

DeVoe CapitalWorks™ Case Study

Innovative Capital Solutions to Support RIA Growth

DeVoe CapitalWorks provides guidance about capital and lending solutions to RIAs. With 30+ solutions, we seek to help RIAs understand the various options and how capital and lending can be transformational. This case study is based on an actual situation that one of the providers on our platform executed.

Dynasty Financial Partners, a participating lender in *DeVoe CapitalWorks*, has been a leader in providing flexible capital solutions to RIAs for years. Dynasty has designed a portfolio of capital products to address various needs for capital across a RIA's lifecycle.

Here's an example: Recently, a Dynasty Network Partner was seeking to bolt-on a new advisor that was approaching the sunset years of her career. The firm – let's call it A1 Wealth Management – was a relatively new RIA but had young owners with big aspirations to grow the business both organically and inorganically. Because A1 was a relatively new firm, they wanted to strike the right balance of funding inorganic growth without compromising control of their business. They also did not want to deploy significant cash to make acquisitions, even if a material upfront payment was part of the arrangement.

As a result, A1 purchased a Revenue Participation Interest, or RPI, when they launched their RIA, which enabled them to not only receive capital at launch but also have "standby" capital to facilitate inorganic growth when they were ready. A1 worked closely with Dynasty to develop a thoughtful structure by leveraging the RPI to convert this advisor onto their team.

Utilizing the RPI For Growth

The RPI was initially structured to support A1's capital needs at launch, but also to accommodate growth opportunities after launch.

Dynasty worked with A1 management to right-size the RPI amount by underwriting their anticipated revenue post transition and then applied a market-based multiple and a revenue participation percentage that delivered a total capital amount management was seeking.

When A1 identified an opportunity, Dynasty worked with management to perform due diligence on the advisor's business, including her client composition and overall revenue quality. Dynasty also structured a transaction that would rely on the RPI to deploy capital to meet the terms agreed upon between A1 management and the new advisor.

After an RIA is underwritten for an RPI, one of the primary benefits is the transparency of additional available capital -- a firm could apply the same simple underwriting formula against acquired revenues to determine the amount of capital available to them. And because the RIA is already underwritten, they can access the capital quickly when they are ready to close.

A1's acquisition is a great example of how planning for a sound inorganic growth strategy early on can better prepare a firm to be "M&A ready" when they come across a new opportunity. Dynasty's RPI helped give A1 management confidence to close a transaction fast. They now have the track record and roadmap for the next transaction.

Why DeVoe CapitalWorks

We've identified the capital providers who focus on the wealth management industry, continue to monitor the new players and solutions, and then connect it all back to the needs of a given advisor. You will get connected to a funding source quickly so you can stay focused on serving your clients.

Getting Started

For more information or to begin the process, call us at **415-813-5066** or send an email to: info@devoe-co.com.