

HIT BY THE BUS WORKFLOW STEPS

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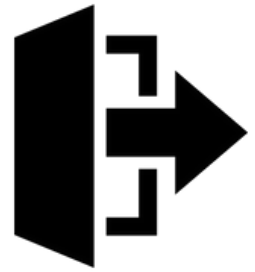


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EXIT PLANNING DEFINITIONS



- **EXIT PLAN** - The exit of an owner from their company in a way that achieves their personal, financial, & business goals.



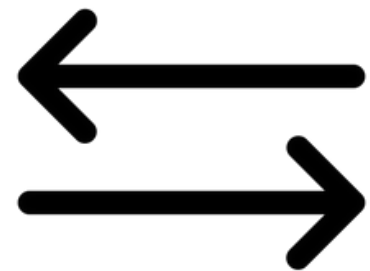
- **SUCCESSION PLAN** - Process of developing new leadership to replace former owners when they transition out of the business.



- **CONTINUITY PLAN** - Action steps in the event of a short-term or long-term unexpected owner incapacitation/death.

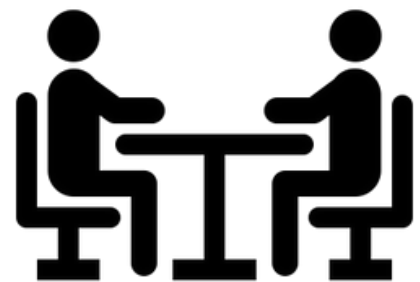
The Workflow covered in this presentation would be followed by a spouse or beneficiary if you become incapacitated or die without a legal Continuity Plan in place.

CONTINUITY PARTNER SERVICES



- **MUTUAL VERSUS ONE-WAY**

- Most Continuity Partners serve as each other's Continuity Plan.
- It's also feasible for an advisor to be another's Continuity Plan without having their own Continuity Plan completed yet.
- Multiple Continuity Partners are possible, but not recommended.



- **CO-ADVISOR AND/OR SUCCESSOR**

- A co-advisor, also called a servicing advisor, would provide service to your clients in return for reasonable compensation, until you can return to work.
- A successor would buy your firm if you're not returning to work.
- Most Continuity Partners fulfill both roles, but there are exceptions.

HOW TO USE THIS WORKFLOW

- Used for death and/or disability
- Used for advisors with 1+ staff
- Due dates are adjustable but necessary for client retention
- Emotionally difficult, but better to be prepared
- This workflow does not replace a written Continuity Plan



1

NOTIFY THE CONTINUITY PARTNER [DAY 1]

Insert Name of Staff Person who is responsible for:

- Locating the Continuity Plan (provide the location)
- Notifying the Continuity Partner (add as CRM contact) via a phone call
- Triggering this workflow in your CRM, in True Continuity, or both



2

IDENTIFY A CONTINUITY PARTNER [DAY 1-3]

- For support and guidance, contact a transition support specialist, like Kingston or Brooklyn
- For a quick, professional sale, contact a large firm like FP Transitions, Succession Resource Group, or Advisor Successions
- For a DIY sale, identify a Continuity Partner
- Servicing Advisor may be different from Buyer

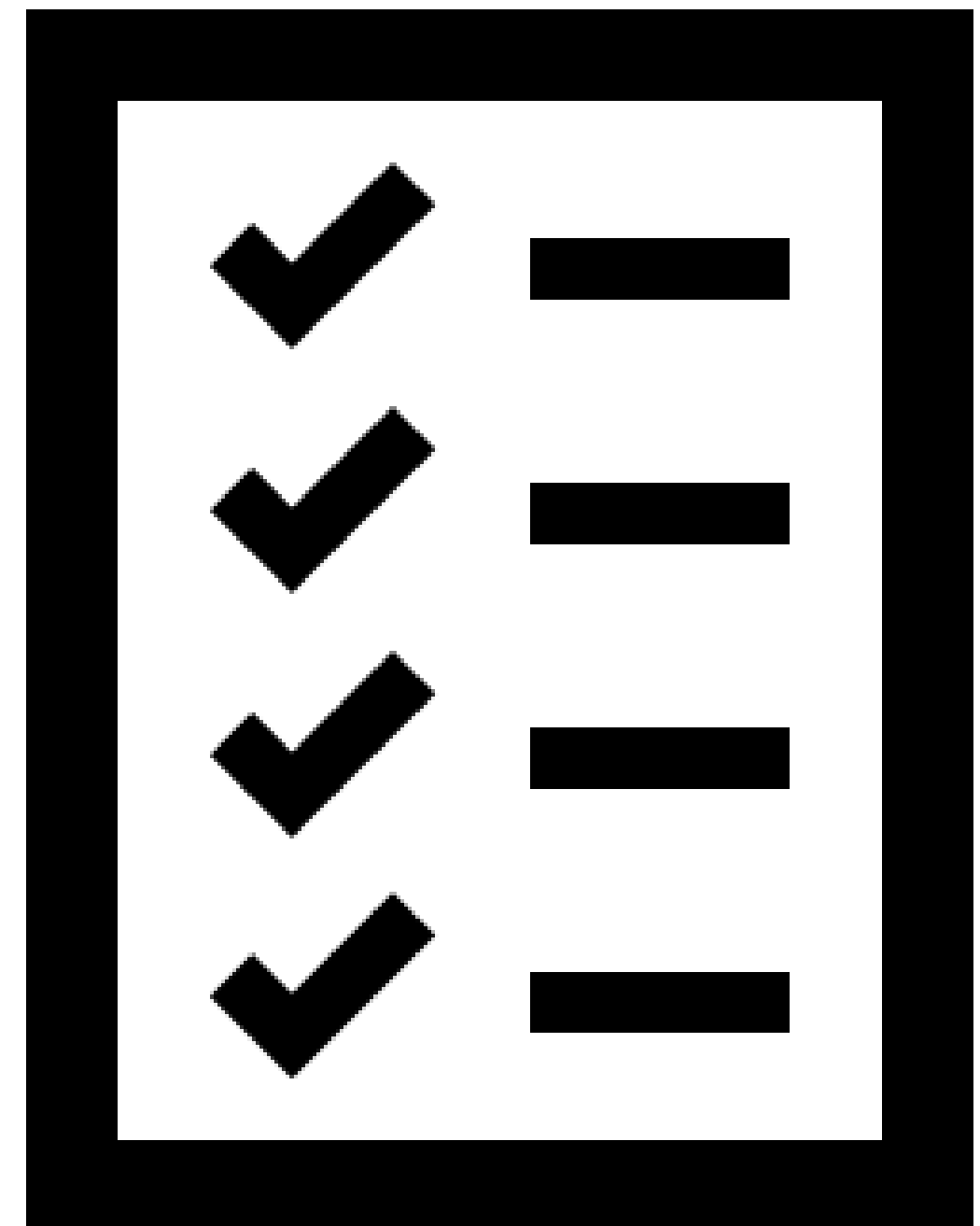


2

IDENTIFY A CONTINUITY PARTNER [DAY 1-3]

Preferably, you would already have found a Continuity Partner based on these criteria:

- Works in-person/virtual
- Service Model
- Size of Business
- Specific Niche
- Custodian
- Fee structure
- Investment Philosophy



2

IDENTIFY A CONTINUITY PARTNER [DAY 1-3]

- Select 1-3 people to help identify the Continuity Partner based on business structure and client demographics
 - Spouse
 - The advisor's personal financial advisor
 - Key employees, if any
 - The custodian or back-office support team (i.e. broker-dealer, hybrid affiliation, XYPN,)
 - Exit planning specialists like Brooklyn
 - Close personal contacts in the industry
- For a quick, professional sale, contact a larger firm

OUTCOMES

Skip Step 2 if a Continuity Partner was already identified



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ACCESSING USERNAMES AND PASSWORDS [DAY 3]

- Steps to share usernames and passwords with the Continuity Partner
- Use an online password manager
- If an RIA, include access to the deceased advisor's IARD account and/or FINRA Firm Gateway



4

CONFIRM THAT BILLS WILL BE PAID

[WITHIN WEEK 1]

- Meet with the people who handle the firm's finances
- Learn how bills are being paid now and locate the business emergency cash reserve account
- Includes everything (i.e. rent, salaries, technology, subscriptions, etc.)
- Decide how to pay bills going forward
 - Auto-pay, Business credit card, etc.



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COMPLETE LEGAL & FINANCIAL TRANSACTION [WITHIN WEEK 1]

- Initiate paying yourself a salary, if outlined in the legal documents
- If written Continuity Plan - Continuity Partner activate it
 - Initiate claims on business insurance
 - Contact the business attorney to complete the legal transition





COMPLETE LEGAL & FINANCIAL TRANSACTION

[WITHIN WEEK 1]

- If **NO** written Continuity Plan - Continuity Partner create it

Outline the Deal Terms

- Value the business
- Up Front Payment % and Promissory Note %
- Term in Years, Interest Rate, Payment Amounts and Frequency
- Look-back provision and months until adjustment
- Consult with tax preparer, attorney, & advisor's spouse

Secure Financing

- Locate any business insurance on the owner
- In insufficient insurance, arrange financing
- Hire an Attorney to finalize the buy-sell agreement



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MEET PERSONALLY WITH THE ADVISOR'S SPOUSE [WITHIN WEEK 1]

- Contact relevant insurance companies
- Review deal terms for the sale of the business
- Identify key financial stressors
- Assign a key staff person for them to contact
 - Regular distributions to cover short-term living expenses
 - Processing death settlement on accounts & beneficiary updates
 - Invest insurance payments
 - Provide referrals
 - Recommend no big life changes for 6mos-1yr
 - After one year, recommend a financial plan update





NOTIFY ALL CLIENTS

[WITHIN WEEK 1]

- Use the attached letter, email, or video template to notify clients
- Coordinate with the existing advisor's staff to notify clients
- The letter should include:
 - Description of what happened
 - Assurance that they will continue receiving services and accounts will stay with the same custodian for now
 - Call your office with questions and do NOT contact the custodian
 - Provide 2-3 action steps:
 - Schedule a meeting within 2-4 weeks
 - Sign paperwork during that meeting
 - Continue receiving the same care and attention to your financial accounts that you need and deserve
 - instructions for clients who wish to extend their sympathies





UPDATE THE LEGAL DOCUMENTS

[WITHIN WEEK 2]

- **Form ADV / CRS** - If services and fees are materially different, update Form ADV Part 1, Part 2A, and/or Form CRS to reflect any inherited or grandfathered services or fees
- **Advisory Agreement** - Update your advisory contract if the prior advisor was charging more and you're going to continue that for the time being
- **Positive Consent and/or Privacy Policy**
 - Negative Consent = allows your Continuity Partner to service your clients without signing new agreements & your Privacy Policy allows their info to be shared with your Continuity Partner
 - Positive Consent = separate info-sharing consent form and new client agreements are required for the Continuity Plan
- **Leverage a compliance consultant!**



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INITIATE SEC AND/OR STATE REGISTRATION [WITHIN WEEK 2]

- SEC registration is required if the prior advisor is state-registered, and additional AUM causes you to cross the SEC registration threshold
- Register in the states where the prior advisor is registered, and you aren't
 - Notice-filing for an SEC-registered firm only takes 24 hours
 - It can take weeks or months for a state-registered RIA to do so
 - Prioritize states that require fingerprinting and/or background checks
- Key staff or a compliance consultant can get this completed for you



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NOTIFY THE CUSTODIAN [WITHIN WEEK 2]

- Continuity Partner & key staff person call the custodian together
- If Custodian has Retail Side - clients may be automatically transitioned to retail servicing. This would potentially change account numbers and require different, lengthier paperwork to bring the clients back.
 - Call your custodian's relationship manager, servicing team, or continuity planning team. If your Continuity Plan is on file, they aren't as likely to automatically transition clients/accounts to Retail.



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NOTIFY THE CUSTODIAN [WITHIN WEEK 2]

- If B/D Relationship - establish a relationship with B/D and outline steps to get licensed to service clients
- Fee-only or RIA advisors who buy books from advisors with B/D-affiliated businesses may have to pass exams again and re-initiate registration to convert the book
 - Consider leveraging firms like DPL, BC Brokerage, and LLIS who can review and convert commissionable insurance and annuities to a fee-only model



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INITIATE CUSTODIAL REGISTRATION [WITHIN WEEK 2]



- Decide whether to add this additional custodian or consolidate to one custodian
- If Adding this Custodian - initiate registration with new custodian
- If Consolidating - decide if it's worth it to register with the old custodian to service accounts until they can be transferred to the new firm's custodian
 - Identify time frame & process to transition accounts to your master number with the custodian.
 - Identify accounts with extra custodial requirements (i.e. retirement plans, donor-advised funds, trusts, entity or organization accounts, etc.)



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INITIATE CUSTODIAL TRANSFER

[WITHIN WEEK 2]

- Identify which client and custodial authorizations will carry over from the previous advisor, and which need to be re-established
- Short-term Fix - TDAI has a Co-Advisory Servicing form that allows advisors at the same custodian to service each other's clients in the short run until all the accounts can be transitioned
- Long-term Fix - Schwab has a Limited Power of Attorney (LPOA), or Fidelity has a Hire/Fire Form
 - Will account numbers change or stay the same? Usually, they stay the same.
 - Will the custodian notify clients? Identify what information is contained in these notices and when will they be sent?

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ORGANIZE CLIENT BILLING [WITHIN WEEK 2]

- If Billing in Advance - Refunds may need to be issued, calculated as of the date the advisor died.
- If Billing in Arrears - Decide if you're going to bill clients who leave part of the way through the billing cycle, or if you're going to waive those fees.
- Required to follow firm's legal documents



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INITIATE OTHER REGISTRATIONS

[WITHIN WEEK 3]

- Initiate registration with sub-advisors, third-party asset managers, or other independent advisors to continue servicing accounts.



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MEET WITH ALL NEW CLIENTS [WITHIN 1ST MONTH]

- Meet with each client within 1 month after the advisor's passing
- Sign new agreements & info-sharing consent forms, if positive consent is required
- Sign custodial forms, if possible





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DE-REGISTER THE PRIOR ADVISOR'S FIRM [AFTER 1ST MONTH]

- After all clients have been transitioned to the new firm
- This may include filing a Form ADV-W or U5





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