Developing a Succession Plan

Developing a succession plan and exit strategy is the first step of a retirement plan and it can also be the hardest to execute. Many advisors wait until it's too late and end up selling their business for a lower cost, passing it on and taking a financial hit for convenience, or are unable to let go because "no one else can run it like me." To sell your business for profit, your succession plan needs to be in place as early as possible. The steps below should help make your firm more attractive to buyers and sell for profit.

1 Set a date

The succession process can span years, but setting a date to be out of the business should be the first step. Knowing the end date can allow the right planning and, if done early enough, allows you to build the firm with this date in mind. This end date can always be changed, of course. If you opt to stay on through that date as a consultant, that information is helpful to potential buyers so they know how long you'll be available in the transition.

2 Make yourself obsolete

It's easy to become the resident expert after decades of having your own business, but how attractive is your firm if only you can run it? Delegating functions and passing knowledge through the firm allows the company to stand on its own and will pay dividends when some someone else can take the reins. Remove manual processes, invest in intuitive fintech solutions, and streamline your duties so that you're focusing on high-level priorities, not day-to-day tasks.

3

Build a multi-generational client base

Weighing the short-term and long-term gains is what we advocate for clients, and this same approach has to be taken when selling your client book. You may have an impressive AUM, but if 90% of your customers are well into retirement themselves, the 10, 20, or 30-year outlook for the business gets grim, and any potential buyer will look for this. The best thing an advisor can do to combat this gap is maintain a relationship with the children of their clients. Bringing them into the business ensures the continuation of assets for the long-term.

4

Groom employees for leadership

When preparing to leave a business, it's easy for it to appear like a ship without a captain. Giving employees confidence that they're in a position to succeed means that they can carry the torch and continue with the firm after you leave. This also gives clients peace of mind that they'll still be in good hands after you leave, and will be less likely to jump ship.

5

Get rid of the paper

Nothing says "Welcome back to the 20th century" like showing a potential buyer a room full of file cabinets. With so many integrations, paperless options, and online portfolios, transitioning away from paper records should be a high priority for anyone wanting to show longevity for their business. An investment in fintech solutions is the best way to transfer client information seamlessly and increase business value.

6

Minimize costs for the new owners

A business, regardless of industry, can be much like a house to potential buyers: a fixer-upper or move-in ready. It's not feasible to ask top dollar when a buyer is already adding up costs to get the business up and running. An advisory firm where a buyer can step in and start earning money will attract a higher price than a firm requiring a years-long commitment to catch up with the rest of the industry.

Creating your succession plan as early as possible will ensure you build your business in line with your goals. Follow your own advice and let your firm payoff for you.

Did we miss anything? What are some of the steps you have in your exit strategy? Have you successfully transitioned your business? Tell us how it went!

ABOUT RISKALYZE

Riskalyze is the company that invented the Risk Number®, which powers the world's first Risk Alignment Platform, empowers advisors to automate client accounts with Autopilot, and enables compliance teams to spot issues, develop real-time visibility and navigate changing fiduciary rules with Compliance Cloud. Advisors, broker-dealers, RIAs, asset managers, custodians and clearing firms use Riskalyze to empower the world to invest fearlessly. To learn more, visit www.riskalyze.com.

Riskalyze
373 Elm Avenue
Auburn, CA 95603

855-RISKALYZE
530-748-1660
Fax 530-748-1661

Follow @Riskalyze