

# Vendor/Partner Evaluation Workbook

Use this document as a guide when exploring partnership/vendor opportunities and completing a due diligence process. There are no right or wrong answers to these questions, they just help you have clarity about the potential partner/vendor and whether it would be a good fit for you.

## Step 1: Get clear on what you're looking for.

If you don't know what you're looking for, it's hard to make a good decision. Get clear on 4 key areas before you start conversations with potential vendors and partners.

- 1 What am I trying to achieve with this partnership/business relationship? What problems am I trying to solve or opportunities am I trying to take advantage of?
- 2 What core values and other cultural aspects must this company have to be a good cultural fit for our firm?
- 3 What would make a partner/business relationship a culturally bad fit for our firm?
- 4 What would be some absolute "deal-breakers"?

## Step 2: Filter before deep due diligence.

Once you know what you're looking for, ask some high-level questions to assess alignment.

- 1 My top 3 goals (for this partnership/relationship) are:
- 2 How will you help me reach those goals?
- 3 What is your value proposition to advisory firms?
- 4 What key services do you provide?
- 5 What makes your firm unique among the other players in the space?
- 6 Who are the leadership and other key individuals at your company?
- 7 How long have you been in the space?

- 8 What has your track record been?

## Step 3: Complete Due Diligence

Once you've filtered for basic alignment, it's time to begin a more expanded due diligence process. How deep you go depends on the type of business relationship, but coaches will tell you we've never met anyone who felt like they asked TOO MANY questions. At a minimum, always make sure you understand a company's background, vision, how they operate, and their culture. Knowing what to expect helps set up the relationship for success. Use this section as a combination checklist/document request list/question list to help guide your due diligence process.

### Company Overview & Background

- 1 What was the company's founding year and any other important dates?
- 2 What is your company's ownership structure?
- 3 Please give an overview of your business and operational structure. (LLC, Corp, etc)
- 4 What is your company's leadership structure?
- 5 How does your firm go about making decisions, both at the strategic and more tactical level?
- 6 What key hires and departures have you had in the last 12-24 months?

### Firm Vision

- 1 What is the vision for 3, 5, 10 years?
- 2 What does the firm want to be known for?
- 3 How often do you revisit firm vision and goals?
- 4 What are the greatest threats or challenges your company faces?
- 5 What are your company's greatest strengths?
- 6 What are plans to monetize? Public, sell to PE, keep private, etc

### Culture & Values

- 1 What are core company values? Can you give examples of how they "show up" in your organization?
- 2 What is the average tenure of your employees?

- 3 What was your employee turnover rate in the last 12 months?
- 4 Do you have growth paths to give your employees future opportunity?
- 5 How do you gather feedback from your employees?
- 6 How do you gather feedback from your partners/customers?
- 7 What is the most common positive feedback you hear from partners and employees?
- 8 What is the most common negative feedback you hear from partners and employees?
- 9 What do you do with the feedback you gather? Give examples.
- 10 What kinds of firms fit well with your culture?
- 11 What makes a firm a bad cultural fit?

### **Firm Financials**

- 1 Total AUM:
- 2 Total number of partners/clients:
- 3 Historical growth rates: 12 months, 3 years, 5 years
- 4 Review financials if available: P&L, Income Statement, Balance Sheet
- 5 What capital is available to the company when needed – PE, LOC, owner contributions, etc

### **Legal & Compliance**

- 1 Review firm ADV
- 2 Review U-4s of key individuals
- 3 Are there any open or expected legal disputes?
- 4 Are there any contracts or agreements that could trigger a change of control?
- 5 What intellectual property does the company have? Will my firm have permission to use this for marketing and other purposes?
- 6 Review Business Continuity Plan
- 7 Review Privacy Policy

### **Data Security**

- 1 Review Data Security Plan
- 2 Who will have access to my client data? What kind of background checks do you do on those individuals, and are they all covered under non-disclosure agreements?

- 3 Have you had any data security breaches? If so, please give details about the breach and how were those handled.
- 4 Do you have cyber security insurance? Does that extend to partners?

## Pricing & Billing

- 1 Pricing schedule (flat fee, bps, override, etc)
- 2 What is included in the above pricing schedule?
- 3 What is the payout schedule for commissions and fees?
- 4 How are we billed?
  - Fees deducted before payments are made
  - Monthly invoice
  - Override
- 5 Additional fees and expenses
  - Technology user fees
  - E&O
  - FINRA and licensing fees
  - Branch fees
- 6 Initial change expenses and support
  - Branch registration
  - Registration and affiliation fees
  - Stationary and reprinting fees
  - Financial support available?

## Technology

- 1 CRM
  - Do you mandate we use a certain CRM? If so:
  - How did you choose this CRM?
  - What kind of customization have you built in the CRM?
  - What does your support and development team for the CRM look like?
    - » Internal administrator
    - » Developer – internal or external
    - » How large is the team?
  - What kind of customization am I able to have to make the CRM fit my business?

- How have you built the CRM to increase efficiencies in firms like mine?
- Do you pull client account information in to the CRM?
- How is the CRM used for client service issues and team task management?
- Am I able to build custom reports, or am I limited to templates?
- DEMO of currently live and available functionality

## 2 Financial planning software

- Do you mandate we use a certain financial planning software?
- Is it integrated into the client portal?
- Is it integrated with the CRM?
- Do you offer internal support or do we rely on the vendor?
- DEMO of currently live and available functionality

## 3 Portfolio accounting system

- Do you mandate we use a certain PAS? If so:
- How did you choose this PAS?
- How is this integrated with other technology systems?
- Does this also provide trading and rebalancing capabilities?
- Does this also provide performance reporting for client meetings?
- DEMO of currently live and available functionality

## 4 Trading & rebalancing

- What trading and rebalancing software do you use?
- Are we responsible for our own trading and rebalancing, or do we rely on a central team?
- DEMO of currently live and available functionality

## 5 Investment analytics

- What investment analytics software do you use or recommend?
- Is the analytics software integrated with the financial plan in any way?
- DEMO of currently live and available functionality

## 6 Proposal generation

- Do you mandate we use a certain proposal generation software? If so:
- Is it focused on financial planning, investments, or both?
- Does it use a certain RTQ?
- Can I override the RTQ recommendation?
- DEMO of currently live and available functionality

- 7 Paperwork generation
  - What technology are we able to use to generate new account paperwork?
  - Does this system integrate with the CRM and proposal generation system to reduce duplicate data entry?
  - How do you use technology to ensure paperwork is submitted in good order?
  - Do you have the ability for e-signature, wet signature, or both?
  - DEMO of currently live and available functionality
- 8 Client portal
  - Do you have a client portal available that provides a consolidated view of accounts?
  - If so, do you use a 3rd party vendor for that portal, or is it a proprietary system?
  - Are clients able to add outside accounts?
  - Does the client portal also bring in data from the financial plan?
  - Are clients able to view past statements in the client portal? Performance, custodial, or both?
  - Are clients able to place trades in the client portal?
  - How much transaction history are clients able to see in the client portal?
  - Are clients able to run performance reports based on various timeframes?
  - DEMO of currently live and available functionality
- 9 What is your strategic plan for continually improving technology offerings and integrations?
- 10 What important technology partnerships do you have with other vendors or firms?
- 11 Who is your head of technology? What is their background?
- 12 How much technology development is done with an internal team vs. external teams?
- 13 What important technology is being developed, but not yet live and available?

## Compliance

- 1 Will we be assigned a dedicated compliance analyst?
- 2 What is the guaranteed timeframe for compliance review?
- 3 What is the difference between RIA and BD compliance oversight for hybrid offices?
- 4 How often can we expect branch examinations?
- 5 If we received an examination notice from a regulatory entity, what support do you provide?
- 6 What social media and email monitoring and retention technology do you use?
- 7 What guidelines/rules are provided for social media posts, media appearances, and other time-sensitive communication platforms?

## Marketing

### 1 Planning

- Do you create a marketing plan for our firm? If so:
- Is it a customized plan or templated?
- How often do we revisit the plan?
- How do we monitor the success of marketing efforts?

### 2 Branding

- Are you able to help me create/refresh my logo? If so, what is the cost?
- Are you able to help me create/refresh my tagline and value proposition? If so, what is the cost?
- What is the process to help me refresh my brand?
- Will you provide a brand standards document to help my team maintain consistency?
- Review portfolio examples

### 3 Design

- Do you have graphic design services available? If so, what is the cost?
- What are your most typical items to design for other partners?
- Review portfolio examples

### 4 Website:

- Do you create and maintain my website? If yes:
  - » Is this a custom site or templated site?
  - » How often is the design refreshed?
  - » Who is responsible for domain name and hosting renewals?
  - » Who is responsible for creating blog posts?
  - » Who is responsible for creating educational content?
  - » What turnaround time can I expect if I need a change on the website?
  - » What SEO strategies do you use?

### 5 Social media:

- Do you take over posting content, or is my firm still responsible for the actual posting?
- Do you provide a platform for scheduling social media posts?
- Do you provide content for social media posts?
- What social media sites do you support?



## 6 Digital marketing

- How do you help me drive traffic to my website?
- How many digital leads are your other partners receiving on a monthly basis?
- Do you provide guidance and/or implementation for digital advertising?
  - » Social media ads
  - » Retargeting campaigns
  - » Other paid campaigns
- Do you provide guidance and/or implementation for drip campaigns for digital leads?

## 7 Events

- Do you provide turnkey educational events with checklists, invitations and presentations? If so, please give examples of topics available.
- Do you provide guidance and support for hosting client appreciation events? If so, what does that support look like?

## 8 General marketing

- What marketing methods are your other partners finding to be most successful?
- If I have an existing marketing method (radio show, speaking, niche, etc) how much support do I receive in continuing that method? Will it take work off my team's plate?

## Operations

- 1 What custodians do you work with?
- 2 Will we have access to the custodian's platform?
- 3 Will we have direct access to the custodian and product sponsors, or do we have to go through your back-office team?
- 4 Who is responsible for account trading?
- 5 What is the process if I need to request a trade or client withdrawal?
- 6 Who is responsible for client account billing? What does that process look like?
- 7 Do you mandate we use a certain billing method (quarterly in advance) or do we have flexibility?
- 8 Can we household client accounts for billing and statements? Any restrictions?
- 9 What kind of commission/fee breakdown will I receive?
- 10 If we have multiple advisors in the office, do you pay them directly, or does our firm make those payouts?

- 11 How do I submit new account paperwork? Is it centralized or do I send it directly to the custodian/product sponsor?
- 12 How do I view legacy account details (VAs, mutual funds, etc) online?

## Investment Management

- 1 How do I build client portfolios? Is it open architecture or do I select from a platform of approved strategies?
- 2 How do you select investment managers? What does that due diligence process look like?
- 3 How do you monitor performance of investment managers on an ongoing basis?
- 4 Have you ever removed an investment manager from your lineup? If so, what was the cause?
- 5 Am I able to speak directly to the investment managers? Are my HNW clients able to talk with them?
- 6 How am I notified of changes within portfolios or strategies?
- 7 What kind of input do partners have on the strategies available on the platform?
- 8 How are legacy positions with potential tax ramifications handled?
- 9 Are we able to exclude other assets from trading and/or billing based on client preference? How does that affect our pricing terms?
- 10 Are we able to use multiple investment managers/models within a single account?
- 11 Review investment management historical performance and fees.

## Financial Planning

- 1 What kind of financial planning data-entry support do you offer, and what is the cost?
- 2 What kind of advanced planning support do you offer, and what is the cost?
- 3 What expertise do you have on your financial planning team?
- 4 Are your planning experts available for client meetings?
- 5 Do you have tax planning and preparation services available? If so, what is the cost?
- 6 Do you have insurance planning and processing services available? If so, what is the cost?
- 7 Do you provide estate planning and other legal services for clients? If so, what is the cost?
- 8 Are there any other important services you offer when it comes to advanced planning concepts? If so, what are those costs?

## Practice Management

- 1 What kind of strategic planning and consulting do you offer? Is there an additional cost?
- 2 What kind of business or leadership coaching services do you provide? Is there an additional cost?
- 3 What kind of tools, templates, and resources do you provide to help us run a business?

## M&A

- 1 What kind of M&A expertise do you have on the team?
- 2 Are the M&A experts available for consultation on deals, succession planning, and other issues? If so, what is the cost?
- 3 Do you actively support growth through acquisition? If so, what does that support look like?
- 4 Are there financial resources available to help finance M&A?

## Transition

- 1 What planning and project management can we expect from your team?
- 2 What does a typical transition timeline look like?
- 3 Do we have a dedicated point of contact for the transition?
- 4 Who creates the paperwork needed to transfer client accounts?
- 5 Will your team send someone to my office to support us through the transition?
- 6 How do you recommend we get client signatures?
- 7 What is the plan to minimize revenue disruption for my firm during the transition?
- 8 How quickly can we bill clients once the accounts transfer over?
- 9 Will my historical account data like performance and transactions transfer?
- 10 What typical issues do you see during transition, and what steps do you take to help firms avoid those problems?

## Training & Support

- 1 What does initial training look like?
- 2 What ongoing training and education do you provide?
- 3 Will I have a dedicated point of contact for service and support?

## Client experience

- 1 Review sample statements:
  - Performance
    - » What benchmarks are used?
    - » Company logo and contact info
    - » Commentary
  - Custodian
- 2 Client portal – see above questions under technology
- 3 What firm names will our clients see on statements, disclosures, and other items?
- 4 Will our clients receive any communication directly from your company, or will it all come through us?
- 5 What kind of communication templates do you provide so that we can keep our clients informed about investment models, market events, and important planning topics?

## Contract

- 1 Is there any territory exclusivity?
- 2 What are the terms for cancellation if for some reason this does not work out?
- 3 Who owns clients and client data?
- 4 If the contract is terminated for any reason, how will I receive my client data?
- 5 Are we subject to any kind of non-compete or non-solicitation clauses?
- 6 Is there an option, now or in the future, to share in the growth with equity in the larger company?

## Step 4: Review what you've learned with an objective third party

Whether it be your business coach, mentor, or family member (or all three!), taking time to reflect on what you've learned and how the relationship may or may not be a good fit for you is a critical step to evaluating a potential vendor or business partner.

- 1 What are the potential positives about this business relationship?
- 2 What areas cause you pause?
- 3 How could this business relationship accelerate the process of achieving your business goals?
- 4 How could this business relationship go wrong, and are there ways to avoid this scenario?
- 5 From everything you've learned, does this potential relationship meet all of the criteria you listed in step #1?

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