

RIA Succession Planning: Shattered Dreams or Smooth Transition?

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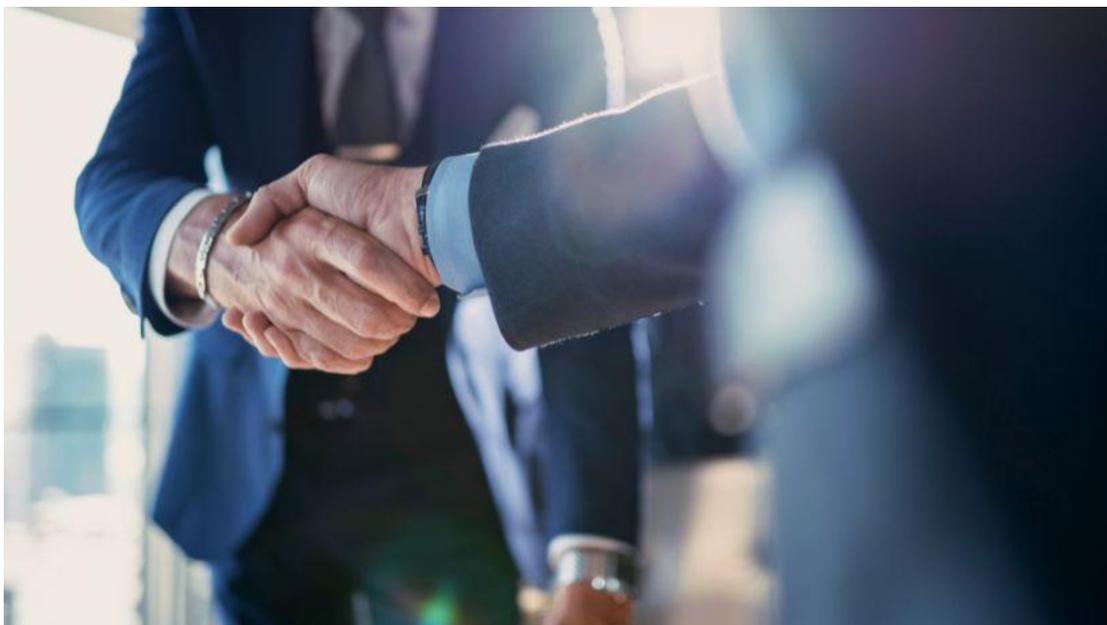


Key Takeaways:

- **When should financial advisors start succession planning?**
- **What factors impact the valuation of an RIA firm during succession?**
- **Do advisors need to stay on after selling their practice?**
- **What options exist for advisors nearing retirement besides selling outright?**

In our article, ***4 Key RIA Business Trends: Insights from the Field***, we highlighted the four forces shaping the independent advisory landscape today. And in our first trend breakdown, we zeroed in on how ***RIA Consolidation is Diluting Independence***.

An additional trend we're seeing in the RIA space is succession planning. **Succession Planning** for advisors has quickly emerged as another pressing issue for those nearing retirement. This piece takes a deeper dive into that theme, highlighting how market shifts, firm size, and deal structures are shaping retirement outcomes for advisors.



What Is Succession Planning for Advisors and Why Does It Matter?

Succession planning is the process of creating a structured, intentional strategy for transitioning ownership and leadership of a practice or firm when the advisor steps away, whether by retirement, sale, or unexpected events. At its core, succession planning ensures that the advisor's life's work, the firm's value, and most importantly, client relationships are preserved for the long term.

Why does it matter? Because without a well-defined plan, advisors risk leaving money on the table, jeopardizing client trust, and forcing a rushed or unfavorable exit when they're ready to retire.

As more advisors approach their exit, shifting market conditions and consolidator dynamics are challenging long-held assumptions about value, timing, and the very meaning of independence. Consolidation and generational shifts are reshaping the independent channel. It has become increasingly clear that many independent advisors over age 60 who once said they'd "die with their boots on" are now seeking to retire. Yet the pot of gold they envision may be less shiny than expected.

How Has Succession Planning for RIAs Changed Over the Past Decade?

Back in 2010:

- Succession planning was a non-starter for most independent advisors.
- They loved their work, had strong client bonds, and enjoyed excellent income and lifestyle flexibility. Retirement was a vague future idea.

Fast-forward to 2025:

- Advisors are now fifteen years older, and many are ready for their next chapter. Indeed, Cerulli Associates now tells us the average advisor age is 56 and more than 37% of advisors expect to retire within the next 10 years. (**Cerulli Retirement Study**)
- Markets are near all-time highs, enhancing revenues and possibly firm value.
- Private equity-backed consolidators are offering extremely attractive acquisition multiples.

What Are the Biggest Challenges in Succession Planning for RIAs?

For many ready-to-retain advisors, reality isn't matching the headlines. Here's why:

- **Multiples are Conditional:** High multiples are typically reserved for:
 - Firms that are growing organically.
 - Advisor-owners who are willing to stay on post-acquisition to retain clients and ensure growth.

If you're shrinking—or planning to walk away entirely—multiples drop significantly. In many cases, there may be no offer at all.

- **Firm Size Drives Valuation:** Larger RIAs generally receive better terms due to:
 - Established infrastructure beyond the founder
 - Easier transition planning
 - Lower perceived risk

According to Advisor Growth Strategies' *RIA Deal Room 2024*, "Deal multiples were highly correlated to size and rose as the target firm's AUM, revenue, and EBITDA increased. This relationship has been confirmed for many years in the RIA industry. The largest RIAs are considered less risky and have larger growth prospects." Indeed, these historical reports show a discount that can range in size from 15 – 30%. (**Deal Room**)

- **Rising Volatility Puts High Prices at Risk:** While 2023 saw record highs, 2024 was more volatile. As equity values decline, so do revenue and EBITDA multiples. Even if advisors move fast, deal structures have become more contingent and may not allow them to escape from market volatility in the future:
 - Less cash up front
 - Higher reliance on equity-based compensation
 - Increased use of **earn-outs** and **claw backs**

In 2024, the dream exit seemed real. Markets were rising. Revenues were rising. And consolidator multiples were alluring. Now, those who have begun exit conversations are starting to realize the multiples they read about in the trade press may not be available to them.

What Options do Advisors Have When Planning for Retirement?

- **Stay the course.** For many advisor-owners, retirement isn't just a financial decision - it's a life transition. Advisors often underestimate how deeply intertwined their identity is with their work.

Those advisors that still enjoy the business but were attracted by high prices have some flexibility. Consistent revenues and high profit margins mean that running the business is a strong alternative to selling for 2-3x revenues. Advisors may choose to just continue running their businesses.

- **Outsourcing as a Stepping-Stone to Retirement.** Advisors that generally enjoy working with clients and prospects but are simply tired of the day-to-day busy work may consider outsourcing the busy work. In doing so, the advisor lightens his or her workload and concentrates on the part of the business they have always enjoyed most ... helping clients. This option allows for a continuing income and the potential for additional growth before retirement.
- **Immediate Sale.** For those who are "just done" and are ready to hit the golf course, they have another chance to capture high prices. Markets have rallied from the April lows. But they may need to come to terms with the fact that the multiple may be lower because (a) the firm is not growing, (b) the advisor does not plan to remain post- acquisition and/or (c) smaller firms typically face discounted multiples.

Key Takeaway: Why Starting Succession Planning Early Matters?

Selling a practice isn't just about hitting a valuation number. It's about aligning personal goals, market timing, and buyer expectations. Too often, advisors wait until they are ready to step away before thinking about succession, only to find that deals are contingent, valuations are lower than expected, or buyers want them to stay longer than planned.

Based on historical precedent, the most successful transitions begin **3-5 years in advance**. This timeline gives advisors space to:

- Strengthen growth and profitability to improve multiples
- Identify and groom a successor (internal or external)
- Communicate plans to clients and staff for smoother retention
- Structure the deal on their terms, not out of urgency

Succession planning is no longer optional. It is a **critical, and necessary part of business strategy**. Advisors who take proactive steps today improve the odds of protecting firm value, preserve client trust, and create more freedom of choice when they're ready to retire.

How to Start Succession Planning in 4 Steps

1. **Set Your Timeline**
Decide when you'd ideally like to transition, then work backward at least **3–5 years** to prepare.
2. **Evaluate Your Firm's Value**
Review your AUM, revenue growth, and profitability to understand what drives multiples and where improvements are needed.
3. **Choose Your Path**
Determine whether you'll pursue an internal successor, external buyer, or phased retirement (outsourcing/partial sale).
4. **Communicate Early**
Start the conversation with your team, clients, and potential successors to build trust and ensure a smooth transition.

Ready to Plan Your Next Chapter?

Succession planning doesn't have to be overwhelming—but it does need to be intentional. Whether you're five years out or already considering an exit, starting the process now can help protect your firm's value and give you more choices for the future.

At Verdence / RIA+, we work with independent advisors to explore their options, evaluate firm readiness, and create customized transition strategies.

 Contact us to start a conversation about your succession planning goals.

What's Next?

In future articles, we'll continue to dive deep into the remaining trends. Our goal is to: help you prepare, adapt, and grow in a changing RIA landscape.

Let us know what challenges your firm is facing and how we can support your evolution.

Ready to talk to one of our experienced professionals?

[Schedule A Discovery Call](#)

FAQs:

1. When should financial advisors start succession planning?

Ideally, advisors should begin planning at least 3–5 years in advance of retirement. This allows time to prepare clients, build firm infrastructure, and increase the odds of maximizing valuation.

2. What factors impact the valuation of an RIA firm?

Key drivers include firm size, profitability, growth rate, and client retention strategy. Larger RIAs with strong organic growth and established infrastructure typically receive higher multiples.

3. How does market volatility affect succession planning?

RIA valuations are tied to revenue and EBITDA, both of which fluctuate with the markets. Downturns can significantly reduce multiples and/or alter deal structures, making timing critical.

4. Do I need to stay on after selling my RIA?

In many deals, buyers expect the selling advisor to remain for a transition period to help retain clients. Walking away immediately may lower your firm's value or limit buyer interest.

5. What are the main options for advisors considering retirement?

Typical options include:

- Continuing to run the business and enjoy ongoing income.
- Outsourcing operations to reduce workload while staying client-facing.
- Selling outright, either to a consolidator, another RIA, or an internal successor.

6. What's the difference between succession planning and continuity planning?

Succession planning is about a planned, long-term exit strategy, while continuity planning ([link to RIA webpage](#)) prepares for unexpected events like illness or death. Both are essential for protecting clients and firm value.

7. What mistakes do advisors commonly make in succession planning?

The biggest missteps are starting too late, overestimating valuation, and underestimating the personal transition of leaving the business. A proactive, structured plan is designed to help avoid these pitfalls.



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