Succession Toolkit

Your Legacy, Your Future

Wealth Management CONSULTING

Create Your Vision for the Future

What to Expect

Creating a well-designed succession plan can be time consuming, emotionally taxing, and a bit complex. Be mindful of some of the realities of the process.

- Succession planning is not just a financial transaction—it is about relationships. RIA founders/owners want to ensure they are taking care of their clients and employees (often before themselves).
- There are many blind spots in the process, and it is often hard for RIA founders to think about giving up control to someone else, even for considerable value.
- Often an RIA founder will find a potential successor and spend a few years to ensure they are the right individual who has the business acumen, temperament, and passion for serving clients. For a variety of reasons sometimes they are not, so the RIA founder may be forced to start the process over again.
- Some owners fear relinquishing their role as CEO/leader, losing their identity, and feeling a lack of purpose in retirement.
- There are steps to take to mentally prepare for and ease the transition into retirement.

GOAL: Commit today. Succession planning tradeoffs can be challenging for RIA founders to process on their own. And that's why so many procrastinate. However, taking baby steps can help.

The more systematic your firm is, the easier it will be to transition. As you create your plan, document your firm's business systems, processes, and procedures to ensure business continuity through a future transition. Tackle each task with your strategic goals in mind.

Operational To-Do List

1. Gather documentation and take inventory of what and how you have been doing business.
2. Identify potential risks and create a contingency plan (risks include regulatory, financial, operational, reputational, client and employee retention).
3. Document existing communication plans for employees, clients, strategic partners, stakeholders, and the public.
4. Bring together a team to support any financial, legal, technological, regulatory, and human capital needs and requirements.
5. Develop a knowledge transfer process.

GOAL: Keep in mind that several factors to consider include right fit of the successor, market opportunity, and readiness of the team to which you are transitioning. The approach you choose will dictate additional specific actions to take to ensure a smooth transition.

Based on years of experience consulting with RIAs, we can help you focus your efforts, produce a formal strategic succession plan, and proceed with clarity and confidence.

Prepare for Retirement

Seven Steps to Help You Mentally Prepare

Your mind will be at ease once you follow these seven steps:

1. Make a list of what you like to do and things that are important to you.

This could include activities that some may consider obvious (such as tennis or golf) to endeavors that many take more seriously (being active in a church or a charity). By writing down your interests and passions, you'll likely appreciate that you have plenty of activities to keep you busy.

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2. Come to terms with your temperament honestly.

As a business owner and an employer, you probably didn't hear the word 'no' too often, with few in a position to challenge you in a meaningful way. In retirement, be prepared for the tone and the tenor of your interactions with others to change. More people will be willing to question your words and actions. That's an adjustment for some, requiring a shift in temperament, while for others it could be a refreshing role reversal.

3. Partner with your partner.

After years of putting in 60, 70 or even 80-hour weeks, a retiring breadwinner often believes their partner wants to spend all their time with them. That's not always the case. If you are married, communicate clearly with your spouse about what this next phase of your lives will look like.

Think about how much time will you spend together, whether it's traveling or enjoying shared hobbies and determine how much independent time will you continue to have.

4. Pursue mentorships.

After leaving the industry, many hardly miss some of the more tedious aspects of running a firm, like grappling with service issues and day-to-day administrative tasks. Most, however, do long for the interactions they enjoyed with others, be it clients or colleagues. After all, most CEO types are people persons. A way to fill that void is to mentor young advisors and emerging industry leaders.

List anyone you may want to mentor.

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5. Find a meaningful outlet to share your talents.

Beyond being a mentor, many owners need a higher sense of purpose to fulfill their ever-present urge to be involved, feel needed and supplant the ego boost they received while running their organization. This could include sitting on industry-related boards, becoming more involved in community or pursuing philanthropic work.

6. Pledge to keep your calendar open.

At the same time, don't let your calendar become too full (even as it may go against the very nature that made you successful). Allow for more flexibility than you had as a CEO. You may not feel well or become ill and have unexpected opportunities that come your way that you'd rather do, or perhaps, you'll wake up one morning and say, "Hey, I don't want to do this today."

7. Take your time.

When you do actually retire, take some time off, perhaps as much as six months. What happens once others in your network realize you have retired is that they immediately want you to join their board or get involved in their favorite cause. As stated above, those are things you may want to consider eventually, but instead of jumping at the first offer that comes your way, take some time to rest your mind and absorb your new reality before making time-consuming commitments.

One of the most underappreciated parts about retirement is effectively managing the drastic changes that will occur once you stop working. In many ways, it could be the most emotional thing you ever go through, outside of a divorce, a loss of a loved one or the birth of a child—especially if you are selling a business you have built from the ground up to an outside buyer.

While retiring is an adjustment, envisioning and designing your 2.0 can help you get started on the right foot.

Design Your Succession Plan

Your Planning Checklist

RIA founders have an obligation to their clients, employees, and families to create a formal succession plan. Beginning the process at least 5 years in advance offers more options and often results in better outcomes.

> Thoughtful planning can increase enterprise valuation, decrease the timeline, and clear the path to success in building the legacy of your dreams.

Get started today by answering these key questions.

- [ ] What do you envision for your legacy?

- [ ] How do you want to be remembered?

- [ ] What are your specific goals and timeline for retirement?

- [ ] How do you describe the current culture of your firm?

- [ ] What are ideal qualities and qualifications for a potential successor?

There are three primary succession strategies to explore to help you determine the best fit for your business:

1. **Internal Succession:** Selling to next-generation leaders within your firm.
2. **External Sale:** Finding an outside buyer to acquire your practice.
3. **Mergers:** Combining forces with another firm for shared growth.

☐ Which option(s) would you like to explore? (internal sale, external sale, and/or merger)

Each option comes with its own set of advantages and challenges. The right choice depends on your goals, timeline, and firm structure.

☐ List the pros and cons of each option you are considering.

Pros:	Cons:

☐ List any potential successors (e.g. family member, another Advisor).

☐ What opportunites have you already researched or begun to research?

GOAL: Document the answers to these questions, seek guidance as needed from trusted, objective sources, and make milestone decisions regarding each of the above. The succession plan needs to be a living document that you refresh annualy ensuring you are still on the right path.

Transition Options

Advisor Ready to Transition*

Sell to External Party or Parties

A. Buyer might have your potential successor

B. Buyer might want you to find your successor as part of the deal

Don't Sell

Wind down and phase out the business rather than go through sale process

Don't Sell but Transfer Responsibilities**

Sell to Internal Party or Parties

A. Transition to existing employees or partners

B. Recruit to find a successor

C. Merge with another firm to find a successor

D. Acquire another firm to find a successor

E. Pass on business to family member

Timing: If less than 5 years remain before the Advisor's planned transition, the Advisor may not have the time and resources to develop an internal successor.

* Transition can mean the following:

1. retire
2. reduce one's time in the business
3. reduce one's responsibilities
4. obtain liquidity

** Advisor may want to transition but not sell any of his or her shares.

Notes:

Take the Next Step

- **Schedule time** to discuss your particular situation and issues you are facing.
- Join **RIA Circle™** to build trusted relationships with other Advisors, expand your network, and find your successor.

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