The Economics of Advisor Transitions

What the numbers say - and what they don't.

BRIDGEMARK STRATEGIES

Introduction

You've built something real. A client base developed over years; some of those relationships going back a decade or more, a practice with recurring revenue, a referral network, and a reputation that took time to earn.

When you find yourself wondering whether your current firm is still the right home for that practice, the stakes feel high. They are.

The decision to change firms is one of the most consequential a financial advisor can make. Done right, it can unlock better economics, a stronger platform, and the kind of ownership opportunity that changes the long-term trajectory of your business. Done without the right framework, it can cost you clients, expose you to legal and financial risk, and put you somewhere that's no better - and possibly worse - than where you started.

At Bridgemark Strategies, we work exclusively with advisors navigating this decision. Our goal is not to push you toward any particular firm or channel, but to make sure you're evaluating the full picture before you move. That means understanding the economics deeply: what recruiting packages actually represent, how retention offers should inform your thinking, where equity fits in, and what the numbers look like from the other side of the table.

This white paper walks through all of it. By the time you finish reading, you'll know what questions to ask and what actually matters.

The Feel, Fit, Financials™ Framework

In our experience, the advisors who make the most successful transitions evaluate every opportunity through three lenses:

- **Feel:** Does the culture, leadership, and values align with how you want to run your business?
- **Fit:** Does the platform give you the tools, support, and capabilities your clients actually need?
- **Financials:** Do the compensation structure, deal terms, and long-term ownership opportunity make sense?

When all three align, you're not just changing firms. You're building something better.

How Recruiting Firms Evaluate Your Practice

Before you can assess what a firm is offering you, it helps to understand how firms are assessing you. Recruiting isn't charity - it's a calculated investment, and firms evaluate advisor candidates through a specific economic lens.

The core question a firm is asking: what is this advisor's practice worth to us over the next decade?

What Firms Look At	Why It Matters to Them
Assets Under Management	The foundation of long-term recurring revenue
Annual Production (T12)	A proxy for current business scale and momentum
Revenue Mix: Fee vs. Transactional	Fee-based revenue is more predictable and commands higher multiples
Client Demographics	Younger clients mean longer revenue runways; older clients carry succession risk
Growth Trajectory	A growing practice signals future upside beyond current production
Portability	How likely are your clients to follow you? This is often the most scrutinized factor.

How Recruiting Firms Evaluate Your Practice, cont.

Advisors with high fee-based revenue, strong client portability, and a clear growth story typically attract the most competitive offers. If your practice checks those boxes, you have real leverage - and you should use it.

A practical benchmark: An established planning practice generating $1 million in annual production may represent $5–$10 million or more in long-term profitability to the firm over a ten-year horizon. Understanding that dynamic changes how you approach every conversation.

Understanding Packages

Recruiting packages have become a standard feature of the advisor transition landscape. Before you let the headline number excite or intimidate you, it's worth understanding what these packages actually are - and what they're not.

The Forgivable Loan Structure

Nearly all recruiting packages are structured as forgivable loans. The firm advances you a lump sum, and that loan is forgiven - typically ratably - over a defined period, usually seven to ten years, provided you remain at the firm and meet certain production or asset transfer thresholds.

What this means in plain terms: the upfront money is not a signing bonus. It is compensation tied to a long-term commitment. If you leave before the forgiveness period ends, you may owe back the unforgiven portion plus interest - a liability that can run into the millions.

This is not a reason to avoid recruiting packages. It is a reason to understand exactly what you agree to before you sign.

Understanding Packages, cont.

How Package Sizes Are Calculated

Most upfront offers are expressed as a multiple of your trailing twelve-month production (T12). Right now, competitive offers can often range from 50% to 500% of T12, depending on the firm, channel, and the profile of your practice.

Example: An advisor with $2M in T12 production receiving a 250% package would see an upfront offer of $5 million, forgiven over ten years.

Asset Transition Incentives

Many packages include a second tranche tied to how much of your book you successfully move. This is the firm's way of putting skin in the game on client portability and aligning your interests with theirs.

Understanding Packages, cont.

Client Assets Transferred	Incentive Level
Below 70%	Partial payout or forfeiture, depending on terms
70%-80%	Base incentive tier
80%-90%	Enhanced incentive tier
90%-100%	Full payout
100%+	Additional payout bonuses

Client retention is where transitions succeed or fail. Firms know this, which is why the best deals are structured to reward advisors who execute a smooth, high-retention move.

Growth-Based Incentives

Some packages include a third layer: performance incentives tied to future production growth. An advisor producing $2M at the time of transition might qualify for additional compensation if the practice exceeds $2M or more within three years.

These incentives are worth paying attention to. They signal that the firm views you as a growth opportunity, not just a revenue acquisition - and they can add meaningful dollars to the total value of a package.

Retention Packages:
What Your Current Firm Is Really Saying

If you're reading this, there's a reasonable chance your current firm has already approached you with a retention offer, or that they will soon. Large institutions increasingly deploy retention bonuses as a proactive defense against competitive recruiting.

Retention packages typically range from 50% to 100% of annual production, structured as forgivable loans with multi-year vesting. The pitch is straightforward: stay, and we'll reward your loyalty.

But it's worth asking a harder question: **why now?**

Reading Between the Lines

When a firm offers you a retention package, it's an acknowledgment of your value — and a signal that they believe you might be considering your options. That's useful information. It confirms your leverage and tells you the firm views your departure as a real risk.

A retention offer should not end your exploration. It should be one data point in a broader evaluation.

The critical question isn't whether the retention number is attractive in isolation. It's whether staying - with this firm, on this platform, under this leadership - puts you in the best position five or ten years from now.

Sometimes the answer is yes. Retention makes sense when you genuinely believe in the firm's direction, when the platform meets your needs, and when the financial terms are competitive with what the market would offer you elsewhere.

However, accepting a retention offer without doing that broader evaluation is how advisors end up in the same frustrating situation a few years later, this time with less leverage and a longer loan tail.

Equity and Enterprise Value:
The Opportunity Most Advisors Underestimate

The most underestimated opportunity in the transition conversation right now is equity participation - particularly in the Independent and RIA channels.

For much of the industry's history, an advisor's compensation was essentially their payout rate on production. The firm captured the enterprise value; the advisor collected a paycheck. That model is changing.

Today, meaningful equity participation is available to advisors who know where to look and how to negotiate for it. Structures vary, but may include:

- Profit participation or revenue sharing above a production threshold
- Partnership stakes with defined buy-in terms
- Minority ownership in the platform or holding entity
- Participation in future liquidity events - including PE-backed recapitalizations or firm sales

For advisors who are building a multi-generational practice and thinking beyond next year's payout, this is worth serious attention.

Equity and Enterprise Value:
The Opportunity Most Advisors Underestimate, cont.

Illustrative Example: Equity Value Growth

An advisor receives a 2% equity stake in a growing RIA platform valued at $200 million at the time of transition. Over eight years, the firm grows and is recapitalized at a $600 million valuation.

That advisor's stake has grown from $4 million to $12 million - entirely separate from the value of their own business.

Not every equity opportunity plays out this way. But the advisors who participate in these structures are building wealth above and beyond the value of their business.

One important caveat: Equity is only valuable if the platform is growing, well-managed, and on a credible path to a liquidity event or sustained profitability. Part of evaluating any equity offer is evaluating the business behind it: its capital structure, its leadership, and its track record.

This is an area where having an experienced consultant on your side - someone who has seen these structures across many platforms - makes a real difference.

Why Advisors Actually Move:

Push and Pull Factors

The recruiting packages get the headlines. But in our experience working with advisors across the industry, financial incentives are often a factor, but not the sole reason, someone decides to make a move.

Typically, the financial terms are what make a transition feasible. The reasons advisors actually move are rooted in something harder to quantify.

What Pushes Advisors Out	What Pulls Advisors Forward
Bureaucracy that slows client service down	More autonomy over how you run your practice
Limitations on products or planning strategies	A broader, more flexible platform.
Compensation compression or payout reductions	Competitive economics with a clear upside path
Cultural or leadership misalignment	Leadership that understands what advisors actually need
Limited growth opportunities within the firm	Access to equity and enterprise value participation
Feeling like a number, not a partner.	A firm where you have a seat at the table.
Inflexible compliance policies	Compliance structure that protects while allowing for entrepreneurship

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Why Advisors Actually Move:
Push and Pull Factors, cont.

Once the financial terms are competitive, culture and strategic alignment almost always become the deciding factors. We've seen advisors turn down larger packages for firms where the culture felt right, and we've seen advisors regret moving to firms where the numbers looked great but the environment wasn't a fit.

Your next firm will shape how you spend the next decade of your professional life. The dollars matter, but not as much as everything else.

Case Study:
A Real Transition Decision

The following is a composite example based on transitions we've guided at Bridgemark Strategies. Specific figures are illustrative, but the dynamics are real.

The advisor:
$2 million in annual production | $250 million AUM | 90% fee-based revenue | 22-year career, primarily at a major wirehouse

The situation: Compensation had been restructured twice in four years. The planning platform had fallen behind competitors. Leadership changes at the regional level had eroded a relationship that once felt collaborative. The advisor wasn't looking to leave, but had started listening.

The Offer on the Table

Package Component	Amount
Upfront transition capital (120 bps of AUM)	$3,000,000
Asset transition incentive (at 50 bps at 85% transfer)	$200,000
Growth incentive (50 bps after year 2)	$150,000
Total potential package	$3,350,000

Forgiveness period: 10 years

Case Study:
A Real Transition Decision, cont.

What Actually Happened

The advisor moved. 100% of client assets transferred within the first eight months - above the threshold needed to trigger the enhanced incentive tier. More importantly, the platform gave the advisor capabilities that had been unavailable at the prior firm: expanded alternative investment access, a more robust financial planning suite, and a clear path toward a minority partnership stake within five years.

One year post-transition, the advisor raised 20% new assets to generate an additional growth incentive bonus of $150,000.

The financial package mattered. But what mattered more was the enhanced platform to be able to grow their business beyond their historical growth rate, which also significantly increased their enterprise value.

To recap: pre-move, the advisor's gross take home $1M/yr. They received over three times their annual income to make a move, plus received a higher payout *and* the enterprise value of their practice more than doubled.

When we asked this advisor about the transition, the answer was simple: **"I should have done it years earlier."**

The View From the Other Side of the Table

Understanding how a recruiting firm evaluates the economics of your transition gives you an important advantage in negotiation. To a firm, a recruiting package is not an expense. It's a capital allocation decision, evaluated against the expected long-term revenue your practice will generate. A firm's retention percentage on payout is only part of their profitability.

A Simple Example

Advisor annual production: $2M | Firm profitability: 20-30%

Over a ten-year period - before accounting for practice growth, referrals, or additional client assets - that advisor's practice may generate more than $6 million in profitability to the firm.

Against that backdrop, a $3 million recruiting package is not generosity. It is a calculated investment with a strong expected return.

Knowing this information changes how you should think through recruiting conversations. Understanding how firms make their money and how they value your business provides a level of insight into negotiations. Firms that are serious about your practice will invest meaningfully to bring you on board. A low-ball offer isn't a negotiating starting point, it's a signal about how the firm values your business and their profit margin.

Don't negotiate blind. Know what the market is paying for practices like yours. That knowledge is the baseline for any productive conversation with a recruiting firm.

Conclusion:
Making the Decision with Clarity

An advisor transition is a business decision; one of the most consequential decisions you'll make in this business. It deserves the same rigor you'd apply to any major decision for a client.

Go beyond the headline package number. Understand how the deal is structured, what you're committing to, and whether the firm across the table is genuinely the right long-term partner for your practice and your clients.

Take culture seriously, especially when the financials look great. Ask hard questions about platform capabilities, leadership stability, and what the equity opportunity truly represents. Don't assume all firms are the same - they're not.

Know your own value. Not what you *think* it might be, what the market is actually paying for a practice like yours. That's the difference between negotiating with confidence and negotiating with hope.

How Bridgemark Strategies Can Help

We work exclusively with financial advisors evaluating transitions — not on behalf of any firm or platform, and not to steer you toward a predetermined outcome.

Our role is to help you see the full picture: what your practice is worth in today's market, which channels and firms are the right fit for your specific situation, how to evaluate and negotiate deal terms, and how to execute a transition that protects your clients and your business.

If you're starting to ask the question, it's worth having the conversation.