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**Cash Flow, Advance Preparation Key to Selling Firms for a Premium**

*CEG Worldwide identifies the metrics most commonly used to value elite wealth management practices.*

SAN MARTIN, Calif.—January 19, 2011—CEG Worldwide, the leading coaching, consulting and research firm for elite financial advisors, has announced new data identifying the valuation methods most commonly used—and ignored—to price the highest performing financial advisory practices.

“Top advisors are working in wirehouse, independent broker-broker and registered investment advisor practices, and there is very little movement at the high end of financial advisors between channels,” said John J. Bowen Jr., founder and CEO of CEG Worldwide. “It is apparent that markets work, and we are seeing an equilibrium among the top financial advisors. We have also found that valuation models are becoming increasingly similar across the different channels.”

CEG Worldwide research has focused on the advantages of using one of the following valuation models.

**Top valuation models used to price elite advisor practices**

<b>Valuation Model</b>	<b>Description</b>
<b>Discounted Cash Flow</b>	This method estimates the present value of the projected future cash flows to be generated from the business and theoretically available (though not necessarily paid) to the capital providers of the company.
<b>Revenue Multiple</b>	This is a process by which the business is valued by a multiple of its annual revenues. For example: <i>2.1 times trailing 12-month fee-based income + 0.5 times trailing 12-month commission income = practice valuation</i>
<b>Ratio Analysis</b>	This method derives a valuation from one or both of these ratios: <ul style="list-style-type: none"> <li>• Price/sales</li> <li>• Price/EBITDA</li> </ul>

*Source: CEG Worldwide, LLC, 2010*

CEG Worldwide research found that many average financial advisors who were considering selling their businesses had little idea what their practices were actually worth. They were frequently disappointed that they could not command the same premium that they believed elite practices were commanding, or they were using valuation methods that did not put their practices in the best possible light, such as book value or the liquidation approach.

“Although there are a number of different ways that practices are valued, at the end of the day your practice’s value will be largely determined by a single item: your bottom line,” said Bowen. “The key to maximizing your practice’s valuation, then, is to focus on maximizing your cash flow and net income, particularly in the three years prior to selling.”

#### **About CEG Worldwide, LLC**

CEG Worldwide is passionate about coaching financial advisors and institutions to build a Simple and Elegant Wealth Management Business<sup>SM</sup>. 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.