

Your Guide to Navigating Partner Buy-Ins

Due to the high number of advisors reaching retirement age, the demand for qualified professionals to assume partnership roles is surging. Do you have a plan in place for new partners to buy-in to your firm? Review our checklist to make sure you are prepared.

Initial Assessment & Planning

- ☐ Define the strategic goals and rationale for adding a partner or partners
- ☐ Identify the ideal partner profile and qualifications, including management, operational and financial capabilities
- ☐ Confirm potential partner's interest in joining the partnership
- ☐ Build a team to help with assessment and planning, including industry consultants, legal counsel and tax advisors
- ☐ Review and update corporate structure and governance documents
- ☐ Draft partnership agreement with transition plan, if one doesn't exist

Deal Structure

- ☐ Obtain a professional valuation of the firm
- ☐ Establish proposed ownership percentage(s) and allocation(s)
- ☐ Develop earnings/revenue forecast for earnout calculations (if applicable)
- ☐ Determine buy-in schedule and payment terms (lump sum vs. staged)
- ☐ Draft/update operating agreement or partnership agreement

Financing

- ☐ Develop repayment schedule aligned with projected earnings and proposed distributions
- ☐ Assess tax implications of various financing structures, including new partners' quarterly tax obligations
- ☐ Evaluate impact on firm's cash flow
- ☐ Consider earnout or performance-based structure to ensure alignment
- ☐ Finalize terms of partner buy in

Integration & Transition

- ☐ Implement onboarding timeline for partner responsibilities, including management and operations
- ☐ Execute formal transition plan for client relationships
- ☐ Hold regular partnership meetings to assess integration and performance
- ☐ Obtain updated firm valuation on annual basis
- ☐ Routinely assess additional buy in opportunities

Loan options are available to cover the buy-in, making it affordable for new partners and eliminating the need to self-finance.