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Eight Steps to Acquiring Financial Advisory Firms

CEG Worldwide research outlines keys to success for growth-oriented wealth managers.

SAN MARTIN, CA—December 8, 2009—CEG Worldwide, the leading coaching, consulting and research firm for elite financial advisors, just announced recommendations for wealth managers eager to acquire other advisory firms.

“Acquisitions can be an excellent strategy for growth because they allow advisors to acquire another firm’s talent immediately and to achieve scale more quickly than through organic growth alone,” says Jonathan Powell, a senior managing principal at CEG Worldwide. “Acquisitions can also achieve new efficiencies by creating revenue and cost synergies.”

However, Powell cautions that acquisitions require great care and planning to execute successfully. CEG Worldwide, in conjunction with Echelon Partners, has identified eight key steps that advisors should heed when looking to buy another firm. These are summarized below. (A more detailed list is available by contacting CEG Worldwide.)

CEG Worldwide’s Eight Steps to Successful Acquisitions

Tactic	Description
1. Choose target spaces and ask the right questions.	Formulate a clear picture of the market space in which potential acquisition targets reside.
2. Develop target profiling criteria.	Make a short list of criteria that will allow you to identify and score potential firms for acquisition.
3. Collect information and rank targets.	With a clear understanding of the optimal target, collect information about potential targets and rank them according to your chosen criteria and by how well they potentially fit

	your firm's strategic goals.
4. Approach targets.	Initiate contact, which requires outstanding sales skills and a thorough knowledge of the mergers and acquisitions process.
5. Investigate targets.	Follow up due diligence by investigating such areas as legal issues, financial/accounting statements, regulatory filings, client satisfaction, market position, competitors and internal culture at the firm.
6. Determine valuation and negotiate deal terms.	Determine the target's standalone value, adding the gains from potential synergy with a combined entity and subtracting the costs of the acquisition. The ideal range—in which no value is destroyed for either the seller or buyer—is between 100 and 140 percent of the target's standalone value.
7. Perform confirmatory due diligence and close the transaction.	Clearly define each player's role in the negotiations and obtain complete, accurate documentation.
8. Integrate the companies.	Develop core messages that emphasize the acquisition business case for all stakeholders. Make your priorities clear to all involved when it comes to allocating limited resources.

Source: CEG Worldwide, LLC, and Echelon Partners, 2009.

“Above all, remain committed to making the acquisition work,” says Powell. “It may take up to two years to achieve a complete integration of the two cultures, but stay focused and move as quickly as you can while still making smart decisions.”

About Echelon Partners

Echelon Partners (www.echelon-group.com) was formed in 2001 to offer investment banking and consulting to investment product developers and distributors (IPDADs). Echelon's professionals have helped hundreds of senior executives envision, initiate and execute a multitude of complex business strategies and transactions.

About CEG Worldwide, LLC

CEG Worldwide is passionate about coaching financial advisors and institutions to build a Simple and Elegant Wealth Management BusinessSM. Using state-of-the-art research methodologies and analysis combined with proven strategies and tactics for building highly successful advisory practices, CEG Worldwide provides uniquely powerful insight into what allows elite financial advisors to thrive.

CEG Worldwide delivers fully scalable financial advisor training programs at many of the world's largest financial institutions. The firm's proprietary institutional strength intelligence is based upon empirical studies of more than 10,000 advisors and 14,000 high-net-worth individuals. By combining research expertise with pragmatic and proven business experience, CEG Worldwide helps institutions achieve measurable gains in productivity, retention and assets under management and provides advisors with proven business-building strategies and tactics.