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15 questions to help smooth your succession transition



With 43% of the U.S. advisor population pushing 55 years and older¹ and 31% of advisors reportedly contemplating retirement in the next 10 years², succession planning is on the minds of many. Maybe you are even one of them.

Orchestrating a transition that converts decades worth of sweat equity into a dollar figure with the least possible amount of disruption to staff and clients is not for the faint of heart. Time and intentional planning are baseline requirements. But, the financial and emotional rewards of a well-executed transition can be significant for all parties involved: the incumbent, the successor, staff and clients.

A defining moment in the succession process is when the ownership equity needle tips from 49% to 51% in favor of the successor. For the incumbent, the business they built from scratch is now majority owned by someone else. For the successor, there's a new weight of responsibility of owning most of a business. For the overall business, though, it's an indication of a healthy transition: Typically, it means that many critical role clarity and communication details have been ironed out and are progressing smoothly.

What are some of the most important role clarity and communication strategies? In our experience, critical questions to have clarified include:

Role clarity

To help prevent animosity from building up within the team by agreeing in advance on the roles and responsibilities of the senior advisor and the successor at various points during the transition, be sure to consider:

Senior advisor	Successor/new owner
<input type="checkbox"/> How does your role, visibility and leadership change as the succession progresses? <input type="checkbox"/> Will you “always have a chair,” or will you at some point officially retire and leave the business? <input type="checkbox"/> Which clients will you be responsible for? <input type="checkbox"/> What level of service participation is expected of you? <input type="checkbox"/> How much time are you expected to spend in the office? <input type="checkbox"/> How do you plan to transition decision-making to your successor?	<input type="checkbox"/> How and when will your responsibilities increase? <input type="checkbox"/> How and when will clients transition to you? <input type="checkbox"/> What structural changes might be made to the business? When can those decisions be made? What might be the client impact?

Communication strategy

Clear communications about the transition help set staff and client expectations—especially in cases where the senior advisor continues to play a role in the business.

Staff communications	Client communications	Appreciation event
<input type="checkbox"/> What is the transition timeline? Who will communicate it and how? <input type="checkbox"/> How will senior decision-making evolve throughout the transition? <input type="checkbox"/> How will long-term staff transitions be coordinated?	<input type="checkbox"/> At what point will clients be informed of the transition? <input type="checkbox"/> What will the core message be? <input type="checkbox"/> Will there be distinct communications for top clients?	Hosting an all-client and all-staff event to honor the outgoing advisor’s successful career can offer closure for all parties, and symbolically signal that the outgoing advisor is formally putting their trust and responsibility in the successor.

The bottom line

Planning a smooth succession requires significant preparation, including detailed role clarity and intentional communication. One of the tests of the success of a succession plan is the moment at which the majority equity in the firm transitions from the incumbent to the successor advisor. For advisors in successful succession plans, the 49% to 51% equity transfer should be a non-event.

Disclosures:

¹ Source: <http://www.fa-mag.com/news/43-of-all-advisors-are-approaching-retirement-says-cerulli-16661.html>

² Source: <http://www.investmentnews.com/article/20160630/FREE/160639995/advisory-firms-threatened-by-attribution-as-advisers-retire-or-go>

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