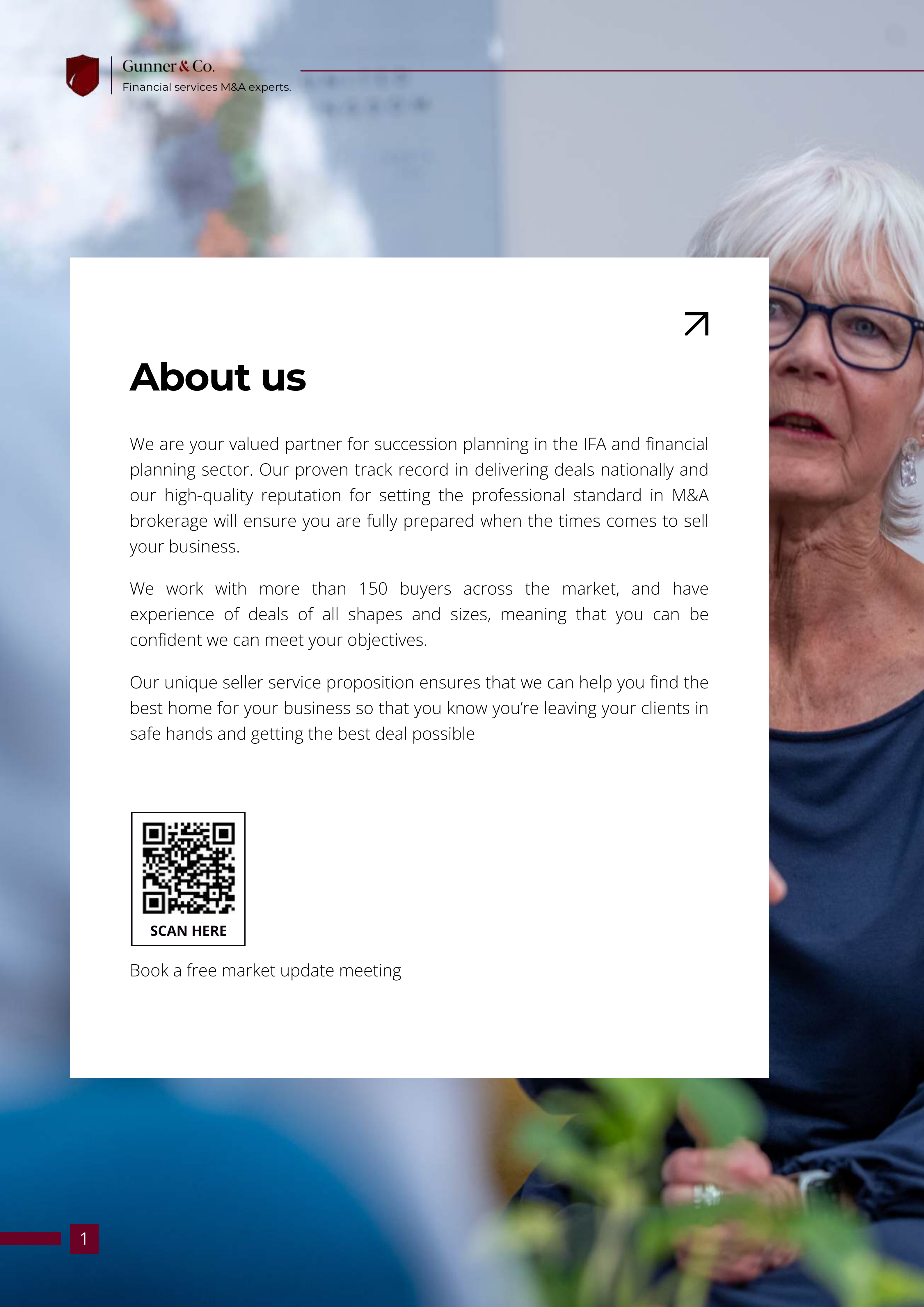
Gunner & Co.

Your Partner for Succession Planning

A GUIDE TO DEFINING AND DELIVERING YOUR SUCCESSION PLAN

www.gunnerandco.com



About us

We are your valued partner for succession planning in the IFA and financial planning sector. Our proven track record in delivering deals nationally and our high-quality reputation for setting the professional standard in M&A brokerage will ensure you are fully prepared when the times comes to sell your business.

We work with more than 150 buyers across the market, and have experience of deals of all shapes and sizes, meaning that you can be confident we can meet your objectives.

Our unique seller service proposition ensures that we can help you find the best home for your business so that you know you're leaving your clients in safe hands and getting the best deal possible

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Book a free market update meeting

Who is this guide for?

This guide is for anyone selling or considering selling a financial advice business. Many of those people will be undertaking this process for the first time and we aim to help you prepare for what can be a lengthy and challenging journey.

At a time when selling an IFA business is more demanding than ever, the stumbling blocks are often lack of vendor knowledge about the process and failure to prepare the relevant intelligence ahead of the sale.

IN THIS GUIDE WE WILL

It goes without saying that every business is unique. This guide is designed to give you an overview of the preparations to anticipate as you ready your business for sale. It should also make you aware of the things that trip up vendors time after time. When you are seriously considering selling your IFA business, you should do so in partnership with an experienced, high quality specialist broker such as Gunner & Co.

Finding a good IFA broker

When it comes to selling your IFA or financial advice business, choosing the right broker is a critical decision that can significantly impact the success of the transaction. Here are four key elements to consider when evaluating potential brokers:

MARKET KNOWLEDGE AND CONNECTIONS

A reputable broker should possess a deep understanding of the market and have extensive connections. Their ability to guide you on the right positioning of your business and their network of relationships can make a substantial difference in finding the best acquirers suited to your needs. Additionally, they should be able to identify and have solutions for any specific challenges your business may face during your journey to sale. Look for proof points such as the number of successfully completed deals, references and feedback from previous clients, and a comprehensive understanding of the feasibility of your objectives. Beware of brokers who rely on unnamed case studies and testimonials – transparency is key.

OPEN AND HONEST COMMUNICATION

Transparency is also crucial during a business deal. A good broker will provide a balanced perspective, highlighting both the positives and negatives. As the intermediary between you and potential buyers, your broker should not sugarcoat information. They play a pivotal role in asking the difficult questions that can protect your relationship with the buyer. Confidence in your broker's openness is essential, ensuring you have a trustworthy advocate throughout the deal.

TIMING IS EVERYTHING

Timing plays a crucial role in maximising the value of your business during a sale. Be cautious of brokers who push for a quick sale without considering your best interests. Any sense of pressure, such as demanding follow-up meetings before closing the initial call, should be viewed as a red flag. A good broker takes a long-term view, helping you execute the right plan for your business rather than pushing for a hasty decision.

CONFIDENTIALITY

Maintaining confidentiality throughout the selling process is paramount. Enquire specifically about how a broker handles sensitive information, including when and how they release details about your company to third parties. Ensuring strict confidentiality safeguards your business and prevents potentially harmful leaks. Don't assume all brokers have the same stringent confidentiality measures in place. The last thing you need is for competing firms or clients to get wind of your intentions to sell before you are ready to present a controlled message.

Book a free consultation

Contact Gunner & Co. today for professional guidance with our proven expertise and commitment to your best interests.

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Build your objectives

SET YOUR OBJECTIVES EARLY

Before even considering a sale, take the time to clearly define your personal and professional goals. What do you hope to achieve through the sale of your company? Is it financial security, more time for family, or the opportunity to pursue other passions? What about what you would like to achieve for your clients, and those who work for you?

Having a clear understanding of your objectives will help guide you through the selling process and provide a sense of purpose. By setting objectives well in advance of the sale, you'll have time to evaluate if they're the right goals, and time to reflect and evolve them before you are in the thick of the transaction.

Writing your goals down and categorising them into essentials and desirables will also give you a framework from which to compare and contrast suitors at a future date.

SENSE CHECK YOUR OBJECTIVES

Once you have a clear understanding of your objectives and goals, it's essential to benchmark them against the market. It's all well and good being clear about what you want, but holding on to those objectives in a market that can't deliver them will lead you to a dead end.

In the financial planning sector, for example, a seller will almost never receive all the payment for their business up front, and if they do, it will come with a strong discount on price. Hanging on to a goal like that will likely leave you disappointed.

Benchmarking your objectives with Gunner & Co. will ensure you are aiming for an achievable target.

"We started working with Gunner & Co. a number of years ahead of our business sale. I spent a lot of time understanding the market and the 'players', Gunner & Co. added depth and detail, introducing me to a number of firms that were new to me that offered possibilities. Louise was on hand throughout, giving just the right level of support to move the deal to a positive conclusion."

Gareth Shaw, Morfitt & Turnbull

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Book a free consultation

If you are looking to sell your business, contact Gunner & Co. today to discuss your objectives and start your journey to a successful business sale.

The selling process.

GUNNER & CO. WILL PARTNER WITH YOU EVERY STEP OF THE WAY

01.

Educate Yourself.

Before you jump into the process of selling your business, we think it is essential you fully understand the process. An initial step would be to sign up to Gunner & Co.'s newsletter, and attend a workshop or webinar where experts in due diligence, tax and the legal process can give you insight into what to expect.

02.

Build Your Deal Team.

Just as you are the trusted adviser to your clients, you should have a team of specialists working with you throughout the process. An accountant and solicitor with experience in financial services transactions is essential as well as a broker like Gunner & Co. who knows the market and has a proven track record.

03.

Fact Finding.

Once you have a fair understanding of what you are looking for, we can work with you to identify the key differentiators in your business to best position it for sale. We'll then undertake detailed and comprehensive research to identify the buyers that are compatible with your profile. We currently work with in excess of 90 credible buyers nationally

04.

Buyer Meetings.

From a researched shortlist we will set up meetings with a handful of buyers meeting your criteria. We will work with you to prepare for those meetings and assist you in assessing their fit.

05.

Qualification.

Once you have shortlisted a couple of buyers, you can expect to start receiving offers for your business. This will allow you to talk with your deal team and other stakeholders to identify if you wish to pursue one.

Heads of Terms.

06.

If you are happy to accept an offer, your preferred buyer should produce a heads of terms document which outlines the key commercial terms of their offer along with a timetable for the deal. This document also affords a period of exclusivity to the buyer, giving them confidence to proceed towards completion without competition.

Due Diligence.

07.

Your preferred buyer will request information for their review. The level of due diligence will depend on the structure and size of the deal and will allow the buyer to corroborate the offer that has been made as well as to identify potential risks in the purchase. You should also undertake some due diligence into your buyer.

Purchase Agreement and Legal Process.

08.

The purchase agreement is the legally binding contract for the sale of your business. Depending on the scale and complexity of your business sale you will likely undertake a period of negotiation with your buyer via your solicitor in order to reach agreement. Our experience of this process will ensure you are guided appropriately through what can sometimes seem a daunting process.

Completion.

09.

Once the effective date in the contract has been reached, you have successfully sold your business. You will most likely have post contractual obligations to follow as agreed in the purchase agreement which may include still working with your client base or assisting with a client handover.

What's my financial advice business worth?

This is the question we at Gunner & Co. get asked most often. Valuing a financial advice business can be tricky and involves evaluating all aspects of the business in order to get a better understanding of it what it's worth. But the overriding truth is that a business, like any other marketable asset, is only worth what the buyer is willing to pay for it. Beyond that, many factors will influence the valuation of your financial advice business:

TYPE OF SALE

If you are walking away after selling, particularly from a smaller business, the buyer is much more likely to want an asset purchase where they can take on the client book without the associated cost base of running the company. If you plan to stay on and run the business after the sale goes through, the valuation is likely to be more complex and will be influenced by how the deal is structured and what happens to you and your team after the sale. Above all, you will continue to have influence over the post-sale performance of the business – and therefore the overall financial consideration you will eventually receive.

BUSINESS VALUATION TRENDS

Buyers want to find businesses that have a rich synergy with their own, where growth will outstrip the combined potential of each business.

The best way to increase the valuation of your business is to be able to demonstrate how the buyer will get maximum return on investment. The bigger the size of the prize – in the buyer's eyes – the greater the valuation. Examples include geographic reach or presenting the opportunity to expand product scope.

Two trends remain constant. One is that being in the right place at the right time will boost your chances of achieving the best price for your business. The other is that any perceived benefit to a buyer must be backed with the promise of future returns. A good M&A broker, such as Gunner & Co., with a broad understanding of the strategic needs of each buyer will increase your chances of finding a good match in the market.

TYPES OF BUYER APPROACH

The most common approach to buying a financial advice company is consolidation. The buyer is looking to buy the client assets but transfer the centralised functions (HR, finance etc.) to their existing business.

Investment partner approaches have become more common in recent years. In this scenario the business owner and leadership typically stay in place for three to five years or more, operating from their existing premises. This approach typically results in less profit for the buyer in the short term, though future business growth is more bankable and it spreads the risk over a longer period of time, allows for better continuity and can help to assimilate the new business. In this scenario partial equity deals may be available, giving the founder continued skin in the game and an opportunity to share in future growth.

COMMON BUSINESS VALUATION METHODS

There are three common methods to business valuation:

- **Multiples of recurring income** – the gold standard of valuation metrics. It indicates a highly reliable and uncontestable revenue source, and the cost base doesn't impact the price. Nearly seven out of ten offers in the market use recurring income as their business valuation method.
- **Multiples of (normalised) profit** – another popular method of valuing businesses, but nomalised EBITDA (earnings before interest, tax, depreciation and amortisation) profit is a far less solid indicator than revenue and you are likely to have your claimed profit called into question during negotiations.
- **Percentage of funds under advice/management** – used more as a benchmark or sense check alongside one of the above approaches.

OTHER BUSINESS VALUATION FACTORS

A number of other factors can influence the value of a financial advice business, including:

- The depth and age of historical performance records
- The length of time you are willing to work on in the business post sale
- Client ages, particularly the percentage of clients aged 75+
- Client family succession where you can retain fund management/advice across generations
- Business growth trends
- Fee structure and consistency
- Brand value
- DBT exposure

THE HUMAN FACTOR

A factor which is often overlooked is the human element. People buy people, so your own personality and interaction with the buyer can play a key role in how much the buyer wants to get involved in your business. While intangible as an asset, it can certainly influence the offer value your business commands in the market.

Preparing for due diligence

Due diligence is the cornerstone of a business sale. It is the period of discovery when a buyer finds out what they are really buying. It is kicking the tyres, looking the horse in the mouth, turning over every stone. Due diligence is something you must be ready for, and can so often be the undoing of a deal that looks otherwise sure. It's a critical part of the dealmaking process.

We recommend entering due diligence in partnership with an M&A broker and due diligence specialist but these are our top tips for successful due diligence as a seller.

BE READY

Many business owners looking to sell underestimate the number of questions and the level of detail demanded by a potential buyer. It's important to prepare for as many of the questions you will be asked in advance and have answers to hand (Gunner & Co. can give you a sample due diligence checklist on request). Your ability to look prepared when the many questions start rolling in tells the buyer a lot about how your business is run.

BE HONEST

There is no such thing as the perfect business and you may think it's better to downplay or hide the things you aren't so proud of in your business practices or history. But if you are planning to sweep things under the carpet, be aware that the process of due diligence is, by its nature, lifting up that carpet AND the floorboards to look underneath. So be honest. If you get found out during due diligence it could sour, scupper or devalue the deal. Most findings can be worked through, but trust cannot be rebuilt.

BE THOROUGH

If the devil is in the detail, the buyer is going to want to make that pact. Be prepared to provide not just the basics – two years of new business register, FCA filings, compliance records – but quite granular detail on individual advisors, client segmentation and particularly any business outliers that may show up in your documentation. A good back office function with sensibly organised filing is essential to react promptly to these kinds of request.

BE COMPLIANT

Buyers like a boring business that runs on vanilla investments for a solid roster of long-term clients. They want to be assured that everything is above board as far as the FCA, HMRC and the law is concerned. Have the proof that it is and be prepared to explain where there have been compliance breaches. You will need to be able to demonstrate this through documentation and should be able to defend any decisions you have made through your filings.

BE TRANSPARENT ABOUT YOUR CULTURE

What does your team say about the culture of your business. If you've got a longstanding team around you, that puts you in good stead because it means they're loyal, they like the way the business is run and they are relatively likely to stay put under new ownership. The buyer may want to dig up management and board meeting minutes. They may want to see staff development records.

KEEP YOUR DATA SECURE

Data is critical to a buyer. Your data – well organised, well presented and available at the touch of a button – is what will ultimately interest a buyer. But they will also want to know that you are careful with your clients' data. Does it comply with GDPR? Do you use third-party apps and are they compliant? Where is your data stored? Where do your software providers store their data?
If you can't answer questions about where your data is held or who might be able to get hold of it, that could shake a buyer's confidence.

> *Having held hands with many accountancy clients through their business disposals, I assumed we would be well placed to go it alone in the sale of our IFA arm. That assumption was misplaced as from the time I took a follow up call from a webinar from Gwill at Gunner & Co. I realised how valuable they were in the process. Not just in terms of sourcing suitable acquirers but they helped clarify the outcome we were seeking and guide us in the selection of Wren Sterling as our perfect match. Thanks Gwill and colleagues. Couldn't have got there without you!*
>
> Raymond Pirrie , Rosemount Asset Management Ltd

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Join a webinar

To stay up to date with recent regulatory changes and be well prepared for due diligence, sign up for our workshops or webinars.

Key tax takeaways from the 2024 Autumn Budget: Creating clarity for your business and your business sale plans

In light of the recent Autumn Budget, many business owners are assessing how the outlined changes might impact their financial strategy, particularly those considering a business sale.

Here's a summary of the primary takeaways for business owners seeking clarity on the budget's effect on capital gains tax, inheritance tax, and other vital considerations.

CAPITAL GAINS TAX (CGT) ADJUSTMENTS

The budget brings an incremental increase in CGT rates, though not as drastic as many feared. The basic rate stands at 18%, with a higher rate of 24%, both of which are below income tax rates, preserving a gap that encourages capital investment. For business owners, this rate adjustment may influence timing decisions around selling their business.
Business Asset Disposal Relief (BADR), which provides a reduced CGT rate on qualifying business assets, saw slight modifications. The rate is set to rise from its current 10% to 14% in April 2025, and then to 18% in 2026. The relief remains valuable, though the rates will gradually increase through 2026. Business owners should note the anti-forestalling rules that could disqualify tax benefits if a sale is perceived as strategically timed purely for tax advantage.

IS NOW THE RIGHT TIME TO SELL?

With the CGT rate increases coming in phases, business owners face a strategic choice: sell now to take advantage of the current lower rates or risk higher rates in the future. The anti-forestalling rules add a layer of complexity, making it essential to establish that any sale is primarily commercially motivated. While the phased CGT hikes provide a narrow window of opportunity, the decision to sell should ultimately be based on long-term business goals rather than tax considerations alone.

INHERITANCE TAX (IHT) – BUSINESS PROPERTY RELIEF (BPR)

Business Property Relief, an essential relief for owners of trading businesses, underwent substantial change. From now on, the relief applies fully up to £1 million, while assets above this threshold are eligible for a 50% IHT relief. For those planning to transition or sell their businesses, the IHT implications can be significant. Owners may need to reassess succession planning strategies, including lifetime gifts and pre-sale adjustments, to maximize available reliefs.

EMPLOYER NATIONAL INSURANCE CONTRIBUTIONS (NICS)

An increase in employer NICs to 15% means business owners face additional operational costs. However, this increase is tax-deductible, lessening the financial impact. Smaller businesses can still benefit from the employment allowance, offering some relief to offset this increase.

The 2024 Autumn Budget presents a mix of challenges and opportunities for business owners planning an exit. While CGT rate increases and the phased adjustments to BADR introduce new considerations, the overall message is one of stability, with no drastic policy reversals that might disrupt exit strategies. Nevertheless, careful planning and professional guidance remain essential for those navigating these complex changes. By aligning business sale timing with personal financial goals, owners can optimise their returns and position themselves effectively within the evolving tax landscape.

To maximise the benefits from your business sale, it is important to plan your succession strategy as early as possible. If you want to understand what the timeframes around a sale are, especially against the increasing rate for BADR, the first step is to book a market overview with us.

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To stay up to date with recent regulatory changes and be well prepared for due diligence, sign up for our workshops or webinars.

Understanding the legal side of a business sale

As part of your deal team, you will engage a solicitor to be your legal eyes and ears during the sale process, especially in creating the heads of terms and thrashing out the purchase agreement. While your lawyer will do the heavy legal lifting for the deal, as a seller you should have some familiarity with legal terms and concepts in advance.

PROTECT YOUR BUSINESS IP

Make sure you have a confidentiality agreement or NDA in place from the outset. This means that as you share information about your clients and relationships, and about what makes your business successful, you should be protected, especially if the transaction doesn't proceed. You will be sharing information with various parties before alighting on a preferred buyer, so it's important not to skip this step.

UNDERSTAND WHAT HEADS OF TERMS IS

A heads of terms document – sometimes called a letter of intent or a memorandum of understanding – sets out the fundamentals of the deal in prospect. As a legal document it is largely non-binding with a couple of exceptions: one is the confidentiality aspect, as you are on the cusp of divulging deeply sensitive business data during the due diligence phase; the other is an exclusivity clause that allows the buyer a period (typically around three months) in which to perform due diligence without fear of competition. Being found talking to other potential buyers during this time is likely to incur a financial penalty, and may jeopardise the deal.

UNDERSTAND WHAT A PURCHASE AGREEMENT IS

This is the completion agreement, the legally binding contract between buyer and seller that sets out the exact terms of the deal. It will detail the structure of your transaction, including transfer of clients in the case of an asset sale. It will also spell out any warranties, indemnities and covenants. Your specialist financial advice M&A broker can talk you through the options.

HOW TO SELL YOUR FINANCIAL ADVICE BUSINESS

The purchase agreement will be drafted by the buyer and will naturally be slated towards protecting their position more than yours. Your solicitor's role is to protect you from unnecessary risks, whilst also being pragmatic about the market position. This will include timeframes for warranties, indemnities and restrictive covenants. Details on how future payments will be calculated are an essential element of the contract. Alongside the contract you will provide 'disclosure' documents. This is a detailed process and essentially allows you to make the buyer aware of certain things (such as ongoing complaints) to avoid any redress later.

SETTING THE PURCHASE PRICE

A common stumbling block in dealmaking is agreeing the price. Recurring revenue, EDITDA and assets under management mean different things to different people, so it's likely that the buyer's deal team may question some of your own valuations. You should expect and prepare for some adjustments, exceptions and exclusions to come out of the due diligence process. The sooner you and your solicitor can get clarity on the buyer's view of the real business value, the easier it will be to sensibly negotiate a mutually agreeable figure. You will also need to agree a structure and conditions for initial and future tranche payments for your company. These details need to be laid out clearly and unambiguously in the purchase agreement.

WARRANTIES, INDEMNITIES AND COVENANTS

The buyer will want some assurances in exchange for buying your business. Warranties will cover rightful ownership of the business and tax compliance. You will need to give the buyer certain assurances about their understanding of the business offered under warranty – a process known as disclosure. Indemnities are specific protections a buyer may seek to shield themselves from advice given under your ownership. These should relate to particular issues (staff, leases, regulatory non-compliance etc.) and you should be wary of blanket indemnities. Tax covenants are pretty standard and allow the buyer to seek recourse if HMRC wants to collect dues from the time of your ownership. Non-restrictive covenants are there to stop you poaching back your old clients after the business has been sold, hiring staff from the new owner or engaging their suppliers. The latter will likely be in place for two to four years. While many of these protections are for the buyer's peace of mind, you should seek to set limits on your liability in the agreement too.

Recent success stories

Selling your business is a very steep learning curve with a multitude of pitfalls along the way. The support that I received from Gunner and Co in navigating these pitfalls from beginning to end was exceptional. They have a very experienced and professional team who thoroughly know the marketplace ,and in addition run some very useful workshops focussing on preparing for sale, the sale process , and the tax implications of the various routes available.

Christopher Jackson,
Jackson Hodge Wealth Management Services

FosterDenovo **Acquires** ROSEMOUNT ASSET MANAGEMENT	WREN STERLING **Acquires** TW FINANCIAL PLANNING	MKC Wealth **Acquires** Wealth for WOMEN Independent Financial Advice
skerritts **Acquires** CHADWICKS	HFMC WEALTH **Acquires** *Weston Cummins*	Holborn FINANCIAL **Acquires** Kingsley
CLIFTON Asset Management Plc **Acquires** GB Financial Services CHARTERED FINANCIAL PLANNERS	Perspective MANAGING WEALTH **Acquires** HNH HNH Financial Services	Finitor Wealth **Acquires** ascent FINANCIAL CONSULTING ...FMB

On top of an excellent level of expertise, my colleagues and I found the ongoing support and guidance Gunner & Co. provided to be top notch, and the overall service was extremely professional from start to finish.

Raymond Pirrie , Rosemount Asset Management Ltd

Meet the team

Louise Jeffreys

Managing Director

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Louise Jeffreys has extensive financial services M&A experience, having worked across many different transactions through Gunner & Co.

Louise works with clients to define their exit strategies, helping individuals and businesses to understand their aspirations, and how that relates to current market conditions.

Gwill Evans

Head of Brokerage

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Gwill leads Gunner & Co.'s brokerage team, and is key in the training, development and standards delivered from our brokerage team. Gwill has a fantastic knack of coaching, and an unwavering focus on getting the best out of individuals. Gwill works alongside Louise to ensure we consistently give every client the same excellent service.

Seun Yakub

Broker

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Seun joined Gunner & Co. in 2024, after several years of working in M&A at mid-market investment banks. Utilising his M&A experience he is focused on deal origination and execution, helping retiring IFAs realise the value that they have created in their businesses.

Nick Bird

Commercial Director

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Nick has worked in commercial leadership roles across a number of global Fintech organisations, including Experian. He brings a level of rigour and governance to Gunner & Co. akin to a global organisation, and is responsible for all commercial and legal direction, along with future direction and diversification.

Yasong Zhu

Marketing Executive

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Yasong is responsible for the marketing plan for Gunner & Co., including the delivery of our insight and knowledge programme, through workshops, webinars and online guides. Yasong also coordinates our press activity and the frequent press inquiries that come in.

Abbie Griffiths

Associate Broker

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Abbie joined Gunner & Co. in 2023, following achieving a first class honors degree in Mathematics. She is growing her experience in the brokerage profession and currently supports the team across all deals.

Corrie Miller

Associate Broker

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Corrie Joined Gunner & Co. in 2024 with a BA degree in History and Philosophy from the University of Birmingham. Working within the Broker team, he is eager to advance his knowledge of the M&A world and offer support for both clients and the internal Gunner & Co. team.

Alex Jeffreys

Associate Broker

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Alex joined Gunner & Co. in 2024, leveraging extensive experience gained in the field of Technology Retail, bringing a client-focused approach to Gunner & Co. team as Associate Broker, responsible for facilitating collaboration within the team throughout various transactions.

“Talk to us to start your business sale journey

Selling a business is one of the biggest decisions you will ever make. We want to make sure that this once-in-a-lifetime event is as easy, fulfilling and lucrative as possible. Start by asking us for a free market overview. We can explain how we support the process and can help you assess your options and build a plan of action.

We look forward to partnering with you.

Book your meeting today at:
www.gunnerandco.com

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