

July 11th, 2017

Laura Hutchison,
Consultant, Practice
Management

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
<ul style="list-style-type: none"> <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? 	<ul style="list-style-type: none"> <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
<ul style="list-style-type: none"> <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? 	<ul style="list-style-type: none"> <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? 	<p>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.</p>

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-attrition-as-advisers-retire-or-go>

These views are subject to change at any time based upon market or other conditions and are current as of the date at the top of the page. The information, analysis, and opinions expressed herein are for general information only and are not intended to provide specific advice or recommendations for any individual or entity.

This material is not an offer, solicitation or recommendation to purchase any security.

Forecasting represents predictions of market prices and/or volume patterns utilizing varying analytical data. It is not representative of a projection of the stock market, or of any specific investment.

Nothing contained in this material is intended to constitute legal, tax, securities or investment advice, nor an opinion regarding the appropriateness of any investment. The general information contained in this publication should not be acted upon without obtaining specific legal, tax and investment advice from a licensed professional.

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

The information, analysis and opinions expressed herein are for general information only and are not intended to provide specific advice or recommendations for any individual entity.

Russell Investments' ownership is composed of a majority stake held by funds managed by TA Associates with minority stakes held by funds managed by Reverence Capital Partners and Russell Investments' management.

Frank Russell Company is the owner of the Russell trademarks contained in this material and all trademark rights related to the Russell trademarks, which the members of the Russell Investments group of companies are permitted to use under license from Frank Russell Company. The members of the Russell Investments group of companies are not affiliated in any manner with Frank Russell Company or any entity operating under the "FTSE RUSSELL" brand.

The Russell logo is a trademark and service mark of Russell Investments.

Copyright © Russell Investments Group, LLC 2017. All rights reserved. This material is proprietary and may not be reproduced, transferred, or distributed in any form without prior written permission from Russell Investments. It is delivered on an "as is" basis without warranty.

Russell Investments Financial Services, LLC, member FINRA (www.finra.org), part of Russell Investments.

RIFIS: 18831

Disclosures

Russell Investments does not control, endorse or accept responsibility for content, services, security or privacy on third-party sites.

Nothing contained in this material is intended to constitute legal, tax, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth.

Russell Investments' ownership is composed of a majority stake held by funds managed by TA Associates with minority stakes held by funds managed by Reverence Capital Partners and Russell Investments' management.

Frank Russell Company is the owner of the Russell trademarks contained in this material and all trademark rights related to the Russell trademarks, which the members of the Russell Investments group of companies are permitted to use under license from Frank Russell Company. The members of the Russell Investments group of companies are not affiliated in any manner with Frank Russell Company or any entity operating under the "FTSE RUSSELL" brand.

The Russell logo is a trademark and service mark of Russell Investments.

Copyright © Russell Investments Group, LLC 2017. All rights reserved. This material is proprietary and may not be reproduced, transferred, or distributed in any form without prior written permission from Russell Investments. It is delivered on an "as is" basis without warranty.

Russell Investments Financial Services, LLC, member FINRA (www.finra.org), part of Russell Investments.

Not FDIC Insured • May Lose Value • No Bank Guarantee

[Read this post on our blog: <https://blog.helpingadvisors.com/2017/07/11/succession-transition/>](https://blog.helpingadvisors.com/2017/07/11/succession-transition/)

Russell Investments // 15 questions to help smooth your succession transition