

# OCTARINE

## What is your exit strategy?

Many business owners have a vague notion that their business will provide for their retirement. However, few take the time to plan for a sale and, as a result, do not obtain full value for their businesses. This is particularly so with owner-managed IFAs.

For many IFAs, the time spent servicing existing clients and keeping abreast of regulatory changes leaves little room for business development. This is understandable when you consider the complexities of MiFID II and IDD, and this is before you add on external factors such as GDPR and the implications for their businesses should a serious data breach occur.

Where is an IFA going to find the time to work on growing and developing their business into an attractive sales proposition? This is where Octarine comes in.

## Ten Steps to maximise the value of your business

There are many steps you can take to improve your business but we are going to look at ten areas where additional value can be added to the eventual price you'll receive when the time comes to sell. Of course a lot will depend on the size of your practice, ownership structure and head count. But the following steps will apply to most advisory businesses, regardless of the scope of their regulatory permissions or the scale of their enterprise.



You can download a detailed guide to each step from our website: [Click here](#)

## Step 1

### Optimise your recurring income

It sounds obvious but very few firms achieve this. The single most important aspect of your business, and the one that will ultimately determine its value, is the contractual revenue stream. Most established firms now have a hotchpotch collection of fees largely influenced by the impact of RDR. Whilst it's true that on-boarding new clients is expensive, so too is the cost of servicing smaller legacy customers in a compliant manner.

If you are going to optimise your income and thereby increase your value, a dispassionate approach is required.

To find out more [click here](#)

## Step 2

### Bring your systems up to date

Your systems are the heart of your business. A proficient system should allow you to record, interrogate and protect your corporate and private client data. A properly maintained and integrated system will be able to tell you, and any future buyer, everything there is to know about your business.

If your system is not up to date and not secure it could cost you a future sale and, perhaps more damaging as the gloves come off GDPR, a large fine and the loss of clients. Think it can't happen too you? Think again!

To find out more [click here](#)

## Step 3

### Diversify your client bank

If the majority of your clients are thirty-something professionals, move on to **Step 4**.



However, if more than 50% of your clients are above retirement age, you have a demographic time bomb on your books. As clients get older, three things will happen:

- They will become more risk averse
- They will require an income
- They will die.

The potential negative impact on the future value of your business is obvious. Yes, older clients usually have more capital and yes, older clients are more likely to pro-actively seek out the services of an IFA. But unless you can broaden your client demographic, you may need to think about selling your business sooner rather than later.

To find out more [click here](#)

## Step 4

### Client communications – make them feel part of an exclusive club

What does it feel like to be one of your clients? Do they feel valued, informed and well cared for? Have you ever asked them?



Client retention is vital to the future value of your business. What are you doing to keep them? If you think that a client newsletter containing dry, secondhand market commentaries is sufficient, you could be in for a shock. Client communications should be engaging, informative and compelling. If yours fall short of this, perhaps you need to look at outsourcing content.

To find out more [click here](#)

## Step 5

### Client Acquisition

It wasn't long ago that to be a financially successful IFA you had to be, in equal measures, a marketer, a salesperson and a competent advisor. Now that we are all professionals and consumed with maintaining that status, how do you find the time to prospect for new business in an ethical and compliant way?

Our trade press is fond of telling us that now the IFA sector has thinned out, the last ones standing are positively overwhelmed by the demand for their services. To test this hypothesis, the next time you attend an industry event, take a look at the average age of the attendees. If simply obtaining a level 4 qualification guaranteed you a six figure salary, where are all the under thirties?



Simply put, every commercial enterprise needs new business, but for those operating in highly regulated industries like ours, it can be considerably more challenging. Sales is not a dirty word but instead encompasses a very valuable skill set. Does your firm possess the skills and creativity to sell and market your proposition to potential new clients?

To find out more [click here](#)

## Step 6

### Build a positive image



Before you meet a new or existing client, you will naturally make a conscious effort to look professional. You wouldn't knowingly wear a shirt or blouse with a worn collar, a frayed tie or dirty, worn out shoes. But what about the appearance of your business?

Stand outside your offices and look at the building you occupy and your signage, including visitors' car parking sign if you have one. Now look at your reception area and your meeting rooms. Next, take a look at your web site, your business cards and your Terms of Business.

Now think of a financial institution, or even a competitor, that you hold a positive image of. Look at their website and procedures documents. If they are not in the vicinity, use Google Earth to take a look at their premises.

So, how do you match up? Is the corporate image that you are projecting in keeping with what you profess to admire? What impression do you think a future prospective buyer might form?

To find out more [click here](#)

## Step 7

### Harness the web

The internet is, without doubt, the greatest communications tool known to humanity and can be used to communicate directly with an audience of billions. However, just like physical speech, you need at least two participants to hold a conversation.



Many advisory firms' web sites, look and feel like statutory notice boards. This is a truly wasted opportunity.

Web sites should be informative and engaging. Done properly, a web site can be a valuable resource for your firm, its clients and potential new clients.

If your web site is static and stale-looking, you should consider having it rebuilt as the cost of doing so could easily be recouped.

To find out more [click here](#)

## Step 8

### Clean up your legacy issues

If your firm has been trading for over ten years, or has merged with, or acquired, other firms along the way, there is a strong likelihood that you will have some legacy issues that could impact negatively on the future value of your business. These might include:



- Distressed or illiquid funds
- Potential future mis-selling claims
- VAT liabilities
- Negative social media comments
- Incomplete files
- Lost data
- Rogue former employees
- Ongoing client disputes

Before seeking a buyer for your business, you should address these issues or you might struggle to achieve your target price.

To find out more [click here](#)

## Step 9

### Increase your value via a pre-sale acquisition

The simplest way to add value to your business is to increase your assets under management/ advice and the quickest way to achieve that is through acquisitions.



If your intended sell-by date is in excess of four years, you might want to consider hitting the acquisitions trail. The age demographic of owners of long established IFAs means that there are plenty of opportunities to acquire other firms, particularly sole traders and partnerships.

Great care needs to be taken when acquiring another firm, owing to potential legacy issues as outlined above. However, with care, it is possible to acquire the AUM/A without taking on any inherent liabilities and without a prohibitively large capital outlay.

To find out more [click here](#)

## Step 10

### Preparing for a sale

You'll have heard the expression "Working on your business, not in it". As your intended sell-by date draws closer, you should increasingly be adopting this approach if you wish to maximise the value of your business.



The successful sale of your business should be your primary objective from the outset. It is vital that your business is as attractive a proposition as possible. If you have addressed the previous nine steps you should be well on your way to a successful outcome.

If you are a sole trader, then the decision regarding the timing of your sale will be solely down to you and prevailing market conditions. However, if ownership is shared, you will have to ensure that all shareholders are in agreement and are prepared to work with each other to an agreed timeframe. This can be problematic if there is a disparity in ages and/or ambitions, and is an issue that will need to be addressed.

To find out more [click here](#)

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