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## SEI Study Examines Lifestyle vs. Enterprise Advisory Models, Revealing Path to Maximize Business

### Report Finds Purposeful Financial Advisory Firms Are Most Successful

OAKS, Pa., June 20, 2017 (GLOBE NEWSWIRE) -- According to a report published by SEI (NASDAQ:SEIC) Advisor Network, advisors have been told by the industry that they must aspire to building an enterprise firm, without considering an advisor's unique goals and their client's needs. SEI argues that the lifestyle business model may be the best approach for some firms, which can be both profitable and fulfilling. The report, "The Purposeful Advisory Firm: Maximize your firm by design, not by default" is co-authored with Bob Veres of "Inside Information," and is available to download today. It shows how vital it is for an advisor to decide what kind of firm they are now, and what firm they want to be in the future, or their value potential and cash flow may be diminished.



The report is based on responses from 400 Managing Partners/Owners across the U.S. It frames the evolution of advisory businesses and does a deep dive into four key phases: Startup, Emerging, Mature Lifestyle and Mature Enterprise. It also sheds light on how

advisors must deal with forces of change, consider trade-offs and opportunities, while continuing to evaluate their business goals and clients' needs.

Sixty-four percent of those surveyed view themselves as advisors first and business owners second. Financial advisors that put urgent daily tasks ahead of their business's long-term strategy could be limiting future opportunity. SEI's report uncovers why advisors must define whether they plan to become a "lifestyle" or "enterprise" firm early on in order to maximize the value of their chosen model rather than being caught in between, with little or no future value beyond the owner's retirement and lower revenue.

"A purposeful advisory firm is one that is led by an owner who intentionally develops and executes a strategic plan—either to build an enterprise focused on maximizing the firm's value, or to have a lifestyle business and remain a single owner/advisor staying involved with their clients through retirement with maximum income," said John Anderson, managing director and head of practice management solutions for the SEI Advisor Network. "Becoming a purposeful advisory firm requires intention, prioritization and planning to achieve personal business goals and meet client needs."

According to the report, advisors should look at four essential components of their advisory business: people, value proposition/brand, investment philosophy, and technology. Analyzing these components helps advisors assess what is essential, what can be eliminated, and what changes could be made to greatly enhance client service. The report provides advisors with purposeful decision-making prompts to help drive their business model and strategy.

### **Enterprise vs. Lifestyle**

Lifestyle firms are owned and managed by their founder, who might not be interested in scaling their business or increasing valuation, but instead are focused on maximizing current cash flow and staying involved with their clients through retirement. Almost three quarters (74 percent) of survey respondents identifying as "lifestyle" firms indicate that they expect their practice will survive beyond their careers. However, this may be difficult to do if they choose not to focus on long-term valuation. Preparing the firm for succession must be a primary goal.

The majority of advisors surveyed say they are building or want to own an enterprise firm, but many of them have adopted this goal because they feel this is what they "should" do as a result of press articles and presentations touting this model—even though it does not meet their needs.

Based on SEI's research, the enterprise firm will create more value for the owners upon transfer or sale, while the lifestyle firm can generate more current income for the owners.

A photo accompanying this announcement is available at <https://www.globenewswire.com/NewsRoom/AttachmentNg/94bee94c-6938-476b-a809-a8274ab72145>

"The tradeoffs are clear between enterprise and lifestyle – higher revenue with lower valuation or lower short-term revenue with higher valuation," added Anderson. "In making this decision, an advisor should be able to direct its firm's financial future to match their goals and clients' needs – there is no right or wrong choice."

### **The Mature Decision**

Advisory businesses go through a startup phase and an emerging phase before reaching maturity. According to the survey results, 25 percent of mature enterprise firms experience profitability levels in the 31 percent to 50 percent range and 37 percent experience profit margins of more than 50 percent, showing that it is possible to run a large enterprise firm and still be significantly profitable across the multiple owners. Meanwhile, 53 percent of mature lifestyle firms have profitability of more than 31 percent, revealing that these firms can still be quite profitable with the single owner. Fifty-nine percent of enterprise firms have revenue greater than one million dollars, compared to 55 percent of lifestyle firms, respectively.

Once advisors have mastered the startup phase, and created a workable lifestyle firm, they have the foundation in place to create that sustainable business. When asked directly whether they want to be lifestyle or enterprise, advisors often feel pressured to say enterprise. In the report, SEI suggests asking more basic questions such as “Do I like the people management or client management aspect of my role?” to truly get at the firm the advisor wants to build.

“Advisor owners have to choose a path or their firms will become limited lifestyle defaults; representing the worst of both worlds: they won’t have much to sell, and the owners won’t have as much revenue as they hope,” said Bob Veres. “There is nothing wrong with optimizing a lifestyle practice, and these firms will continue to be the backbone of the profession. If advisors choose to follow the road more traveled of an enterprise firm, then they must be intentional in their decision and consider their own unique goals and skillset.”

Whether the decision is lifestyle or enterprise, it is imperative to take action. SEI’s report offers a guide to achieving success, using the four components as parts of an advisory business. Both require change management and should use a road map, identifying various initiatives and implementing over time as budget allows. It also indicates what consequences advisors will face if no decision is made.

## **Methodology**

SEI’s survey was conducted in March 2017, generating responses from 400 financial advisors. Respondents identified themselves as financial advisors and owners or managing partners. Survey participants fell neatly into three basic categories: Startup, Emerging and Mature, with substantial differences in structure, size and profitability. The survey looked across the broad universe of advisory businesses including respondents from fee-only (43 percent) and dually registered RIAs (8 percent) and broker-dealer affiliated advisors (45 percent).

To view the full whitepaper, please visit: <http://www.seic.com/enUS/advisors/18657.htm?cmpid=ADV-PR-PURPOSE>

## **About The SEI Advisor Network**

The SEI Advisor Network provides financial advisors with turnkey wealth management services through outsourced investment strategies, administration and technology platforms, and practice management programs. It is through these services that SEI helps advisors save time, grow revenues, and differentiate themselves in the market. With a history of financial strength, stability, and transparency, the SEI Advisor Network has been serving the independent financial advisor market for more than 20 years, has 7,300 advisors who work with SEI, and \$58 billion in advisors’ assets under management (as of March 31, 2017). The SEI Advisor Network is a strategic business unit of SEI. For more information, visit [seic.com/advisors](http://seic.com/advisors).

## About SEI

SEI (NASDAQ:SEIC) is a leading global provider of investment processing, investment management, and investment operations solutions that help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth. As of March 31, 2017, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages, advises or administers \$779 billion in hedge, private equity, mutual fund and pooled or separately managed assets, including \$297 billion in assets under management and \$478 billion in client assets under administration. For more information, visit [seic.com](http://seic.com).

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