



Breakaway Broker Services



Sources of Wealth Manager Frustration

ECHELON's Breakaway Broker Services are designed to help wealth managers (brokers, planners, advisors, etc.) capitalize on the promise of equity creation while overcoming the challenges and annoyances most face on a daily basis with their current employers.

Many wealth managers – namely wirehouse brokers – grow frustrated with their current paradigm for the following reasons:

- ▶ The lack of an attractive sale upon exit means leaving millions on the table
- ▶ Management is not providing quality products and services on par with needs
- ▶ The home office is taking too large a cut of fees and/or commissions
- ▶ Company policies take away the fun and entrepreneurship of the business
- ▶ There is little opportunity to take on rewarding leadership positions
- ▶ Management demands actions that are a waste of time or conflict of interest
- ▶ Compliance formalities take far more time than necessary
- ▶ The office and regional management are a major impediment to efficiency
- ▶ Big company bureaucracy means things take far longer than they should
- ▶ There is little to no ability to affect change for the better



How Much Money Are You Leaving on The Table?

The most significant payday for wealth managers should be the day they sell their firm. Sadly, however, many advisors never see this day for the following reasons: 1) they work for a firm that does not allow them to sell their practice and/or does not buy their practice from them, 2) they do not have the ability to break away from their firm to realize this true value, 3) their only option is to sell internally (far below market value) or “handoff” their practice to one or more colleagues, and/or 4) they don’t appreciate the attractive economics associated with selling one’s practice.

The enterprise value case study below shows how a wealth manager with \$500 million in assets under advisement has the opportunity to sell their practice for nearly \$10 million. Upon exiting the business, however, many advisors see far less. **In the process they leave millions of dollars on the table.** The irony of the situation is that advisors work so diligently to help their clients with major liquidity events, yet they often don’t take the time to manage and optimize their own.

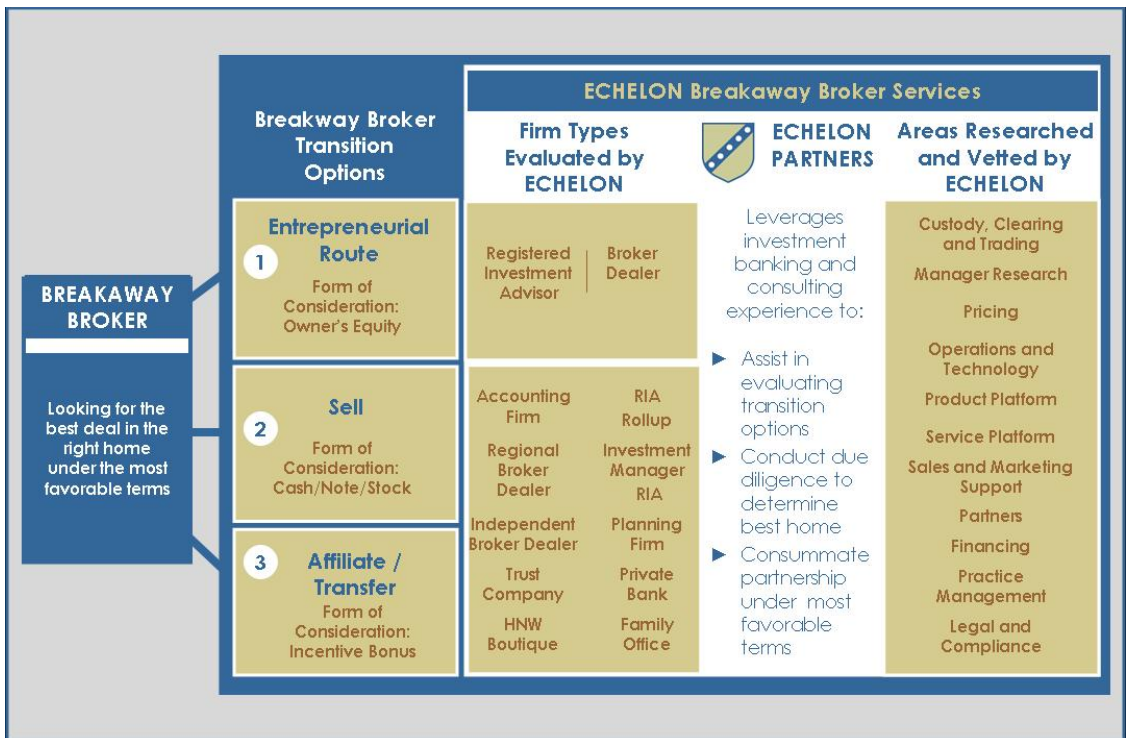
Enterprise Valuation Case Study: The Practice with \$500MM in Assets

Variable	Details and Assumptions
Assets	\$500MM
Avg. Fee	80 basis points (range of 50 to 100)
Revenues	\$4MM
EBITDA Margin	36% (range of 15% to 50%)
EBITDA	\$1.44MM
3 Year CAGR	20%
Valuation Multiple	7 (range of 4 to 24 depending on scale, growth, and many other factors)
Enterprise Value	\$10.1MM



How ECHELON Helps

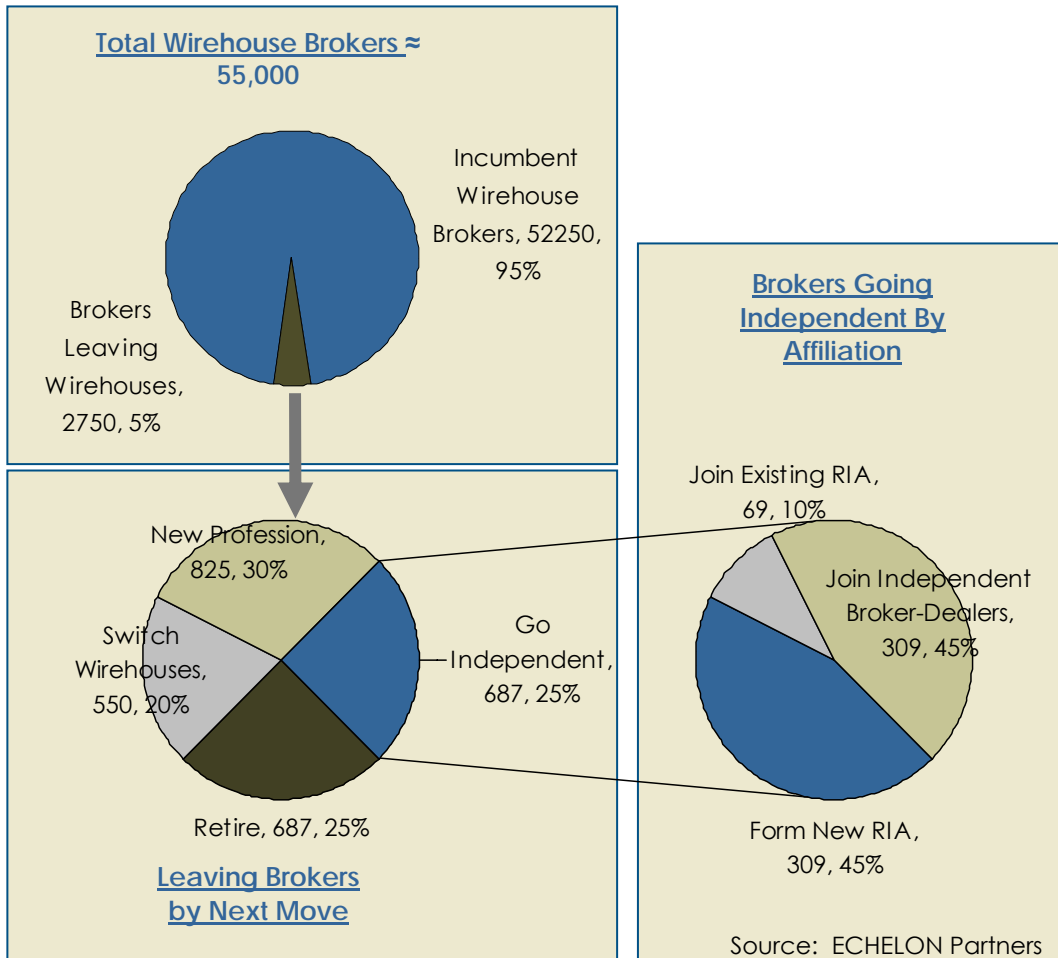
The first part of the Breakaway Broker Service is to help professionals evaluate the economics of the three paths available to them: 1) starting an RIA and/or broker dealer of their own, 2) affiliating with another RIA and/or broker dealer, or 3) selling their business outright. Once a preferred path is chosen, ECHELON helps financial professionals by: 1) developing world-class marketing materials profiling their business, 2) evaluating and ranking prospective partners/buyers across 11 key variables (see diagram below), 3) professionally marketing the business to these partners/buyers, 4) negotiating an attractive valuation and deal terms with the partner of choice, and 5) consummating the transaction. While startups are different, they do share many of the same elements. Throughout the process ECHELON helps advisors make sense of the wide ranging deals being offered in the marketplace by financial planning firms, advisor rollups, regional brokers dealers, custodians, private banks, family offices, national broker dealers, and high- net-worth boutiques. ECHELON also works to ensure advisors avoid the legal and financial challenges that could ensue from missteps before, during, and after the deal process. Most importantly, **ECHELON helps advisors capitalize on the alternative that provides the best combination of work-life quality, equity creation, and proceeds upon exit from the business.**





Key Statistics Related to Breaking Away

Tracking the flow of brokers / advisors leaving wirehouses:



Of the 55,000 advisors working for the five main wirehouses, approximately 5% or 2,750 leave each year. Approximately 687 of these advisors (25% of the 2,750) go independent. The others move into management, move on to other professions, switch wirehouses, or retire. Of those going independent, approximately 10% join existing RIAs, approximately 45% join independent broker-dealers, and approximately 45% form new RIAs.



Key Questions Addressed in ECHELON'S Service

- ▶ What are the advantages, disadvantages, and economics of the three paths one could pursue?
- ▶ If one affiliates or sells, what are the key differences between the various firm types?
- ▶ Who are the key buyers and recruiters? What are their deal structures and which are most attractive?
- ▶ How should one compare the various rollup firms and which ones offer the most attractive deals?
- ▶ What are the "gotchas" being used in the market and what should sellers view as a red flag?
- ▶ How does one evaluate the various offers and conduct due diligence on the various interested parties?
- ▶ What is my firm's valuation and the key drivers to it?
- ▶ What are the risks of breaking away? How does one mitigate them, and what should one's expectation be for client retention?
- ▶ What do the best case and worst case scenarios look like and is my firm a candidate for either?
- ▶ What are the keys to success and common mistakes of breaking away?
- ▶ What should one do and not do in advance to prepare?
- ▶ In the lifecycle of the typical wealth manager, when is the best time to breakaway?
- ▶ What is the financial difference between staying and breaking away?
- ▶ How does one execute the move in terms of communication and operations?
- ▶ How does one work with colleagues or teams to breakaway?



About ECHELON

ECHELON Partners was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as “investment product developers and distributors.” Since that time, ECHELON’s professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. In short, ECHELON has helped these executives make the big decisions with respect to M&A, capital raising, investing, divesting, strategy, corporate development, and corporate governance.

“Our mission is to be the premier **INVESTMENT BANK** and **CONSULTING FIRM** focused exclusively on the wealth and investment management industries.”

Professional distinction in a specialized areas is the cornerstone of ECHELON, whether in investment banking or consulting services. ECHELON understands that **each client situation is unique and requires a tailored approach** in order to maximize value and ensure a successful outcome. ECHELON invests time and energy at the initiation of each engagement to determine client objectives and define expectations. ECHELON professionals are diligent about leveraging their industry knowledge to develop a strong understanding of the clients' businesses, assess the markets in which they operate, and evaluate the range of available strategic alternatives.





ECHELON Partners

1500 Rosecrans Avenue, Suite 315
Manhattan Beach, CA 90266
Tel: 888.560.9026
Fax: 888.560.9026

Dan Seivert

CEO and Managing Partner
Tel: 888.560.9027 x101
dseivert@echelon-group.com

Tyler Resh

Principal
Tel: 888.560.9027 x202
tresh@echelon-group.com