



## GUIDE FOR WEALTH ADVISORS

# PRACTICE FINANCING

*A roadmap to understanding and leveraging flexible capital solutions to strategically fund, grow, or transition your practice.*

Practice financing can be a powerful tool to help you grow, stabilize, or transition your advisory business. Whether you are expanding services, acquiring a book of business, investing in technology, or preparing for succession, the right financing solution can provide flexible capital tailored to your goals. This guide outlines how practice financing works, how advisors typically use it, and what you need to prepare to be approved.

## A Smarter Path to Growth, Stability & Succession

Advisors turn to practice financing when they need strategic capital to grow, streamline operations, or navigate ownership transitions. The right loan structure can support acquisitions or buy outs, improve internal systems, or strengthen long-term stability without straining personal liquidity. Whether preparing for succession or scaling your team, financing provides a flexible solution aligned with your business goals.

### Key Uses of Practice Financing



**GET IN TOUCH** | Contact AssetMark's Advisor Solutions Team to learn more about securing financing for your practice.

*AssetMark works alongside advisors to prepare, package, position, and place your financing request with experienced lender partners who understand advisory practices. We streamline the process and help you present the strongest possible lending profile.*

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## Typical Financing Structure

While financing terms vary by lender and practice profile, most structures follow familiar patterns based on revenue, cash flow, and projected growth. Understanding these shared features can help you set expectations early and better compare options across lenders. Clear knowledge of loan terms, equity requirements, and collateral will enable you determine which structure best aligns with your objectives.

- **Loan Amount Range:** \$150,000 – \$5,000,000+ (based on revenue, cash flow, collateral).
- **Equity / Contribution Requirements:**
  - Acquisitions: 10–25% buyer equity is common.
  - Growth Capital: contribution requirements vary by lender.
- **Loan Terms:** 5–10 year amortization depending on loan size and purpose.
- **Interest Rates:** Fixed or variable rates depending on lender and credit profile.
- **Guaranty:** Personal guaranty nearly always required, potential need for firm guaranty as well.
- **Collateral:** Primary collateral is typically practice cash flow and recurring revenue.



### What Lenders Look For...

Lenders assess both your personal financial strength and your practice's performance to ensure cash flows can reliably support repayment. Their focus is on credit quality, operational stability, and the predictability of recurring revenue. By understanding these key underwriting criteria, you can identify potential gaps early and prepare for a smoother approval process.

- ✓ **Minimum FICO**  
640 required; 720+ strongly preferred.
- ✓ **Debt-to-Income (DTI)**  
Personal DTI of 35% or lower.  
*Formula: (total monthly debt payments ÷ gross monthly income) × 100*
- ✓ **Clean Credit History**  
No tax liens, bankruptcies, foreclosures, or legal judgments within the past 5 years.
- ✓ **Cash Flow**  
Sufficient recurring revenue to support loan payments.
- ✓ **Performance**  
Evidence of strong client retention, predictable recurring fees.

## Information Requirements

To issue a term sheet, lenders need financial and operational information for both the practice and the individual borrower. These documents verify historical performance, liquidity, and the purpose of the financing, and having them prepared upfront signals readiness and speeds underwriting.

Business Information	Personal Information
<input type="checkbox"/> <b>Loan Purpose Description</b>	<input type="checkbox"/> <b>Professional Resume</b>
<input type="checkbox"/> <b>Tax Returns or Audited Financial Statements</b> (3 years)	<input type="checkbox"/> <b>Personal Financial Statement (PFS)</b> (current)
<input type="checkbox"/> <b>Year-to-Date Profit &amp; Loss and Balance Sheet</b> (ideally with prior-year comparison)	<input type="checkbox"/> <b>Bank &amp; Investment Account Statements</b> (to support the PFS)
<input type="checkbox"/> <b>Letter of Intent (LOI)</b> (acquisition-related financings)	<input type="checkbox"/> <b>Personal Tax Returns</b> (3 years)

## Preparing for the Process

Securing practice financing is most efficient when you proactively prepare your personal and business information, understand lender expectations, and articulate how the capital will be deployed. Strengthening your credit profile, organizing financials, and clarifying your growth/transition plan can all improve your likelihood of approval. Thinking ahead about operations, cash flow, and timelines will position you for a successful transaction.

### Planning Ahead | Proactive steps to strengthen & speed the application

- > Improve credit score (pay down balances, avoid new credit inquiries).
- > Ensure business financials are current and professionally prepared.
- > Organize acquisition documents early (for M&A opportunities).
- > Prepare a simple transition or growth plan outlining use of funds.
- > Be ready to discuss long-term client retention trends.

### Things to Think About

- How will the loan improve, stabilize, or expand your business?  
*Do you have a realistic post-funding cash flow forecast?*
- Are there operational or staffing needs tied to the financing?
- What is your expected timeline for closing or deploying capital?