

Monetization, Ownership, and the Real Value of Your Life's Work

Independence versus Wirehouse Sunset Programs

Executive Summary

For decades, wirehouse advisors have been conditioned to believe that their firm's retirement or sunset program represents the natural conclusion to a successful career. Yet simplicity often masks a significant cost. This paper examines whether these programs truly maximize the value of an advisor's life's work or leave substantial wealth unclaimed.

It is not intended to provide a comprehensive analysis of the benefits of independence for both the client and the advisor. That would be a much longer read. Rather, it focuses on four core arguments related to advisor ownership and monetization:

- **Sunset programs are deferred compensation arrangements, not true liquidity events.** They were built to retain assets for the wirehouse, not to maximize the advisor's monetization outcome.
- **Independence converts a practice into a true asset.** Independent firms transact in an open market, where valuation, timing and deal structure can be negotiated to maximize value.
- **The combined economic benefit is not marginal; it is transformational.** Higher enterprise value and capital gains treatment can drive after-tax net sales proceeds to 2-3 times those of a traditional wirehouse sunset program. For simplicity, the examples in this paper exclude the powerful compounding effect of higher pre-sale cash flow, but it should not be ignored. The calculation requires an assumption regarding how long an advisor will enjoy the higher cash flow and how they will invest it prior to selling the business. Annual cash flow is typically 35% to 50% higher in the independent model, and the cumulative benefit can be substantial when compounded over time.
- **Ownership creates legacy and enables sophisticated wealth planning; employment does not.** Only true equity can be gifted, transferred into trust or strategically valued to amplify generational wealth.

Independence is not the right path for every advisor, but every advisor owes themselves the analysis.

1. The Reality Behind Sunset Programs

Sunset programs were not designed to maximize advisor value – and they’re not a market-driven valuation solution. They were created as a defensive response to address a retention problem for large financial institutions.

For big producers, sunset programs often appear attractive on the surface because many advisors have never been shown an alternative. For anyone in the business before sunset programs existed, they may be better than nothing, but “better than nothing” is hardly the standard advisors should use when evaluating the value of the business they spent decades building.

The reality is that annual cash flow during the sunset period is often only a few percentage points higher than what the advisor currently earns through the standard cash-plus-long-term grid. In effect, the advisor is locking in roughly five additional years of compensation as they retire.

*“A sunset program is a payout schedule. A sale is a liquidity event.
The two are not the same thing.”*

2. Ownership Versus Employment

True ownership exists only when an asset can be controlled and sold freely in an open market. The most successful advisors in the industry are, almost by definition, entrepreneurs, and such individuals will never truly find fulfillment as employees, even if they work for the best company in the world. Even at exceptional firms, employment is still not ownership, and that distinction becomes more consequential over time.

Entrepreneurs are innovative, creative and driven builders who have an intensity around their clients that no employer could ever match. They don’t need to be managed, and they don’t want to be managed. They answer to their clients and to themselves. They crave freedom, flexibility, control and choice.

In the wirehouse environment, advisors may see themselves as business owners, but the underlying economics and authority ultimately remain with the firm. Advisors do not control hiring decisions, compensation changes, fee schedules, or many of the operating choices that shape the client experience.

They remain employees who can be terminated and who operate within a shareholder-driven institution whose priorities may conflict with a purely client-centered approach. The lack of control over valuation, timing, buyers, tax treatment, and day-to-day business decisions makes the distinction clear: if you cannot govern the enterprise or negotiate the sale of your life’s work, you do not truly own it.

Independence fundamentally changes this dynamic. Advisors who operate independently convert their practices into transferable enterprises, unlocking the asset they have worked so hard to build.

Instead of being valued on production grids or internal formulas, their firms are valued as real businesses, based on cash flow, profitability and growth potential. Because cash flow is generally 35% to 50% higher in the independent model, it makes sense that the business should be worth materially more on that basis alone.

3. Applying the Same Discipline You Use for Clients

One of the most overlooked aspects of the independence versus sunset decision is formal exit planning. Advisors spend their careers helping clients think through liquidity events, tax exposure, and estate outcomes, yet many fail to apply the same rigor to their own businesses. Sunset programs are often accepted without modeling alternatives.

Effective exit planning starts with numbers. Advisors should understand what their business is worth today, how that value may grow and how different exit paths translate into net, after-tax proceeds.

For starters, in a wirehouse sunset program, monetization is delivered as ordinary income paid over time. By contrast, in an independent framework, the business can be sold as an asset, introducing capital gains treatment and significantly improving after-tax results.

That advantage is more powerful when you consider that advisors who leave a wirehouse to establish their own firm and ultimately sell it as a real business often receive roughly twice what they would have with their employer's sunset program.

The tax planning implications don't stop there. Once an advisor owns a transferable enterprise, that equity becomes part of their broader balance sheet and estate. Ownership creates opportunities for gifting, transfers, and long-term estate planning that simply do not exist inside a W-2 construct. Independence makes these broader wealth-planning strategies possible.

4. From Income Stream to Enterprise Value

In a wirehouse sunset program, advisors are typically offered a multiple of revenue paid out over time as ordinary income. While the payout can be predictable, it is well below market, offers no flexibility and marks the end of the advisor's economic participation.

In a free market, businesses are valued based on profitability rather than production. Because cash flow is generally much higher in the independent model, valuations should be higher as well. Drivers such as growth, scale, durability and margin push multiples significantly higher than internal sunset multiples.

The higher outcome is driven by both larger earnings and higher market multiples applied to those earnings.

Higher pre-sale cash flow. Independent firms are valued based on profitability, not gross production. With control over payout, expenses, and operating leverage, advisors typically generate 35–50% more take-home cash flow in an independent structure than under a wirehouse grid. That uplift compounds for every year prior to the eventual sale.

Materially higher enterprise value. Quality independent practices usually transact at roughly twice the valuations offered by sunset programs, with premium multiples for scalable, fee-based practices with strong growth and predictable recurring revenue. Earn-out provisions can also be negotiated, providing further rewards to the highest-growth businesses.

More efficient tax treatment. An asset sale produces long-term capital gains; a sunset payout produces ordinary income.

The financial difference is not simply valuation; it is flexibility. Independence allows advisors to choose when, how much and under what tax structure they monetize. Advisors who own their business can create the structure that works best for them.

Many business owners elect to take “a bite of the apple” at some point, monetizing only a portion of the business while preserving ongoing cash flow and retaining future upside rather than retiring in an all-or-nothing, cookie-cutter program.

For independents, the flexibility is profound and the options are robust, with the ability to retain their equity while reducing their salary or sell some or all their equity while continuing to receive compensation through a salary, grid or bonus arrangement.

5. Why Internal Successors are Willing to Pay More in an Independent Model

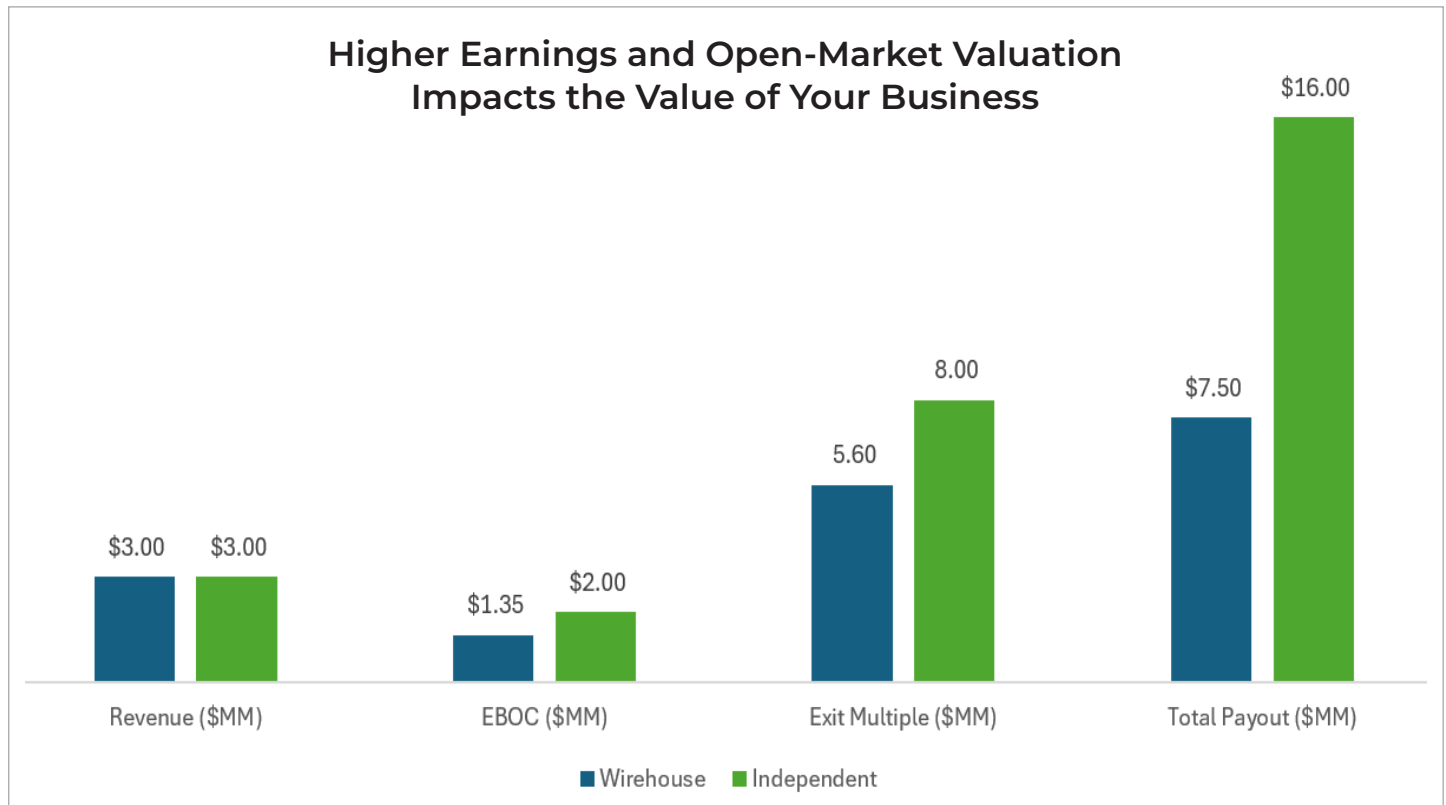
The independent model creates a larger economic opportunity. How that value is divided is a matter for the buyer and seller to negotiate.

In an open market, valuation is driven by earnings, and the multiple those earnings command is based on growth, durability, and transferability. For purposes of this discussion, EBOC, or Earnings Before Owner Compensation, refers to business earnings before the owner's compensation is deducted.

Consider a \$3 million wirehouse advisor with a 45% net payout after out-of-pocket expenses such as supplemental sales support, client entertainment, and marketing. At that payout level, the business generates approximately \$1.35 million of EBOC. If the advisor agrees to a 250% sunset arrangement, the implied \$7.5 million payment equates to roughly 5.6x EBOC, well below market.

That framing matters because it evaluates the sunset formula using the same earnings-based lens applied to open-market transactions. The economics change materially in an independent structure. The same business, generating \$3 million in revenue and \$1.35 million of EBOC inside the wirehouse, would likely generate closer to \$2 million of EBOC as an independent firm.

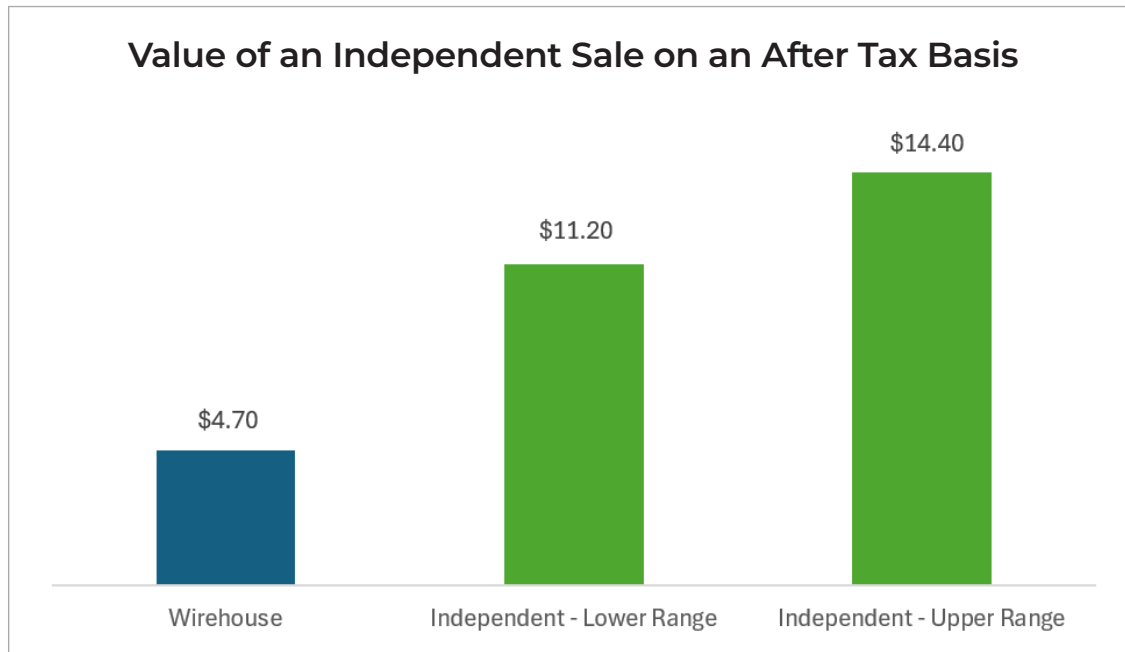
How Independence Creates More Enterprise Value



That distinction is central for internal successors and teammates. Under a sunset program, they are effectively stepping into a revenue stream controlled by the firm. In an independent model, they are acquiring a true ownership interest in a transferable business that generates 35% to 50% more take-home income. Current open-market EBOC multiples for businesses of this size are often in the 7x to 9x range, implying a valuation of approximately \$14 million to \$18 million, compared with the \$7.5 million wirehouse sunset arrangement. The higher value is driven by two dynamics: the buyer is acquiring true ownership, and the multiple is being applied to materially higher earnings generated by the independent business.

For the seller, the after-tax difference is substantial. Under the sunset arrangement, the advisor will net roughly \$4.7 million after federal income tax, with the proceeds typically paid over five years. In an independent transaction, after-tax proceeds would likely fall in the \$11.2 million to \$14.4 million range. The result is a fundamentally different economic outcome. In this example, the incremental economic value created by independence is approximately \$6.5 million to \$9.7 million.

After-Tax Value of Ownership



When a partner retires, that extra value is often shared between the buyer and seller. The retiring advisor may be willing to sell below open market value as long as the after-tax proceeds exceed what they would have received through the wirehouse sunset program.

For example, if they sold the business to the team for \$12.5 million rather than, say, the \$16 million it might command from a third party, the advisor could still net \$10 million after tax, versus the \$4.7 million under the sunset program. The team can easily rationalize paying more than they would have in the sunset program because they will actually own the asset without employment contingencies and benefit from materially higher cash flow.

They would be purchasing the business below its open-market value and could later sell it for a meaningful profit. Clients maintain continuity, the seller receives more than they would through the wirehouse program, and the team acquires a durable asset at a discount while benefiting from substantially higher cash flow. Win. Win. Win.

6. The Family Mega-Team: What Are You Really Passing On?

For many successful advisors, the goal is straightforward and deeply personal: to pass along the fruits of their life's work to their children.

Wirehouse firms understand this dynamic well. Over the past decade, they have become increasingly intentional about cultivating the children of their most successful advisors in an effort to retain revenue once the matriarch or patriarch retires.

Many of these family-team businesses are among the largest and most sophisticated in the industry. Yet advisors often fail to engage in a meaningful exit planning process for their own businesses, defaulting instead to the firm's sunset program, which is exactly what their employer is counting on.

Wirehouses actively encourage top producers to bring the next generation into the business, and the arrangement appears aligned with the senior advisor's legacy objectives. In reality, the interests diverge: the advisor seeks to transfer ownership and preserve a legacy; the firm seeks to retain revenue. When the senior advisor steps away, the firm retains the clients; the children inherit a temporary and contingent revenue stream, not an asset.

"That is not ownership. It is dependency dressed in succession language."

Independent ownership produces a fundamentally different result, creating a much larger liquidity event and allowing for the kind of sophisticated planning advisors often implement for their business-owner clients.

Equity in the firm can be gifted to next-generation team members at discounts to today's valuation, allowing all future appreciation to accrue to them rather than to the senior advisor's taxable estate. Grantor trusts can hold equity outside the estate while the senior generation pays the income tax itself, a tax-free gift over time. Buy-sell agreements can lock in transfer mechanics and pricing methodology before any liquidity event.

None of these techniques are available when the underlying asset is a sunset payout from a wirehouse. They require real, transferable equity. That is the difference between passing along a revenue stream and passing along a family enterprise.

Illustrative Comparison

Consider a \$20 million producer transitioning a business to their children through a traditional sunset program. A common structure offers a payout of roughly three times production, or \$60 million, paid as ordinary income over several years. The kids will pay the wirehouse roughly \$48 million in addition to the more than 50% of production the firm retains each year. **Yet they will own nothing.**

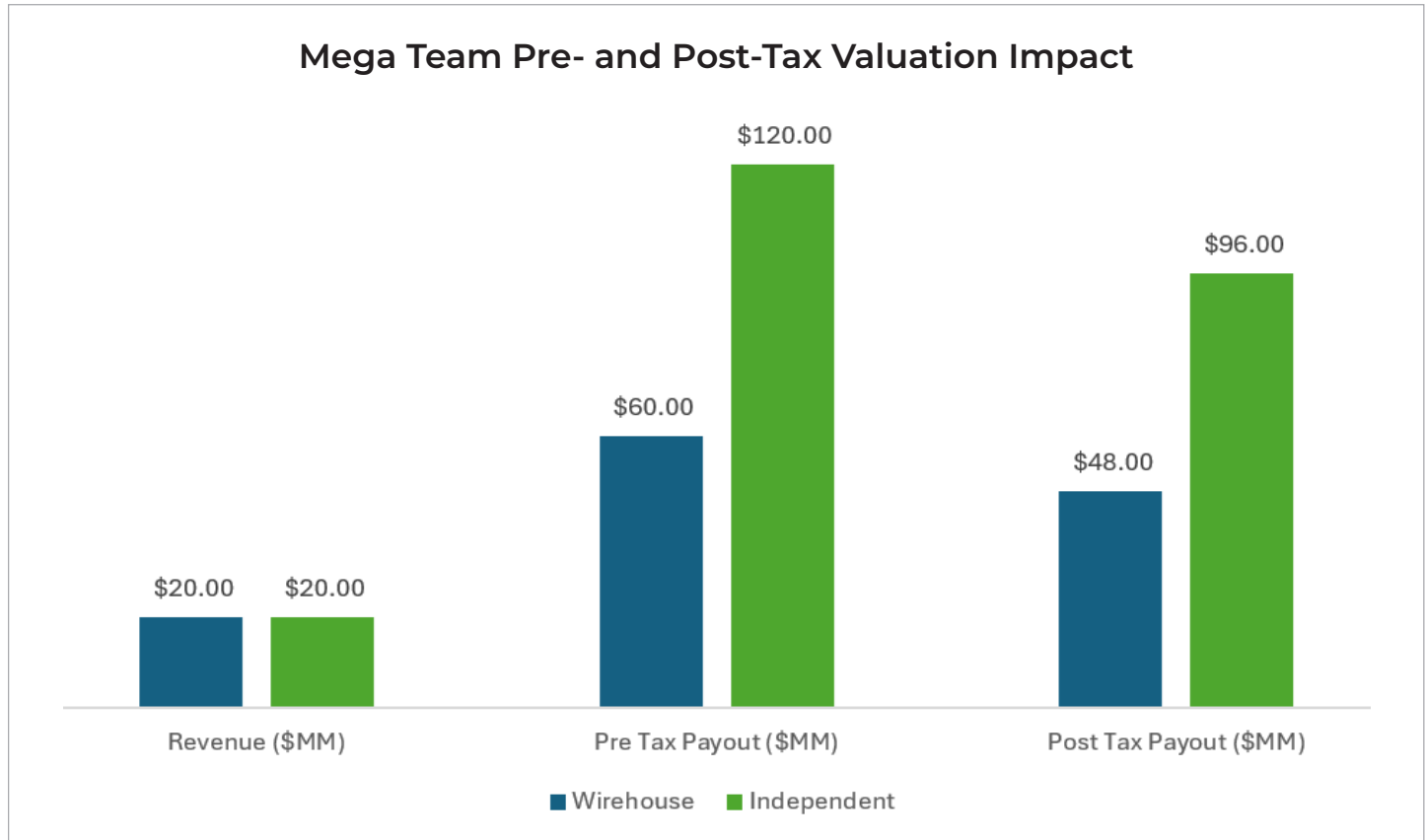
The only thing they get out of the deal is a fragile income stream, subject to future grid changes and contingent on their continued employment, which remains entirely at the firm's discretion. They will not own an asset they can later sell. After federal income taxes, meanwhile, the retiring advisor will likely net around \$38 million, which is only a fraction of the business's wealth-generation potential.

This raises a critical question: Are you willing to assume that the firm's culture and compensation will be favorable ten years from now and throughout your children's careers? What if the company is sold, payouts are reduced or resources such as support staff are cut back? What if your son or daughter is later accused of an HR or compliance issue? There are simply too many contingencies surrounding whether the next generation will truly benefit from the business they "bought."

History suggests caution. Over the past two decades, advisors have generally been required to do more to maintain similar levels of compensation while navigating a gauntlet of potential career-ending obstacles. Ownership provides insulation from that uncertainty.

An independently owned business of this scale could command a nine-figure valuation. Assuming a \$120 million sale taxed at capital gains rates, the advisor could net roughly \$96 million versus \$38 million in the firm's retirement program. The delta is legacy wealth, and it creates options rather than constraints for the next generation. If an advisor and their kids are comfortable with their kids paying the firm \$48 million – equal to 80% of the \$60 million sunset payout – while the advisor nets \$38 million, a comparable arrangement could also be structured within an independent framework.

What Are You Really Passing On?



The difference is that they would then own an asset worth \$120 million rather than an income stream that comes with contingencies and could be taken away from them at any time. For a business this size, sophisticated advisors will engage legal, tax and estate planning professionals to come up with the optimal structure and strategy for the family's legacy.

7. Conclusion: Eat Your Own Cooking

Independence is not the right answer for every advisor, and better financial outcomes alone should not drive that decision. This paper's core argument is that every advisor owes themselves the same rigor they bring to their client relationships. Model the alternatives. Quantify the after-tax differential. Understand what your business is actually worth in an open market. Then make an informed decision.

A sunset program is, in essence, a deferred compensation arrangement controlled by a counterparty. Independence is a path to true ownership, an open-market valuation, capital gains treatment, and a foundation for genuine generational transfer. The economics are not incrementally better. In most cases, for top producers and their families, they are transformational.

About the Author



Vince Fertitta is President of Sanctuary Wealth. His career spans more than three decades in U.S. wealth management, international wealth management and private banking. He joined Sanctuary in 2019, shortly after the firm's launch, and has helped lead its evolution from an emerging business into a scaled, mature wealth management platform. Prior to Sanctuary, Vince served on Merrill Lynch's senior leadership team and executive committee, where he was one of six divisional executives responsible for leading Merrill Lynch Wealth Management. He also served as a Bank of America Market President in Texas. Earlier in his career, Vince was a successful financial advisor at Smith Barney and Merrill Lynch and earned the designations of Certified Financial Planner™ (CFP®), Chartered Retirement Plan Counselor (CRPC®) and Certified Investment Management Analyst (CIMA®).

Sanctuary Wealth is a leading hybrid RIA, delivering comprehensive wealth management solutions, platform partnerships, and strategic capital investments to sophisticated independent wealth management firms. Sanctuary is committed to providing partner firms with freedom, flexibility, control, and choice through an ecosystem of partnered independence that offers a complete technology and operations infrastructure, support from a community of like-minded advisors, the resources of affiliated businesses and a robust solutions platform.

IMPORTANT DISCLOSURES

This white paper is provided for informational purposes only and does not constitute legal, tax, accounting, or investment advice. Valuation ranges, tax rates, and illustrative figures cited herein are intended as general industry references and will vary based on individual facts and circumstances, market conditions, and applicable law. Readers should consult their own qualified legal, tax, and financial advisors before making decisions about practice transition, monetization, or estate planning.