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The “Six C’s” of Creating Equity in Your Practice

CEG Worldwide identifies the drivers most commonly found in highly valued wealth management firms.

SAN MARTIN, CA—February 14, 2011—CEG Worldwide, the leading coaching, consulting and research firm for elite financial advisors, has announced new data revealing the unique traits of highly coveted wealth management practices that are most likely to be sold for maximum value.

“While all financial advisors want to build substantial equity in their practices, few actually succeed at doing so to the level that is possible,” says John J. Bowen Jr., founder and CEO of CEG Worldwide. “Even when they have great revenues and satisfied clients, they still often miss the boat. Instead of owning profitable practices worth millions of dollars, they end up owning great jobs that few others are interested in buying for a significant premium.”

CEG Worldwide researchers found that the most highly prized financial advisory firms had six key business drivers in common:

Six C’s of Maximizing Equity in Advisor Practices

Driver	Impact on Valuation
1. Cash flow	Cash flow does not equal good revenue. Cash flow is the byproduct of good margins. Revenue, on the other hand, is the byproduct of good growth.
2. Clients	If your clients are highly satisfied, willing to make referrals and comfortable working with more than one advisor at the firm, you will have a higher-than-average client retention rate.
3. Culture	If you can demonstrate high levels of staff retention, morale and compensation, you can show potential suitors low turnover and a productive atmosphere. Satisfied staff work hard to satisfy clients.
4. Clarity of management	You need to have well-defined practices in place for managing the business, including: <ul style="list-style-type: none"> • Financial management and process • Client management and process • Team member management and process • Operations management and process
5. Competitors	You should have a simple and elegant business model that you can execute very well. Simplicity, when combined with high growth and profitability, is

	what tends to intimidate competitors and impress potential suitors.
6. Confidence	Confidence is one of the most important elements in the building of practice equity. A major risk for anyone who acquires another practice is having it fall apart shortly after the acquisition. You need to exhibit “quiet confidence” and have systems and processes in place that run effectively and independently of you.

Source: CEG Worldwide, LLC, 2010

“The more a potential suitor can see that your practice is solid, with a long-term history of upward success, and that this success is not overly dependent exclusively on you, the more the suitor will be willing to pay for your practice,” says Bowen. “This confidence is the key to maximizing cash in a liquidity event.”

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.