HAVE YOU STARTED YOUR **SUCCESSION PLAN YET?**

By Marty Bicknell, CEO & president, Mariner Wealth Advisors

When clients own their own businesses, they're likely focused on day-to-day operations and how to gain efficiencies and grow. They're less likely to focus on topics too difficult to imagine, including the possibility they could become impaired and unable to manage their business or what will happen to their business if they were to die. These are not easy topics to broach, but as advisors we know how important it is to make sure we are having the difficult conversations with our clients. That includes discussing succession planning for our business owner clients, one of the most challenging topics to address. As we know, many put off planning for what their business will look like without them, because they're busy. More likely though, it's because they really don't know what they would do should something happen to them.

There may also be an emotional attachment to the business they created and even more so depending on how long they've owned that business. As advisors, it's our job to help map out a plan for the logistics of what their business will look like once they're long gone, but perhaps more importantly, to address and overcome a lot of those emotional elements that may prevent them from taking action.

Here's what's really interesting…as advisors, we are supposed to help these clients transition their life's work, yet many of us don't have our own succession plan. According to, "The Succession Challenge 2018: Why Financial Advisors are Failing to Plan for the Inevitable," 73% of advisors don't have a written succession plan. Furthermore, 60% of those within five years of retirement don't have a plan. It's clear that even within our own industry, there's a real need to have these types of conversations, even if they're uncomfortable.

Over the course of a year, I talk to hundreds of advisors looking to transition their business about this very topic. They know it's an issue and many haven't made plans for it. We've read the studies about the shortage of talent in our industry, but perhaps even more important is how multitudes of advisors will plan to transition out of their own practices. This will only be exacerbated by the wave of advisors expected to retire over the next 10 years. According to Cerulli Associates, more than one-third of advisors are expected to retire over the next decade, putting almost 39% of industry assets in motion.

While it isn't as clear as to why so many advisors have failed to plan for transitioning away from their practices, I have a hunch that it's due to a few different factors. First, many believe their business is worth more than it is. Having a valuation of their firm completed can provide a road map for planning around the owner's retirement and provide suggestions on changes they may want to consider today to maximize the value of their business. For example, I still see commission-based businesses that are comparing themselves to fee-based firms from a valuation perspective. It's apples and oranges. Since these fee-based firms have a recurring revenue model, versus perpetually selling a product, the valuation should be different. There's an urgent need to pay attention to what the industry places value on, which is no different than valuing any other asset.

The issue I also see deterring owners from pursuing a succession plan is what I call the 'logistics' conversation. What will the process of moving my clients be? Will I have to hire new members to my team? If I'm acquired, will I need to let go of existing team members if their role is redundant in the new organization? Most importantly, how will any firm or advisors provide service to my clients better than I can? After all, I'm the one who successfully built my firm from the ground up, so why mess with a good thing? I hear all of these concerns often, but the overarching belief I keep coming back to is that, regardless of what the answers to these questions are, advisor owners and partners need to be looking to the future to ensure these questions are answered when their firm is on a good footing to do so. Delaying provides no assistance as it only leads to more entrenched practices that are more difficult to unwind as they look to transition into the future.

At the end of the day, the focus needs to be on the clients. Clients want to feel that there's been a good transition established and that they're in good hands as opposed to being passed off or inherited by someone else. The reality is they are thinking about it. We need to have an answer and frankly be proactive – it's no different than the financial advice we provide. The longer advisors wait to start thinking through that process, the less their business may be worth and the worse off their clients may be as well.