

What is Succession Planning?

Succession planning means different things to different people. For some it's listing a business and selling it. Some look for a partner to join and eventually sell to. Others bring on employees, and groom them as junior partners and eventual successors. Still others plan to die with their boots on, having established a plan for where those clients go when they are no longer around.

All of these are good plans. But that does not mean that any particular one is right for you.

A succession plan is like an estate plan and is as unique to each business as an estate plan is to each family. Sure, we can use many of the same tools from one plan to the next; but, just like estate planning; you have to determine what tools are actually appropriate for you.

Succession planning has become a hot topic and everyone is ready to tell you how you do this. I still make the mistake of sitting and listening to succession planning presentations, thinking I'm going to hear something new that will take our industry by storm. I haven't. Mostly, I hear people talking too broadly or repeating what others say — to the point that it just is not useful. Yes, we have an aging demographic. Yes, most advisors do not have a continuity plan in place, let alone a succession plan. Yes, regulations are getting more and more onerous and pinching margins. Tell me something I don't know.

When I do hear a solution, offered by someone who dares to give details about structuring a succession plan, it gets my attention. That's when I realize they usually try to pigeonhole everyone into that one solution, whether it works for their particular situation or not. The solution might be perfect for certain people and businesses but they try to explain to everyone why their way is right for "you," and "you, too" and "yep, even you," even if it is not. I guess if the only tool you have is a hammer the whole world looks like a nail to you...

As an advisor, when you are putting together a financial plan for a client, you ask them what their goals are, for income, net

worth, risk tolerance, etc. When someone is helping you put together a succession plan, the process isn't any different: the first thing they need is information about you. Therefore, we must gather information about your revenue, revenue breakdown infrastructure, employees, timeline, goals, etc. Most importantly, we need to know what you want and why.

There are different solutions for different circumstances. Step 1 is to categorize them and figure out which category you fall into, or want to fall into. Then we begin to discuss if your business has the attributes common to that type of plan or do you need to do work to get yourself in a position to implement the plan you desire? For instance, if you're a solo advisor who wants to put together an internal succession plan then you may need to hire employees, advance the next generation to a junior partner and groom that person to slowly take over your firm. This could take decades to accomplish; and you have to find that person and start building the proper, profitable infrastructure and firm for this type of plan.

At Advisor Group, we have the resources to help you understand your options and choose the type of plan that is right for you. We can help you build your business so that you can accomplish your business and succession goals. We can help you protect your business along the way by providing you with continuity planning assistance. Make no mistake. This will require some effort on your part. You will have to work on this, for yourself, your family and your clients.

But, you are not alone. Reach out to your Business Development Team, RVP or the Succession Planning Department for assistance.



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