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Tips for Succession Planning

DO

I. Decide whether you're looking for a long term succession plan, short term continuity plan or both.

II. Decide what factors are important to you, including standards for your successor, your level of ongoing involvement in the transition if applicable, probability of client satisfaction and financial compensation. Determine priorities.

III. Identify your successor – Partner Development can help with this step. This step and execution commonly are referred to as the most complex components.

IV. Talk to industry veterans about the person; talk with a few of your potential successor's clients. Conduct a "quality control survey", or something similar on behalf of the practice. Identify areas of improvement where the successor may compliment your practice.

V. Totally negotiate the terms of the succession and sign a final agreement before completing the process and formally introduce the new person to your staff and clients. Include means by which either party can terminate the agreement under stipulated circumstances with suitable penalties. Insure that the payment, if there is one, is certain – preferably held in escrow a trusted source such as (your lawyer). If there is an earn-out or a series of payments, include provisions in your agreement for what happens in the event of a failure to make payments or death of receiver.

VI. Meet jointly with your successor and all of your clients to ensure a smooth transition on the client's behalf. Brainstorm questions clients may ask so that there is no confusion or doubt when these meetings occur.

VII. Accept the fact that when the transition is fully completed you can and should separate yourself from the practice (unless the terms of the succession state otherwise). If a person buys your practice, that person is entitled to conduct business in his or her way without interference from you. You will probably not have access to the client's books and records after that point. If your successor is a family member, devise a plan for how to resolve disagreements, perhaps using a friend or outside advisor as a mediator.

VIII. Publicize to clients your intentions, (refer to client notification/blueprint for helpful tips).

DON'T

I. Don't make a quick deal. Buyers or successors can be impatient, but make sure you have known them and understand how they conduct business for several months or more before selling or surrendering your business.

II. Don't sell to an inexperienced individual, regardless of that person's success in another line of work. Even if your buyer is a top real estate salesperson, that doesn't mean he or she will adapt to the financial advisory business. On the other hand, if you plan a multiyear transition to a family member or recruit, inexperience might mean no ingrained bad habits to overcome.

III. Don't sell your business for an earn-out that is unrealistically high or based on a retention rate that is totally dependent on the successor's efforts. The most successful retention rates occur when the seller remains involved until clients are comfortable.

IV. Don't immediately publicize the turnover. Wait until the deal is complete. Imagine what would happen if your announcement makes a big splash, only to find three weeks later it's not going to work out.

V. Don't compromise on quality in favor of price. Don't let your hard-earned reputation be damaged as you walk out the door because the wrong person was willing to pay top dollar for your business.