BOSTON HARBOR
WEALTH ADVISORS

Building your Succession Plan

Equip yourself with the essential strategies to craft your succession plan.

Six Steps to Creating a Flexible Plan on your Terms
Succession planning is a common term frequently discussed in the financial services industry. Although many advisors are abundantly familiar with the *need* to have a succession plan in place, unfortunately, there is not much attention regarding *how* to build the best plan.

At Boston Harbor Wealth Advisors, we have worked with dozens of advisors to build and implement customized succession plans. Based on our experience, we have developed a guide consisting of six crucial steps that we believe each advisor should take when creating their succession plan. We have outlined these steps below to help you prepare for that process and ensure you are set up for success.

1. Start planning early
Just as we stress the necessity to plan early for our clients, following our own advice is imperative for succession planning. This means planning well before you want to succeed your business to give you the proper time to build a more robust and flexible plan.
We have found that many advisors tend to only think about this process in one stage. Instead, we recommend changing the mindset and following these two crucial stages.

- **Negotiations**: This first stage typically takes between 6-12 months. It allows you to determine ***who*** will be taking over your business in the future and ***how*** to build in the customizations needed for your unique During this timeframe, you should evaluate your priorities against various groups to determine how and where priorities best align with those groups you are considering.
- **Begin working with the new group:** We have found that many advisors do not consider this However, allowing yourself *at least* two years to work with the team that will eventually take over your business not only helps you to build a strong rapport and further customize your plan, but it benefits your clients throughout the transition.

2. Shifting of responsibilities
We just shared the importance of working with the group that will take over your business for at least two years. There are many benefits to creating this long-term working relationship, and you should use this time to your advantage and look for a plan that allows you to shift responsibilities, not just your clients. It is in your best interest to find a group with the infrastructure that can handle taking aspects of your business off your plate,

especially if they are a burden. This can include areas such as:

- Operations
- Trading
- Compliance
- Financial management
- People leadership

Once you begin shifting responsibilities, this will naturally free up some of your time to focus on the things you most enjoy in your business or personal life, or even better, both! This transition allows you to test-drive the relationship with the new team to ensure they are the right fit. As you feel comfortable, you can add to the delegation of responsibilities.

3. Allow for a change in successors

We have all entered into agreements that sounded great when we were prospects, but the story changed when we became clients, which led to unfulfilled expectations, behavior changes, and the people you were initially working with ended up being completely different. While we hope this doesn't happen to you in the succession planning process, it's always important to be prepared, just in case. Therefore, you should maintain the ability to change the "who" and have an amendable Letter of Intent.

Flexibility is vital in this process. We believe that any group that wants to succeed in your business should come from the place of earning your trust by following through on all commitments. If their behavior changes, this should cause you to pause and re-evaluate to determine if they are still the best group to take over your business.

4. Potential for stages vs. all or nothing

An all-or-nothing mentality is typically too rigid for succession planning. We have found that advisors are usually most comfortable and pleased with the process when they take gradual steps back rather than withdrawing all at once. Benefits of selling your practice in stages include:

- **Free up your time and capacity:** Reduce the number of clients you are responsible for and, in turn, reinvest time in your business, your top clients, or your
- **Extend your longevity:** Scale down your responsibilities and focus on your preferences on your timeline and at a pace that works best for you.
- **Create multiple liquidity opportunities:** Expedite your retirement plans as you take steps to sell off parts of your business in stages. For some, this could mean investing in a second home or traveling due to increased

5. Reduce Risk of Client Attrition

If you aren't communicating a plan to your clients, you are doing a disservice to yourself, the future of your business, and your clients. Although most clients will not vocalize the difficult question while they are planning for their retirement, they know you are doing the same and want to know your next steps.

Transparency with your clients is critical. Our experience, combined with research on succession planning, shows that if clients know a plan is in place – even if they aren't interfacing with your successor –client retention will increase pre-and post-transition. They are also more likely to bring in more money and refer new clients.

6. Set pricing appropriately

If you do any research on succession planning, *pricing* is usually listed as a top priority. While pricing is essential, we believe that the price will fall into place if you have steps 1-5 in place.

One of the biggest debates you will run across is the worth of a business. There are a plethora of companies to choose from that will do a valuation of your business – a vital first step in the process – along with other key questions to ask yourself and actions to take:

1. Get an assessment of your business.
2. Determine if you will have a Fair Market Value in the future or set multiple today. There's an argument for both.
    a. Currently, there are more buyers than sellers in today's market. Buyers are more equipped than in the past due to the amount of capital available in the
    b. Age is a If your client base is aging, there will be less value due to client retention.
3. Set multiples gross vs. net
    a. Typically, the industry speaks in terms of gross, but a strong netting business can get a larger price if net earnings are more substantial.
4. Establish terms and conditions upfront

Next Steps

We understand that the succession planning process can be overwhelming without sound guidance from an experienced team. Boston Harbor Wealth Advisors is committed to creating flexible and robust succession plans. We are happy to provide guidance in any way possible, whether it's being a partner, an advocate, matching you with a potential business, connecting you with buyer's networks or search firms, etc.

If you are interested in learning more about developing a succession plan, please contact Matt Davis, CEO, Boston Harbor Wealth Advisors, at matt.davis@bhwawealth.com

Any opinions are those of Matt Davis and not necessarily those of Raymond James. Expressions of opinion are as of this date and are subject to change without notice