fee-based advisors a complete set of professional resources from an independent, experienced investment team, delivered through portfolios harbored at Charles Schwab/TD Ameritrade and Interactive Brokers, and others.

Precision Investing is a claim we don't make casually. We are very deliberate in our portfolio construction, and each of our 22+ portfolios has a specific strategy and goal. Whether your clients seek the preservation or expansion of wealth, or desire diversified or focused investing, or prefer conservative or aggressive investment styles, our fleet of 22+ uniquely designed portfolios achieve the results your clients desire – while building your business and generating more income for you.

We build our portfolios using groundbreaking asset class research and our own proprietary capital market assumption methodologies. Every portfolio we create is rooted in unbiased, objective research built for the long-term, and managed with

a keen eye always focused on limiting risk. Portfolios are developed using an independent global data and institutional research process.

Final Thoughts

Synergy Asset Management offers independent RIAs an exciting opportunity. Our team of professional fiduciary experts will help you grow your business with the SAAM™ program by restoring the professional time you currently spend doing necessary but time-consuming tasks so you can reinvest your time by acquiring new clients; we provide a wealth of client-facing services that improve your clients' experience, expanding client knowledge, client services, client products, and client retention.

Synergy also offers the 5-step SAAM™ marketing program that enhances your professional profile in the market, branding you as a financial expert with a book about your practice, a workbook you can use in workshops, a PowerPoint presentation, a whitepaper for prospecting, and a click funnel website. This program is designed to capture interest and direct inquiries that turn into prospects who convert into clients.

Synergy's management team is composed of seasoned professionals with decades of investment and client service experience. Our dedication and ability to provide expert financial and product support to our Registered Investment Advisors is second to none.

With Synergy Asset Management, you receive the steady, daily advocacy that makes all the difference, keeping your clients informed, satisfied, and loyal while simultaneously liberating you from the distracting tasks that divert you from your highest and most lucrative performance.

You will not find more customized, personalized service than with our client-centered financial services company. We are completely dedicated to serving our RIAs and their clients with our unique and specialized 360° financial services in every area of investment and business consulting.

With Synergy as your strategic ally, you are assured of the highest degree of client services and RIA business development, providing you with the opportunity to explore the height of your talents while earning the revenue of your dreams. You now also have the option to create a legacy you can leave behind when it's time to retire.

One or more of Synergy's 22+ carefully crafted portfolios will achieve the results your clients desire – and also serve your goals of client satisfaction and ever-increasing revenue. Advisors who use our portfolios have access to regular portfolio updates and market commentary to keep lines of communication open with their clients, including the variety of other services mentioned, such as newsletters, videos and webinars.

Now that you know the value of Synergy's SAAM™ program, what are you waiting for?

Chapter 12, Lessons Learned

1. A financial advisor's time is important but limited. Aligning with a company like Synergy provides you and your clients with expert professional money management and business support that saves valuable time and improves client services.

2. Synergy's SAAM™ program offers a buffet of products and services that can strengthen your advisory practice and performance while increasing client acquisition.

3. The 5-step Synergy Aligned Asset Management™ program gives you a turnkey marketing program that will establish you as an authority and generate a steady flow of inquiries, prospects, and new clients.

4. Outsourcing the responsibilities and tasks you do not want to do makes you more available for the tasks you love and want to do.

Chapter 13

Transitioning Your Clients

Chapter 13 Objectives

You will:

1. Learn how the Synergy Transition Team can expedite your transition to a new level of independence.
2. If you are transitioning from your current advisory firm to independence, understand why communicating with your clients about your impending transition is restricted until after you have transitioned.
3. Possess introductory knowledge about the business transition services Synergy provides all our RIAs and IARs.
4. Learn about the Synergy Broker Protocol that protects you and your clients during the transition period.
5. Read about some of the details the transition letter to your clients will contain.
6. Know why it's important to evaluate your client mix when you're planning a transition.
7. Discover the value of the Synergy Playbook and the business transition services.
8. Find out how quickly your clients can begin the transition process.

* * * * * *

Once you've made the decision to align your firm with Synergy Asset Management, the onboarding process for your clients becomes the primary focus of Synergy's transition team, a group of fiduciary experts who make your transition clear and expeditious.

Synergy Asset Management has been instrumental with providing independent RIAs with a new level of independence and service, and, as well, helping many RIAs transition from their current affiliation into the exciting new phase of business independence. We understand how important it is to carefully plan your transition by defining the outcome that is best for you and your clients. Our transition process, founded on our knowledge and experience, is designed to facilitate your steps to independence while protecting every aspect of your business.

If your situation is that you will be leaving your current advisory firm and becoming independent, we've created a Synergy Broker Protocol that protects all parties during your transition. One of its tenets is acting in good faith when you leave your current advisory firm. As you may already know, this means only taking with you certain information, and not soliciting your clients prior to your resignation.

You may wish to consult your legal counsel to better inform you about your legal obligations before your transition.

Communication Plan

As you prepare to make your transition, it's important to know what you can and cannot discuss with your clients. Because of your unique situation as a fiduciary, or under the auspices of a fiduciary, you could introduce unnecessary risk to your client

relationships. This is why a conversation with the Synergy transition team is so important. We can advise you about all your marketing and client communication responsibilities and materials.

As you prepare to resign, our team will help you develop your client communication plan so it's ready to be activated upon resignation from your current firm. You will also be guided on how to prepare client transfer paperwork. Our team will help you with the entire process.

The key to a successful transition is good communication with your clients. Synergy will provide a template letter for you to distribute that explains why you are making the transition to Synergy. This letter answers such questions as:

1. Why are we working with Synergy? The answer is that you believe your firm can provide improved service, additional investment opportunities for clients, and high quality long-term focused investment management with better results.

2. How will Synergy improve your firm's administration of client services? Synergy provides an additional set of experienced eyes and more resources that help you manage your clients' money for wealth preservation and wealth appreciation. This collaboration between your firm has the Chief Wealth Officer and Synergy as your Chief Investment Officer will improve portfolio strategy, portfolio performance, and ongoing financial planning.

3. What services will be enhanced by partnering with Synergy? Clients receive improved performance monitoring and reporting; a new client portal so clients can review their assets and share documents; a personalized investment policy statement (IPS) at precisely targets client needs; exit strategies

and succession planning for clients who own businesses; 401(k) administration for businesses; business valuation and maximization; tax and estate planning with collaboration with client CPAs and attorneys.

4. What are the investment options through Synergy? Synergy offers 22+ core portfolio models that will fit with all ranges of client interest; a new Environmental-Social-Government (ESG) investment portfolio for socially aware investing; plus other specialized portfolios in real estate, bonds, structured notes, and energy.

5. Who will be the custodian for client assets? Schwab is the preferred and widely recognized and respected custodian.

6. When will the transition occur? Depending on your schedule, clients can begin transitioning as soon as you inform them.

Before distributing this initial message, it's important to first evaluate your client mix and determine which clients are likely to fit into the new Synergy culture. Not every client will transition because some simply don't like change, even though they will need to make a change to a different advisory firm. Of course, you will need to advise them on how to make their transition, even though they are not joining you at Synergy.

A good way to ensure that most of your clients will transition is to contact each of your clients, either personally or with a staff member with whom they are familiar, and have a conversation about the impending transition, listen to their objections, calm their fears, and focus on the benefits they'll enjoy by joining you at Synergy.

This should assure you that most of your clients will transition with you. Remember that most people need some time to

prepare their minds before there is a big change, especially one that involves all the fears and hopes of their finances.

Once you've identified the clients who are willing to experience the enhanced benefits of your firm's strategic alliance with SAAM™, your clients will need to process the usual paperwork. There are contracts and compliance forms that need to be completed. Even though this may appear scary and daunting, Synergy's transition team and the custodians have done this many times and will make this task relatively easy. We are always glad to assist and will help with your adoption of the SAAM™ model.

You and your staff will need to learn all the new protocols at the custodians, and all the other details of becoming established with Synergy Asset Management. We'll share Synergy's Playbook with you, which provides all the details for advisor and client onboarding. The process is not that difficult and will soon become familiar and then comfortable.

Here is a general outline of what we provide independent advisors and advisors who are establishing their independent RIA firm for the first time:

Business Transition Services

Among the transition services Synergy offers are:

1. Helping you develop a business transition plan that is customized for your specific situation.

2. Guiding you with organizing account information and preparing essential paperwork to smoothly transition your clients.

3. Providing technical services that train you and your staff for an efficient transition.

4. Executing tasks in a priority sequence that secures asset transfers quickly and easily.

Client Communication and Account Transfers

Protecting your business and your clients during your transition is a critical responsibility. If you are transitioning from your current advisory firm, you must be careful not to violate an existing employment agreement, and also avoid legal risk with improper client communication. Being carefully advised prior to discussing your transition with your clients, either verbally or in writing, is essential.

Our experience over the years has helped us develop best practices to help advisors like yourself make the transition to independence. Our transition team will provide the consultation you need on such important details as:

- Required paperwork.
- The client transfer process.
- Priority handling of all essential details and any unique circumstances.

Our priority goal is to quickly and efficiently transition your clients with our transfer processes, fiduciary controls, and expert staff to ensure your clients' assets are expedited with the least interruption possible.

The Synergy transfer program allows you to choose the day you wish to resign and start your own independent advisory

firm. With the Synergy transition planning process, the option of contacting your clients on the same day you resign, and immediately initiating transfers, should be available to you. The Synergy transition plan and team will capably guide you through the entire process. Our transition team has helped many RIAs and their clients establish their new home at Synergy Asset Management, and we know exactly what to do to make all your clients welcome and appreciated.

Bottom line, you'll be able to provide a higher level of financial advice for all your clients, outstanding portfolio performance throughout the range of client preferences with Synergy's 22+ proprietary portfolios, new investment and client service products, better market monitoring, analysis, and trading, exceptional client communication, a better client experience in every conceivable way, and more time you can dedicate to growing your business.

With the experience and talent of Synergy Asset Management, the SAAM™ program of RIA and client services, the SAAM™ marketing program and the dedicated team of transition experts ready to assist you and your clients, your professional life and personal lifestyle are about to improve dramatically.

Let's step into your future together!

Final Thoughts

Synergy Asset Management is an experienced fiduciary outsourcing firm that's transitioned RIAs and IARs into a professional life of advisory independence, and provided exceptional services, products and support for our client advisory firms and their fiduciary clients.

If you are already an independent RIA advisory firm, we are prepared to help you improve the services you provide your clients, and if you are wanting to become independent, we can help you transition into your own new advisory practice. Everything is waiting for you and we can get you started on this exciting and lucrative path as soon as you wish. The benefits are enormous for everyone: your clients, your family, and you. We hope you see your future clearly outlined in this book, and we would love nothing more than to help you step into the future you see.

Contact us today if you would like to discuss the opportunity of joining the Synergy family and outsourcing some or all of the tasks you would rather not to do, restoring additional time and energy in your professional life to build your business faster while you spend more time doing what you love.

Chapter 13, Lessons Learned

1. Synergy has the experience and expertise to efficiently transition IARs from their current firm to their own independent firm.

2. Synergy has a transition team that can expedite your independence as an investment advisor.

3. Communication with your clients prior to transition is restricted.

4. Synergy has a Broker Protocol that protects you and your clients during the transition period.

5. It's important to evaluate your client mix when you're planning a transition.

Chapter 14

Harness the Power of SAAM™

Save Time and Money: Outsource Your Investment Management Services

Executive Summary:

Key points for understanding the importance and value of outsourcing your RIA services:

1. Demands on advisors' time is steadily increasing, from rising client expectations to the steady increase of administrative burdens.

2. Investment management outsourcing is a powerful but often unrecognized way to increase a firm's capacity … and its bottom line.

3. Advisors who use outsourcing emphatically assert they regained significant time, lowered their stress levels, and built stronger relationships with their clients.

4. Outsourcing has lowered their firm's costs, increased their personal income, and resulted in more AUM.

5. Benefits of outsourcing correlate directly with the number of assets they outsource.

6. There are myths and misconceptions about outsourcing.

7. Though outsourcing may not be right for every advisor, outsourcing is an opportunity that helps many advisors achieve both their business and personal goals.

8. Not all outsourcing firms are equal, so it's essential to work with an investment management firm with proven expertise and broad experience.

9. SAAM™ (Strategically Aligned Asset Management) could be the perfect outsourcing program for your business, adding significant benefits to your professional work life.

10. Synergy Asset Management provides all the outsourcing services you need so you have more time to add clients, and build more comprehensive relationships with your existing clients.

The financial services industry is in transition, and more personal service is expected of financial advisors. An increasing number of clients no longer want just a portfolio, but now expect personalized, one-on-one support with continual financial advice and customized planning with constant communication. Clients also want to see real value for the advisory fees they pay.

Client management is not the only task advisors have, as many advisors must also manage their practice and make sure that all the many back-office tasks are properly executed. This includes conducting market and product research, developing carefully vetted client investment strategies, and constantly monitoring portfolios and making changes when necessary.

In addition, advisors must participate in regular professional training and conduct a slew of administrative tasks to remain

in compliance as the regulatory landscape continually shifts. There's a lot to do, and every task consumes precious time, distracting advisors from focusing on one of their most important goals, which is growing their business while maintaining the satisfaction and retention of their current clients through constant communication.

Furthermore, industry competition is increasing and robo-advisors are penetrating the investment advisory industry. This increases the pressure on advisors to dedicate more time and effort to marketing, building relationships, and acquiring new clients. All these factors rob advisors of their most precious commodity: time.

"It's increasingly difficult to serve clients to the best of my abilities because there's simply too much to do and not enough time."

~RIA advisor

More Time Creates More Capacity

Fortunately, the financial services industry has a range of solutions that allow advisors to outsource many daily tasks. New technology helps automate time-consuming or repetitive tasks, and is effective with streamlining workflows that minimize administrative burdens. Advisors can also choose to align with TAMPS (third-party asset management platforms) and receive support with marketing, compliance, and trading to make their practice more efficient. Of course, advisors can always hire extra staff to serve increasing client demands and offer

today's necessary high-touch client experience, but this creates additional burdens with increased staffing, training and payroll.

The value of asset management outsourcing is often an overlooked opportunity. Advisors who need more time to focus on increasing their business, which is almost everyone, can use the expertise of an experienced investment firm and outsource a wide range of tasks such as investment research and monitoring, portfolio construction, making trades with periodic portfolio rebalancing, and provide steady performance reporting.

74% of investment advisors outsource at least some of their investment management, and this number is growing annually.[3]

With the support of a professional third-party asset manager, advisors are able to scale their practice and regain their capacity for the tasks they choose to do because of the extra time they regain. Advisors who regain precious time during their busy day by outsourcing necessary but time-consuming tasks will ultimately find business opportunities they didn't have before because of the additional time they can now invest in marketing, strategic planning, education, etc.

The time that's restored by outsourcing investment management tasks can be dedicated to servicing clients at new and higher levels of expectation, and help you gain ground in the marketplace by adding new clients.

[3] 2021 Fidelity Financial Investor Insights Study

Synergy Asset Management, an SEC-registered investment advisory firm providing business and investment services to independent RIAs and IARs serving their own clients, can help you become an independent RIA or IAR with your own new business ... or, if you already have your own advisory business, we can relieve you of the tasks you choose so you can focus on important tasks you've been wanting to complete. Synergy's SAAM™ (Strategically Aligned Asset Management) program can benefit you, your family and your practice through expert and experienced business service outsourcing.

The Many Benefits of Outsourcing Investment Management

Those advisors who choose to outsource a few or many of their investment management tasks have been rewarded with a variety of important benefits.

Of the financial advisors who outsource, 96% stated they were satisfied with this solution.[4]

When advisors choose to outsource their choice of investment management tasks, they notice significant improvement in their services across the board. When advisors increase their capacity by offloading some of their complicated or repetitive tasks, they have time to improve the value-added services their clients want and expect.

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[4] Gabriel Garcia, Head of Business Management and Strategy for E-Trade Advisor, Think Advisor, March, 2021.

Because of this change in their business operations, advisors develop stronger client relationships, are rewarded with higher client retention rates, and are even able to improve their client-acquisition rates … because they have the additional time they need to expand their business.

"I like to serve my clients in my own particular style, but I was glad I could outsource the money management component."

~RIA advisor

All of these important indicators demonstrate that outsourcing is an excellent way to improve the health of your practice and add to your firm's viability and continually evolving success. When was the last time you stopped and took a look at the health of your business?

Outsourcing Investment Management

Advisors can delegate some or all of their investment management activities to a fiduciary firm like Synergy Asset Management which provides a range and variety of proprietary portfolios with different investment strategies that could potentially be attractive to all the advisor's clients.

As is standard, the outsource provider monitors and adjusts their proprietary portfolios according to their investment team's research and each portfolio's investment policy strategy. At Synergy, we DO NOT automatically change a client's investment allocation without the direction of the advisor. The service fee includes:

1. Continual diligence and active monitoring of each portfolio's strategies and investments.

2. Portfolio construction based on an academically appropriate investment philosophy.

3. Portfolios that serve the full range of client investment needs, from conservative to aggressive.

4. Specialized portfolios for high-net-worth clients with customized needs and unique financial goals.

The key benefit of outsourcing investment management activities is that the advisor regains his or her limited time, which allows the advisor to allocate more attention to other client services or business development knowing that their clients' assets are professionally and expertly managed and continually monitored through periods of market volatility.

Outsourcing results in higher growth for the RIA, and also in the advisor's personal finances.[5]

Advisors who choose to outsource also note their personal stress levels are less, compliance and audit processes become easier, and they see an increase in their business valuation, which improves their firm's eventual sale price and closes the gap with their anticipated future lifestyle.

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[5] The 2021 Fidelity Financial Advisor Community – Outsourcing Study.

Outsourcing also results in an increase of AUM, more personal income, and a decrease in their firm's operating costs.

In fact, advisors who outsource came to the following quantitative conclusion:

One simple but crucial decision within your firm can change everything for the better and deliver what you've always wanted … more clients, satisfied clients, less stress, and more revenue.

The advisors agreed that these important benefits were the direct result of outsourcing their investment management activities, clearly demonstrating how outsourcing this task makes advisory firm practices stronger, more efficient, and worth more value in the marketplace.

Clients also benefit when a larger team of dedicated professionals are managing their investments, constantly monitoring their investments and maintaining the investment portfolio strategies. With outsourcing, an independent RIA can provide his or her clients with a wider range of investments, and even new categories of investments offering investment solutions that might otherwise be too difficult to provide. SAAM™ becomes an extension of your firm and serves as an expert on your team.

"One of the best personal benefits of outsourcing is that I was able to spend more time with my wife and young children."

~SAAM™ program advisor

Almost all surveyed advisors agree that their ability to offer their clients more and better investment solutions through outsourced investment management is greater and gives more value than they could otherwise offer their clients on their own.

Advisors agree that the most powerful benefit they receive from investment management outsourcing is having additional capacity with the time they regain.

They are able to build relationships with their clients, and seek and develop additional business opportunities. The extra time is also useful for relaxing with family and having fun with personal activities.

When you outsource your clients' AUM, you open the door for new possibilities:

1. Improved oversight of portfolios

2. Increased access to a wider range of investment products for your clients

3. Expanding your earning potential as your firm becomes more attractive in the marketplace

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The power of outsourcing also gives advisors more time to be successful with developing client relationships, expanding into new services and products, and enjoying life. We all recognize the value of having more time. Achieving this highly desirable goal is possible with the SAAM™ (Strategically Aligned Asset Management) outsourcing program from Synergy Asset Management.

Even More Benefits with Outsourcing

The more assets under management an advisor outsources, the greater the benefits they receive. By outsourcing most or all of their assets under management, advisors have less stress and more enjoyment of their work as the key metrics of a healthy business continually improve: increasing asset growth, more personal income, and less operating costs.

Another important correlation exists between the amount of time advisors regain and the amount of assets under management they outsource. Advisors average an additional +3 hours per week that can be rededicated to client-focused activities, a critically important factor with client satisfaction and retention.

There is also a time benefit of over +8 hours per week with the outsourcing of other investment management tasks. What could you do with an additional average of +11 hours a week, or +44 hours per month? You can now choose to focus more on your business as well as your family, health, education, current clients, and that hobby you've always wanted to do.

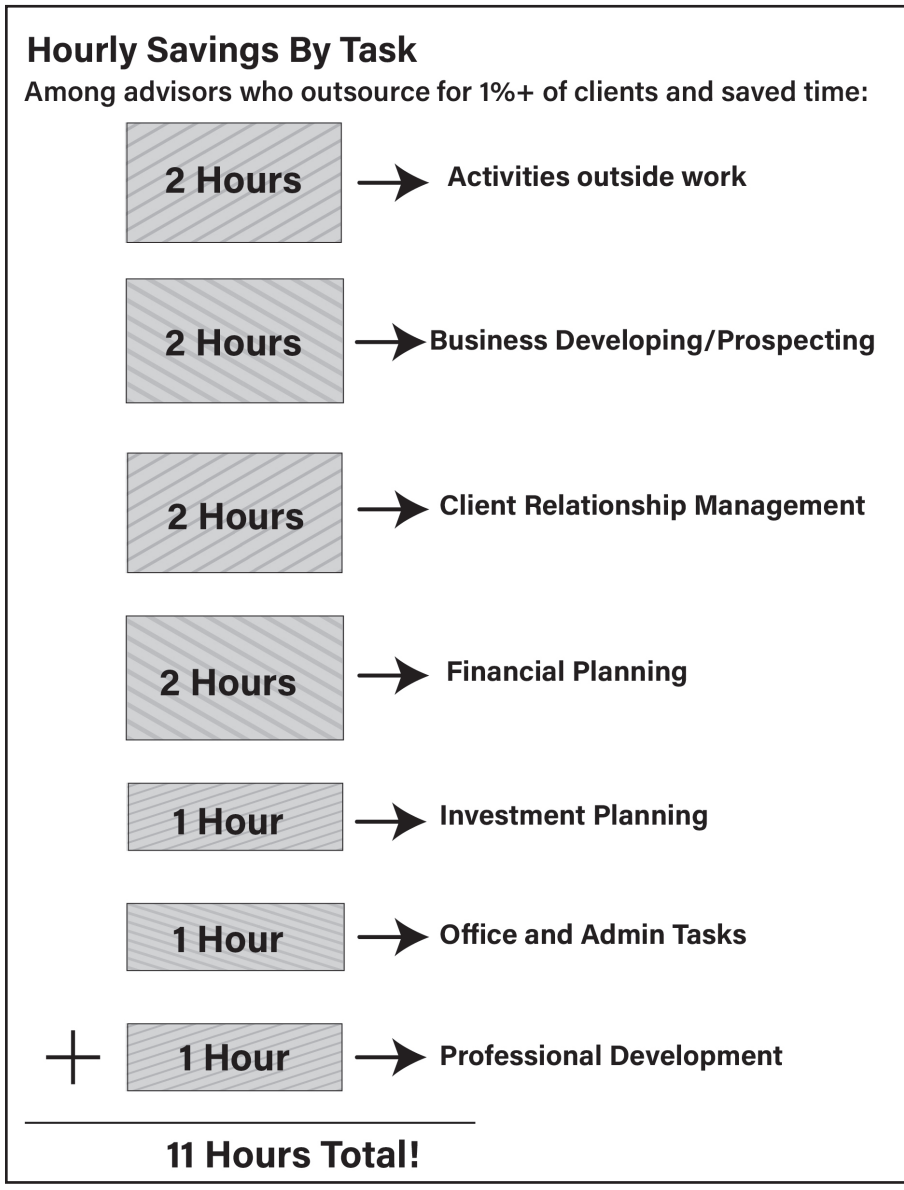

Figure 9: Hours saved weekly by outsourcing.

Five Erroneous Myths About Management Outsourcing

Contemporary data proves that these myths are false!

Myth #1: An advisor's value proposition diminishes with outsourcing.

The reverse is actually true; an advisor increases his or her value through outsourcing. An advisor who outsources all or some of their tasks has more time to meet with clients, and more time to plan new ways to improve the client experience.

Most clients highly value one-on-one advice and want more communication about financial planning services. The interpersonal relationships you establish and develop with your clients are the true source of your success, and outsourcing enhances your capacity to deliver better service by providing you with more time.

Taking advantage of the many investment management services you can outsource, you'll find you suddenly have more investment solutions to offer your clients and attract prospects, giving you the opportunity to expand your services with a wider range of client offerings that increase your firm's bottom line.

You may want Synergy Asset Management to become your CIO, your Chief Investment Officer, and truly become an extension of your firm so you suddenly become capable of handling those high net worth clients you've always wanted to acquire but felt you didn't have the expertise or products to serve.

Myth #2: You have to give up control when you outsource.

It's true that you have to rely on a third-party for investment selections and portfolio construction, but this doesn't mean you have to give up control of client assets. The advisor gives direction to the asset manager on how the portfolio is allocated, all according to their clients' suitability profile. Firms that offer investment management outsourcing provide a wide range of solutions for building and managing investment strategies that align with your clients' goals.

Integrated technology allows advisors to easily compare and choose portfolios to make client investment changes when necessary. Synergy Asset Management's SAAM™ (Strategically Aligned Asset Management) program offers a disciplined approach to investment research, trading and monitoring which frees you up with more capacity for guiding your clients' investment decisions.

"The most important benefit is the extra time I have to speak with my clients and be more available to them. I retain more clients and get more referrals."

~ SAAM™ program advisor

Myth #3: Expect outsourcing to be expensive.

Fees for investment management outsourcing should be viewed in context. When you consider how much time you're saving for other important activities, and the amount of time your staff will

also regain through outsourcing, you'll find, as many advisors do, that outsourcing investment management will save you money in the long term.

Because you will have more time for marketing and improving client relationships, you should also expect an increase in AUM and its correlated increase in your personal income, along with less operating costs and a higher business valuation. When you delegate investment management to an outsourcing firm like Synergy Asset Management, you can eliminate the in-house research and investing activities' costs. The results should be a net gain for your firm … reduced costs, reduced stress, and more wealth overall.

"Because I have more time, I can now work with much larger accounts and provide a higher degree of service that's reliable and meaningful."

~ SAAM™ program advisor

Most advisors claim the costs are reasonable and less than expected, not to mention that the average cost of outsourcing money management is still less than those of the average mutual fund.

Myth #4: You can't customize investments when you outsource.

Even though advisors outsource, they are still able to customize the investment solutions their clients want. That's because the SAAM™ program provides advisors with the opportunity

to customize portfolio solutions using a variety of strategies that create the customized investment approaches your clients expect.

Outsourcing gives you the use of off-the-shelf strategies, but also gives you the option to create client solutions specific to the investment needs of every client.

Investment advisor firms that outsource back-office tasks save money. With outsourcing, you only pay for the services you need, saving money on employee benefits, vacation time, sick days, and training.

Myth #5: Outsourcing consumes more time than it's worth.

While it's obviously true that it takes time to integrate with an investment management outsourcing firm, Synergy Asset Management has years of experience working with RIAs and IARs, and has SAAM™ program advisor-onboarding processes that reduce your administrative burden, transitioning your clients into the right portfolios. Then, once your clients' assets are repositioned, the time you'll save accrues and grows in magnitude.

With Synergy, constant communication is an essential component of our program, the key to staying in front of your clients with current market information and sophisticated content, handling your clients' fears when there's volatility in the markets.

Choosing to Outsource

Most advisors are delighted with their decision to outsource because they see an immediate increase and improvement in the services they offer, the reduction of stress, and the amount of time they can now rededicate to serving their clients better. This includes having more time to conduct marketing activities that attracts new clients and results in increased AUM and firm profitability. Because of their success with outsourcing financial management, many advisors soon decide to outsource additional investment business activities as well, helping them further improve and accelerate the growth of their business.

"The more my firm grows, the more I realize how beneficial outsourcing has been for me."

~ SAAM™ program advisor

95% of the advisors who use the SAAM™ program and choose investment management outsourcing eagerly recommend this program and its benefits to other advisors. As more and more advisors become aware of the advantages of outsourcing investment management with the SAAM™ program, outsourcing will become a standard operating procedure because of the many benefits that support advisors with business development and wealth building for themselves and their clients.

Advisors Recommend Outsourcing with Synergy Asset Management's SAAM™ Program

Advisors who choose Synergy Asset Management and the SAAM™ program are enthusiastic about the benefits they receive. Advisors appreciate the different outsourcing services they can select, and love regaining professional time they can now dedicate to building their practice and having more family time.

> "The outsourcing of trading, data collection and back-office infrastructure keep capital costs in check."[6]

Advisors report less stress and anxiety when complex responsibilities and activities are assigned to an innovative and competent fiduciary firm, and are pleased with the increase in business, client acquisition, client retention, accelerated prospect referrals, the expansion of their practice, and additional personal wealth.

There are a variety of investment management outsourcing firms, so it's important to outsource with a firm that offers you and your clients customized services that precisely fit the needs of your clients and your business. We believe this is the SAAM™ program!

The SAAM™ program's many services help advisors thrive with the careful fiduciary investment management of your clients' AUM, and by relieving you of the burdens of managing the array of an RIA firm's many complex and redundant tasks.

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[6] Portfolio Management in the US, Industry Report 52392: IBISWorld, March 2022.

When you have more time to be with your clients, listen to their concerns and needs, help them understand sensible solutions to their concerns, you help them and your firm navigate a responsible and productive pathway toward their wealth preservation and accumulation.

Outsourcing allows you to do your job better, rewarding you with the benefits of client satisfaction. You decide the legacy you want to achieve; let us help you create the legacy you've always envisioned for you and your family.

With the SAAM™ program's outstanding investment and management solutions, available with state-of-the-art technology and exceptional service, you can help your clients enjoy a better future and develop a more successful practice that benefits you and your family.

Synergy Asset Management's SAAM™ Program

Advisors in the SAAM™ program all responded with positive experiences and notably high levels of satisfaction with increased professional benefits for the following reasons:

1. Highly qualified expertise

2. Saved our company time

3. Better performance/stronger returns

4. Provided the time to improve client relationships

5. Firm productivity increased

6. Superior services

7. Reasonable pricing

8. Offers a variety of fund management platforms

9. Serves as an extension of our practice

10. Excellent track record, experience, and longevity

How Will Outsourcing Benefit You?

We recognize that investment management outsourcing and some of the services provided by the SAAM™ program may not be right for your practice or your clients. You may already be a skilled investment manager who enjoys doing the constant in-depth research necessary for wealth preservation and accumulation, or perhaps you want your staff to be experts with compliance issues and record maintenance.

However, other advisors, perhaps yourself, are seeking relief from specific business activities that are time-consuming and frustrating, and realize that assigning some of these responsibilities will increase the professional time you'll have to spend on the activities you truly love.

Which of the Following Best Describe You?

a. You want more time.

If you are starved for time, outsourcing is an easy way to decrease administrative and back-office burdens. With the SAAM™ program you can choose from a variety of professional services that will return your time, allowing you to grow your practice, serve your clients better, and increase your personal wealth. We offer a multitude of options that can be customized to your specific firm, as we know it's not one-size-fits-all.

b. You want more clients.

When you have more time to invest in marketing, workshops, and improving the client experience, you attract more clients and more referrals. Synergy Asset Management offers a wide range of investment management strategies you can use to meet high-net-worth investors' expectations, in addition to turnkey and scalable solutions you can immediately employ with clients who have less assets and reduced financial services needs.

c. You want to expand your practice.

You can more readily achieve growth when you're not spending all your time on complex business operations. Working with the SAAM™ program, you'll be able to redeploy regained hours every week for marketing, meeting prospects, planning and conducting online and in-person workshops, building client relationships and earning referrals. You'll also save money by outsourcing your business activities. Your time is precious, and so is saving the time and costs of assigning your staff to repetitive or complicated business operations.

d. You want to plan your succession.

It's never too soon to consider your exit plan and build value in your business. Building your practice with sustainable practices, augmented services, and a large client base will place your firm at the high-end of attractive marketable acquisitions down the road when you're ready to retire.

e. You want to enhance the client experience.

Once you regain your precious professional time, you'll be able to invest it with your current clientele, providing additional attention to their needs, offering new services, increased

communication, and more advanced portfolio choices. Client satisfaction is essential to business success, and outsourcing to the SAAM™ program is a key contributor to achieving your professional goals and financial security for yourself and your loved ones.

What would YOU do

with an extra +20% of your time?

I'm inviting you to give me a call to discuss the SAAM™ program opportunity. I'd love to meet you by phone or over a teleconference call so I can listen and learn about your situation, and help you find the business solutions specific to your needs. A better future for you and your family is here! Let's discover it together.

Advisors in our SAAM™ program state they gain a time benefit of over 10+ hours a week, equal to an additional 4+ days per month … which is a minimum +20% increase in professional time per month by outsourcing investment management tasks!

Final Thoughts

We hope you enjoyed reading this book and that it offered some insights on the value being an independent RIA. The demand for RIAs increasing as more people become aware of the availability

of the new brand of investment services, rather than the canned approach of institutional investment practices that largely offered generic investment products and minimal investment advice.

There is a better way, and people realize they can have benefit from the active management of their financial affairs. This is the new horizon the financial advisory industry, and we believe that the best way to provide service to people who are hungry for good wealth management practices will recognize an independent RIAs offer most benefits and the most unbiased fiduciary advice available.

This presents a conundrum for independent financial advisors because founding, managing and making an independent fiduciary advisory firm competitive and profitable requires a great deal of forethought, expert planning, experience advice, and extensive support.

On top of this, with client expectations broadening and accelerating, and independent advisory practice simply can't do it all unless they can afford to support a large and knowledgeable staff.

The solution is clear. The best way forward for independent advisory firms is to align with a fiduciary outsource provider who can the independent practice leverage the breadth of experience and specialties which the outsource provider offers. There are many outsourced services available, not all of which are appropriate or necessary for every independent RIA. This is why Synergy Asset Management offers a broad buffet of services through its SAAM™ program, and recommends that RIA firms choose from the variety available.

If you are not yet an independent fiduciary advisor but want to be, Synergy Asset Management has a transition program that helps you leave your current employer and establish your own independent advisory firm, going into business for yourself. If you are already an independent RIA are feeling overwhelmed by time-consuming and repetitive tasks, and shoes to align with Synergy and relieve yourself of the burden while regaining professional time for the most primary tasks of building client relationships and acquiring clients.

Investment management, in our opinion, is the most time-consuming task of all because it involves considerable attention to analyze the tidal wave of market activity, assess the value of thousands of companies to determine which precisely fit portfolio requirements, monitor performance, engage in time-sensitive trades, keep accounting pristine, and report results honestly.

When you choose Synergy Asset Management, LLC as your SAAM partner, you have a team of specialists whose only focus is to do this work for you and your clients. Once this gigantic chunk of time is restored to you, you then have the opportunity to invest in growing your business, which is in your best interests, and ours.

Synergy serves all your back-office needs through the SAAM™ program, which offers these three primary services:

1. We manage your money. By transferring your clients' AUM to Synergy Asset Management's portfolios, we will do all the analysis, trading, reporting and billing for you.

2. We help you attract clients. When you have more clients, you are more successful, and so is Synergy. We'll help you attract clients in a variety of ways, including the Strategically

Aligned Asset Management™ program, which provides a 5-step marketing curriculum for enrolling prospects who become your new clients.

3. We help you grow your practice. Our decades of experience with increasing the value of businesses through our company's M&A background, we can assure business owners of a positive succession, and help you build your firm's resources and marketable value for a comfortable lifestyle after the sale. Our mission is to help you build more sustainable transferable value that results in a higher after-tax gain, should you decide to sell your practice.

Synergy Asset Management offers significant value, and we hope you're interested in finding out how to get started. You will not find more customized, personalized service than with our client-centered financial services company. We are completely dedicated to serving our RIAs and their clients with our unique specialized 360° financial services in every area of investment and business consulting. With Synergy Asset Management as your strategic ally, you are assured of the highest degree client services and RIA business development, providing you with the opportunity to explore the height of your talents earning the revenue of your dreams.

Your future is calling you, so we'd like you to call us and schedule a complimentary meeting. We believe you will quickly realize that we are a gem waiting for your discovery.

From the entire team at Synergy Asset Management … thank you!

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Appendices

The Problem and the Solution

New RIA Checklist

Family Office Business Plan

About the Author

Disclosure Statement

Appendix A

The Problem and the Solution

The Problem

A financial advisor's greatest asset is their clients.

To serve your clients well and build your practice, you must carefully consider your business operations, fiduciary money management and business risk so you can preserve and enhance your current lifestyle, and also prepare for your eventual retirement. Unless you have maximized your investment and built your practice properly with sustainable competitive advantages and transferable value, you are wasting all your hard work and time.

Unfortunately, most financial advisors spend all their time trying to acquire new clients, leaving little time to concentrate on delivering institutional quality portfolio management services, or developing the capacity of their practice.

The Solution

You may want to consider working with Synergy Asset Management, LLC, a fiduciary RIA that has pioneered an innovative model to help RIAs deliver institutional quality portfolio management services to their clients, and also serve advisors like you by helping you grow your book of clients. The model is called SAAM™!

SAAM™ is a Strategically Aligned Asset Manager. The SAAM™ model is a new process that delivers a better investment experience for clients. We align with top financial advisors all

over the country to deliver portfolios built with reasonable returns, reasonable risk, and over reasonable time periods. As you would expect, the financial planning and investment management processes are integrated. Plus, in addition to our superior money management performance, we believe our marketing and practice management services will quickly amplify your success.

The SAAM™ model is composed of two coordinated and interactive components. You, as the financial advisor for your clients, act as the Chief Wealth Officer, and Synergy Asset Manager acts as the Chief Investment Officer. By working together, the SAAM™ model delivers vast integrated resources to create a unique fiduciary approach to wealth management and rapid practice development.

Credibility

With over 30+ years of thought leadership and professional experience, Synergy's leadership has built and refined processes that substantially help financial advisors grow their book of business.

Synergy Asset Management's commitment to providing expert independent, fiduciary, and institutional asset management services starts with our team members. Our most valuable asset is the skills, experience, and personal attention of every Synergy team member that's dedicated to each of our allied RIA firms.

Our team has a variety of industry-related educational backgrounds and a wide range of professional experiences that serves our advisors and helps expand their revenue.

We believe our strong collaborative approach and ethical commitment to our clients' growth, coupled with our dedication

to professionalism and stellar investment performance history, makes Synergy Asset Management, LLC a renowned success to our clients and the investment industry.

Team Credentials

Leadership includes members of the industry's top financial advisors, certified in every major discipline, including:

- Chartered Financial Analyst (CFA)
- Certified Valuation Analyst (CVA)
- Certified Financial Planner (CFP)
- Chartered Financial Consultant (ChFC)
- Chartered Life Underwriter (CLU)
- Master of Science in Financial Services (MSFS)
- Certified Merger & Acquisition Advisor (CM&AA)
- Accredited in Business Appraisal Review (ABAR)
- Previously held NASD Series 4, 6, 7, 63, 24
- Series 65
- Doctor of Education: Organization and Leadership
- Insurance Broker: life, health & disability licenses
- National Association of Certified Valuators and Analysts (NACVA) partner in business valuation systems

Best Solution

Here are FIVE excellent reasons to consider aligning with Synergy Asset Management:

1. We professionally manage money.

2. We help you attract clients.

3. We help you improve your practice and save valuable time.

4. We enhance your technology stack.

5. We help you keep your clients happy.

Let's consider each of these in detail.

1) We professionally manage money. With our active and dynamic approach, you'll enjoy a fiduciary standard of care that minimizes downside capture and maximizes returns across asset classes during constantly changing market conditions. As an additional level of support, we also offer trading, billing, and reporting services as part of the fiduciary process, which are additional benefits for you and your clients.

2) We help you attract clients. Acquiring new clients and keeping your existing clients happy can be a full-time job, and we have a system for both. Whether it's co-publishing a book with us or delivering high-quality marketing videos, we give you access to myriad materials in multiple media so you capably position yourself as the expert to your clients.

3) We help you improve your practice. We'll save your time and expedite your success by coaching you to a higher level of performance through expert training, powerful tools, time-proven processes and savvy business development. And, when you're ready to retire, we can also help with succession planning, ensuring your clients remain in good hands and your business investment is protected.

4) We enhance your technology stack. In the fast-paced evolving world of financial services, staying ahead of the

curve is essential. At Synergy, we specialize in enhancing your technology stack to propel your business forward. With our expertise, we leverage cutting-edge solutions and innovative tools to optimize your operations, streamline processes, and maximize efficiency. Whether it's implementing advanced data portal systems, integrating financial planning software, or developing custom software solutions, we are dedicated to empowering your firm with the latest technological advancements. You can trust us to enhance your technology stack and unlock new possibilities for growth, enabling you to stay competitive in the rapidly transforming landscape of financial services.

5) We help you keep your clients happy. We know the competitive business environment mandates keeping your clients happy through timely information and customized service. That's why we pay special attention to providing tailored solutions to help you maintain strong client relations and ensure your clients' steadfast satisfaction. Our expertise provides you with comprehensive customer relationship management strategies, personalized communication channels, and efficient client servicing processes.

We always go the extra mile to understand your clients' unique needs and preferences, enabling you to deliver exceptional service that regularly exceeds their expectations. We help you build long-lasting client relationships, cultivate loyalty, and drive accelerated business growth by keeping your clients confident and satisfied … every step of the way.

What's Holding You Back?

Now that you can see the many advantages of working with Synergy Asset Management, let's consider the answers to some common questions:

- **My current money manager seems to be doing just fine.** Remember that it's always a good idea to regularly assess the performance and effectiveness of your portfolio management process. Even if you feel satisfied with your current money manager, it's wise to consider alternative perspectives such as the SAAM™ model; exploring other options often provide valuable insights and may reveal welcome opportunities for significant improvement.

Engaging in periodic reviews and seeking second opinions are proactive steps toward ensuring the best possible outcomes for your clients' portfolios … and your client retention success. Our expertise lies in offering objective assessments, innovative strategies, and personalized solutions that help you optimize your portfolio management. By exploring alternative options, you gain confidence that your client's money is being managed in the most efficient and effective manner, potentially leading to even greater success for both of you.

- **I have never used third party money managers before.** While you may have never had the opportunity to use third-party money managers in the past, it's important to now consider the potential benefits Synergy can bring to your investment strategies and programs. Third-party money managers are professionals with specialized expertise and experience in profitably managing investments and financial portfolios.

By leveraging our decades of knowledge and informed insights, you can tap into a wealth of resources and strategies that are not as readily available to individual investors. Third-party money managers can offer objective perspectives, access to diversified investment opportunities, and tailored strategies that align with your clients' specific financial goals and risk tolerance levels. Exploring the possibility of working with a reputable third-party

money manager can provide you with a fresh perspective and potentially enhance your financial outcomes, allowing you to reliably navigate the complexities of the market with confidence.

- **I am fearful my clients will leave me if I make a change.** It's natural to have concerns about client retention when considering a change in your portfolio management. However, it's essential to remember that clients value transparency, trust, and your ability to adapt to their evolving needs. Communicating openly with your clients about the potential change and the reasons behind it can help alleviate their concerns and reinforce the value you place on their financial well-being.

Highlight the benefits the change could bring, such as access to enhanced investment strategies, improved risk management, and a broader range of financial services. Emphasize that your commitment to their best interests remains unchanged and assure them that you have thoroughly evaluated the potential benefits and risks before considering the change, and you have resolved that it's in their best interests to do so.

By demonstrating your dedication to providing the best possible outcomes for your clients, you can steadily build trust and reinforce the value you bring to their financial journey. Additionally, we believe they will appreciate the uniqueness of the SAAM™ model, and we provide customized marketing materials to help you communicate the value you are adding to their financial health and wealth, and peace of mind.

Picture This

After carefully considering the benefits of SAAM™, it's time to visualize the tangible effect Synergy can have on your practice. Picture this: having a dynamic strategic alliance with a team

of financial fiduciary experts dedicated to enhancing your practice, ensuring efficient operations, and maximizing your potential for growth in the financial services industry. Imagine the satisfaction of keeping your clients happy and loyal through personalized communication channels, robust customer relationship management strategies, and exceptional service delivery.

Envision the peace of mind that comes with exploring alternative perspectives and optimizing your financial management with the guidance of experienced professionals. With our comprehensive solutions and tailored strategies, your business goals now become attainable milestones.

Embrace the possibilities, unlock new opportunities, and experience the transformation that SAAM™ services can bring to your advisory practice ... and join us!

Synergy Asset Management, LLC

Synergy-am.com

206-386-5455

13231 SE 36th Street, Suite 215

Bellevue, WA 98006

Appendix B

New RIA Checklist

Starting and growing your RIA firm offers a path to greater autonomy and control over your career growth. However, let's be clear from the outset—this endeavor is neither easy nor immediate. It's a venture that demands careful consideration and planning.

The importance of using checklists when setting up or expanding a new Registered Investment Advisor (RIA) cannot be overstated. This structured approach provides several significant benefits that contribute to the success and efficiency of the entire process.

First and foremost, checklists serve as a roadmap, guiding RIA founders through the intricate journey of establishing or expanding their firms. Starting or growing an RIA is a multifaceted endeavor with numerous moving parts, from regulatory compliance to business planning and client acquisition. Checklists help ensure that nothing essential is overlooked, offering a comprehensive overview of all the necessary steps. This not only prevents crucial details from falling through the cracks but also promotes a sense of organization and control throughout the process.

Furthermore, checklists enhance accountability and reduce the margin for error. When you have a clear checklist of tasks to complete, responsibilities are clearly defined, and team members or partners can easily track progress and identify areas that may require more attention. This accountability not only keeps everyone aligned with the project's goals but also fosters a

culture of thoroughness and attention to detail, which is vital in the highly regulated and competitive world of RIAs.

Compliance is a paramount concern in the financial industry, and checklists are invaluable in ensuring that all regulatory requirements are met. The consequences of non-compliance can be severe, including legal penalties and reputational damage. Having a compliance checklist ensures that your RIA adheres to industry standards and legal obligations, reducing the risk of costly mistakes.

Moreover, checklists facilitate effective communication among team members and stakeholders. By having a clear list of tasks and deadlines, it becomes easier to coordinate efforts, delegate responsibilities, and provide updates on progress. This transparency and communication are critical for efficient teamwork and can significantly expedite the process of setting up or expanding an RIA.

In summary, the use of checklists in the establishment or expansion of a new RIA is indispensable. They provide a structured framework, enhance accountability, mitigate compliance risks, and foster effective communication among team members. By following well-organized checklists, RIAs can streamline their operations, reduce errors, and increase the likelihood of a successful and compliant launch or expansion.

As you conclude this chapter, you will have in your possession a couple of checklists designed to facilitate the practical application of the knowledge presented in this book. This checklist will serve as a practical tool, equipping you with a deeper comprehension of the essential elements required to initiate your very own RIA firm.

Whether you find yourself at the stage of contemplation or actively pursuing this endeavor, the insights gained here will empower you to make well-informed decisions that shape the trajectory of your professional future.

For those advisors who are seeking comprehensive support and a seamless journey towards establishing their RIA firm, we are thrilled to introduce Synergy's full consulting services which goes up and beyond the SAAM services. When you choose to engage with us for our complete consulting package, you unlock a wealth of resources and expertise that go beyond what's covered in this chapter.

Our commitment to your success extends far beyond the confines of this book. With Synergy's full consulting services, you gain access to an extensive array of meticulously curated checklists, meticulously crafted documents, and a dedicated team of experienced professionals who will work hand-in-hand with you throughout every step of the process.

Here's a glimpse of what you can expect:

1. Customized Roadmaps: We will tailor a step-by-step roadmap to your specific goals and circumstances, ensuring that your journey towards establishing your RIA is as efficient and effective as possible.

2. In-Depth Compliance Expertise: Our team will collaborate with you to identify and engage with experienced compliance experts, offering comprehensive support in navigating the intricate regulatory terrain.

This ensures that your RIA operates with meticulous adherence to industry standards and regulations. This process will provide all the required compliance documents,

including client agreements, disclosure statements, and operational procedures, all designed to streamline your RIA's operations.

3. Business Planning and Strategy: We will collaborate with you to develop a robust business plan, helping you define your unique value proposition, target audience, and growth strategies.

4. Ongoing Support: Our team will remain by your side throughout the growth of your RIA, offering ongoing support, updates, and expert guidance to adapt to the ever-evolving financial industry. The SAAM model seamlessly extends your start-up phase, ensuring a smooth and uninterrupted transition towards sustained success.

By engaging Synergy's full consulting services, you can focus on what truly matters—building and nurturing your RIA firm—while leaving the complex administrative and regulatory aspects to us. We are committed to your success and look forward to helping you achieve your professional goals with confidence and expertise.

So, let's dive in and explore the vital steps and considerations involved in making your dream of owning an RIA firm a reality.

NEW RIA Checklist:

☐ 1. **Educational Requirements:**

Ensure you and your key personnel meet the necessary educational and professional qualifications required to operate an RIA.

☐ **2. Business Plan:**

Develop a comprehensive business plan outlining your firm's goals, target market, services offered, and growth strategy.

☐ Executive Summary:

Write a concise overview of your RIA firm, highlighting its mission, goals, target market, competitive advantage, and key financial projections. This section should provide a snapshot of your business plan.

☐ Company Description:

Provide detailed information about your RIA, including its legal structure, location, history, and the regulatory framework under which it operates. Explain your firm's unique value proposition and long-term vision.

☐ Market Analysis:

Conduct a comprehensive analysis of the market for your RIA's services. Include information about your target market, client demographics, competitors, and market trends. Highlight opportunities and challenges in the industry.

☐ Organization and Management:

Describe the organizational structure of your RIA, including the roles and responsibilities of key personnel. Highlight the qualifications and expertise of your team members, including compliance officers and portfolio managers.

☐ Custodial Selections:

Explain your custodial relationships and why you've chosen specific custodians to safeguard client assets. Detail the due diligence process you've undertaken to select custodial partners.

☐ Technology Review:

Provide an overview of the technology infrastructure you've implemented to support your RIA's operations, including portfolio management systems, client communication tools, and cybersecurity measures.

☐ Product Line and Services Offered:

Describe the range of financial products and services your RIA offers to clients. Include details about investment strategies, financial planning services, and any specialized offerings.

☐ Marketing and Sales Plans:

Outline your marketing strategy for attracting and retaining clients. Discuss branding, advertising, client acquisition channels, and client retention efforts. Highlight your compliance with marketing regulations. Set up website and build content.

☐ Financial Projections and Master Budget:

Present detailed financial projections for your RIA, including income statements, balance sheets, and cash flow statements. Discuss assumptions behind these projections and potential risk factors. Include a master budget that outlines your firm's expected expenses and revenue.

☐ **3. Legal Requirements:**

Choose a legal structure for your RIA, such as a sole proprietorship, partnership, LLC, or corporation.

- ☐ 4. **Compliance:**
  - ☐ Registration Process:

    Register your firm with the Securities and Exchange Commission (SEC) or relevant state securities regulator (usually based on assets under management or location).
  - ☐ Form ADV:

    Prepare and file Form ADV, which is the uniform registration document for RIAs. This includes Part 1 and Part 2A (Brochure).
  - ☐ Disclosure Documents:

    Create and deliver disclosure documents like Form ADV Part 2B (Brochure Supplement) for each supervised person.
  - ☐ Code of Ethics:

    Develop a code of ethics and a set of written policies regarding personal trading by employees.
  - ☐ Compliance Manuals:

    Develop compliance manuals that outline procedures for various aspects of your RIA operations.
  - ☐ Client Contracts:

    Draft client agreements that detail the scope of services, fees, and other important terms. Ensure they comply with regulatory requirements.

☐ 5. **Custody Arrangements:**

Establish custodial relationships for client assets and put safeguards in place to protect against unauthorized access.

☐ Financial Requirements:

Determine the capital requirements for your RIA, which may include minimum net capital and bonding requirements.

☐ Insurance:

Secure the necessary insurance coverage, such as errors and omissions (E&O) insurance, to protect against liabilities.

☐ Recordkeeping:

Implement a robust recordkeeping system to maintain client records, financial records, and compliance documentation.

☐ Cybersecurity:

Develop cybersecurity policies and measures to safeguard client data and sensitive information.

Build your Team:

Securities Attorney: A securities attorney can help you navigate the legal requirements, including registration and compliance with securities laws.

Name	Firm	Phone	Email

Compliance Consultant: A compliance consultant specializes in regulatory compliance and can help you establish and maintain the necessary policies and procedures to meet regulatory requirements.

Name	Firm	Phone	Email

Certified Public Accountant (CPA): A CPA can assist with financial reporting, tax compliance, and auditing, ensuring your RIA's financial operations are in order.

Name	Firm	Phone	Email

Financial Advisor/Portfolio Manager: If you're not a financial advisor or portfolio manager yourself, you may need to hire professionals with expertise in investment management and client advisory services.

Name	Firm	Phone	Email

Technology Consultant: A technology consultant can help set up and manage the technology infrastructure required for your firm, including portfolio management software, cybersecurity measures, and client relationship management (CRM) systems.

Name	Firm	Phone	Email

Compliance Officer: Depending on the size of your firm, you may need to appoint a dedicated compliance officer to oversee compliance matters on an ongoing basis.

Name	Firm	Phone	Email

Operations Manager: An operations manager can handle day-to-day operational tasks, such as trading, client onboarding, and reporting.

Name	Firm	Phone	Email

Marketing and Communications Specialist: A marketing expert can assist with branding, marketing strategy, and compliance with advertising regulations.

Name	Firm	Phone	Email

HR Specialist: If you plan to hire employees, an HR specialist can help with recruitment, hiring, and HR-related compliance matters.

Name	Firm	Phone	Email

Custodian Representative: If your firm uses a custodian for client assets, a custodian representative can help you set up and manage custodial relationships.

Name	Firm	Phone	Email

Insurance Broker: An insurance broker can help you secure the appropriate insurance coverage for your firm, such as errors and omissions (E&O) insurance.

Name	Firm	Phone	Email

Business Consultant: A business consultant can provide guidance on overall business strategy, growth, and operations.

Name	Firm	Phone	Email

IT Security Expert: Cybersecurity is crucial for protecting client data and sensitive information. An IT security expert can assess vulnerabilities and implement security measures.

Name	Firm	Phone	Email

Financial Planner/Analyst: These professionals can assist in financial planning, investment analysis, and portfolio construction, depending on your firm's services.

Name	Firm	Phone	Email

Legal Counsel: In addition to a securities attorney, you may need legal counsel for general legal matters related to your business operations.

Name	Firm	Phone	Email

Client Service Representative: If your firm plans to offer client services, such as answering inquiries and providing support, you'll need client service representatives.

Name	Firm	Phone	Email

Office Space and Design Specialist: For physical office locations, an office space and design specialist can help create a professional and welcoming environment.

Name	Firm	Phone	Email

Insurance Risk Assessor: If you plan to hold client assets, you may need an expert to assess the risks associated with your investment strategies.

Name	Firm	Phone	Email

Public Relations Specialist: In certain cases, a public relations specialist can help manage your firm's public image and reputation.

Name	Firm	Phone	Email

Financial Analyst: A financial analyst can assist in market research, investment analysis, and portfolio management tasks.

Name	Firm	Phone	Email

The specific professionals you require may vary based on the size and scope of your RIA, as well as your own expertise and qualifications. It's essential to carefully consider your firm's needs and consult with the appropriate experts to ensure compliance with regulatory requirements and the success of your business.

Summary:

In this chapter, we've delved into the indispensable role that checklists play in the process of starting and growing your Registered Investment Advisor (RIA) firm. Checklists serve as a practical tool to ensure that you cover all essential aspects of establishing your own RIA while maintaining a structured and organized approach.

Throughout the book, we are highlighting the significance of transitioning into an independent RIA, emphasizing the need for meticulous planning and preparation.

Understanding that this journey is neither quick nor easy, we emphasized the importance of comprehending what it takes to launch an RIA firm.

The chapter introduced you to a set of checklists that cover various critical areas, including compliance, business planning, document preparation, and more. These checklists serve as roadmaps to guide you through the multifaceted process, ensuring that you address crucial tasks systematically.

For those seeking comprehensive support, we explored the option of engaging Synergy's full consulting services, which provide access to a wealth of additional resources and expertise to further streamline your journey.

In conclusion, this chapter equips you with practical tools and knowledge to navigate the intricate path of establishing your RIA firm. The checklists provided here offer a structured framework to help you stay on course and make well-informed decisions as you work toward your goal of achieving success and autonomy in the financial industry. Armed with these resources, you are better prepared to embark on the next stages of your entrepreneurial journey with confidence and clarity.

Appendix C

Family Office Business Plan

Launching a Family Office Services RIA

Executive Summary: SAAM is embarking on an exciting venture to offer comprehensive Family Office Services as a Registered Investment Advisor (RIA). Our mission is to provide high-net-worth families with customized, integrated, and confidential financial solutions to preserve and grow their wealth for current and future generations. This business plan outlines our strategic approach, objectives, and key actions to establish a successful Family Office Services RIA.

Table of Contents:

1. Business Overview
- Vision and Mission
- Company Description
- Legal Structure
- Location

2. Market Analysis
- Industry Overview
- Target Market
- Market Trends
- Competitive Landscape

3. Service Offering
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- Wealth Management

- Financial Planning
- Estate Planning
- Tax Strategy
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4. Business Strategy

- Value Proposition
- Competitive Advantage
- Pricing Strategy
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5. Operations and Team

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- Organizational Structure
- Compliance and Regulation
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6. Financial Projections

- Revenue Model
- Expense Projections
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- Cash Flow Projections

7. Risk Analysis

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- Cybersecurity
- Talent Retention

8. Implementation Plan

- Timeline

- Milestones
- Action Steps

9. Monitoring and Evaluation

- Key Performance Indicators (KPIs)
- Risk Management Strategy

10. Conclusion

1. Business Overview:

- **Vision and Mission:** To be the trusted partner of high-net-worth families, delivering exceptional Family Office Services that empower them to achieve their financial goals and legacy aspirations.

- **Company Description:** SAAM is a registered investment advisory firm specializing in Family Office Services.

- **Legal Structure:** [Specify your legal structure: LLC, Corporation, etc.]

- **Location:** [Specify your physical location and any satellite offices.]

2. Market Analysis:

- **Industry Overview:** Provide an overview of the wealth management and family office industry.

- **Target Market:** Describe the ideal client profile, including demographics, financial status, and needs.

- **Market Trends:** Discuss relevant industry trends, such as the growth of multi-generational wealth and the demand for holistic financial services.

- **Competitive Landscape:** Analyze competitors offering similar services.

3. Service Offering:

- Provide a detailed description of each Family Office Service offered.
- Explain how these services address the unique needs of high-net-worth families.

4. Business Strategy:

- **Value Proposition:** Highlight the key benefits and value that clients will receive from your Family Office Services.
- **Competitive Advantage:** Describe what sets your firm apart from competitors.
- **Pricing Strategy:** Outline your fee structure and pricing strategy.
- **Marketing and Promotion:** Discuss how you will attract and retain clients.

5. Operations and Team:

- **Key Personnel:** Introduce the team members and their qualifications.
- **Organizational Structure:** Provide an organizational chart.
- **Compliance and Regulation:** Explain your approach to regulatory compliance.

- **Technology Infrastructure:** Detail the technology tools and systems you'll use.
- **Partnerships and Service Providers:** Identify any external partners or service providers.

6. Financial Projections:

- **Revenue Model:** Explain how you will generate revenue.
- **Expense Projections:** Estimate your operating expenses.
- **Income Projections:** Provide revenue forecasts.
- **Cash Flow Projections:** Outline cash flow expectations.

7. Risk Analysis:

- Identify potential risks and challenges in launching and operating the Family Office Services RIA.
- Discuss strategies to mitigate these risks.

8. Implementation Plan:

- Develop a timeline for launching and scaling the business.
- Set milestones to track progress.
- Define action steps for each phase of implementation.

9. Monitoring and Evaluation:

- Establish KPIs to measure the success of your Family Office Services.

- Outline a risk management strategy to adapt to changing circumstances.

10. Conclusion:

- Summarize the key points of your business plan.
- Reiterate your commitment to delivering exceptional Family Office Services.
- By following this business plan, SAAM aims to establish itself as a leading provider of Family Office Services, dedicated to helping high-net-worth families achieve their financial and legacy goals.

About the Author

Joe Maas, CFA, CFP®, CLU®, ChFC,

MSFS, CCIM™, CVA, ABAR, CM&AA

Meet Joe Maas, an esteemed financial professional with an illustrious career spanning over three decades. As the Chief Investment Officer and lead portfolio manager at Synergy Asset Management LLC (SAM), Joe is dedicated to providing comprehensive investment management services to a diverse clientele comprising individual investors, business owners, and financial advisors.

Joe's expertise is anchored in a multifaceted approach that combines deep fundamental and economic analysis, in-depth industry research, consultations with his network of industry experts, and a keen application of quantitative methods and technical analysis. Within his role, Joe doesn't limit himself to the analysis of existing investments; he also dedicates himself to assessing prospective opportunities, all with the aim of preserving his position as an industry thought leader and staying at the forefront of the investment industry's evolution.

Behind Joe's extensive knowledge of the financial industry is an unrelenting drive to continuously expand his understanding of investment management. This quest for excellence has led him to achieve certification from distinguished organizations and attain a host of globally recognized professional designations. Among these achievements, Joe proudly holds the prestigious Chartered Financial Analyst (CFA) Charterholder designation, a testament to his mastery in the investment profession.

In addition to a CFA Charterholder, Joe is a Certified Financial PlannerTM (CFP®) and Chartered Financial Consultant (ChFC), equipped to offer comprehensive advanced financial planning services. His diverse skill set extends to life insurance and estate planning as a chartered life underwriter (CLU®). He also excels as a certified commercial investment member (CCIMTM), demonstrating his prowess in the realm of commercial and investment real estate. In 2000, Joe earned his Master of Science in Financial Services (MSFS) from The American College, further solidifying his expertise in the field.

Beyond his proficiency in investment and financial planning, Joe brings a wealth of expertise and hands-on experience tailored to the distinct requirements of business owners. Joe holds the coveted title of Certified Valuation Analyst (CVA) and boasts accreditation in business appraisal review (ABAR). Furthermore, he brings to the table his expertise as a Certified Merger and Acquisition Advisor (CM&AA), a skill set honed in the intricate world of purchasing and divesting middle-market companies, with revenues spanning from $5 million to $500 million.

Joe Maas is more than just a financial expert; he is a visionary leader deeply devoted to assisting clients in navigating the complexities of the financial world, aiming to help them achieve their financial goals to the best of his abilities.

Disclosure Statement

Synergy Asset Management, LLC ("Company") is an SEC registered investment advisor located in Bellevue, Washington. Company may only transact business in those states in which it is registered, or qualifies for an exemption or exclusion from registration requirements.

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Each client and prospective client agrees, as a condition precedent to his/her/its access to Company's web site, to release and hold harmless Company, its officers, directors, owners, employees and agents from any and all adverse consequences resulting from any of his/her/its actions and/or omissions which are independent of his/her/its receipt of personalized individual advice from Company.

This book is presented solely for educational purposes and is not intended to represent or be used as an exhaustive financial industry resource. The information contained in this book is made available for illustrative purposes, explaining only the basics of establishing or transforming an RIA business.

The author and Merrell Marketing Company, LLC, emphasize this material is not offered as financial, legal, accounting, or other professional services' advice. It is highly recommended you seek the services of competent professionals before making any decisions regarding your business or personal finances.

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The reader is advised to consult with professional advisers with experience in establishing a new business or with adjusting an existing RIA.