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“SUCCESSION PLANNING FOR ADVISORS: IT’S NEVER ABOUT JUST YOU”

by Jim Dickson, CEO and Founder, Sanctuary Wealth

Deciding it’s time to wind down or walk away from your advisory practice is never an easy decision – no matter what the reasons might be. Whether you’re fulfilling your own well-crafted plan or reacting quickly to changing circumstances, it’s an emotional time that warrants as much prudent consideration as your original decision to launch your independent firm. But now you have additional stakeholders who will be affected directly by your next steps: the client relationships you’ve carefully nurtured over the years and the employees who have helped your practice thrive. You face several options for your exit strategy – a succession that keeps your clients and team together, family-style, or a sale to either a known or new entity that will assume the responsibility of care for your clients – with or without your employees. Regardless of your path, a successful transition requires thoughtfulness and detailed planning – as well as an ability to customize it as a solution that will benefit not just yourself.

There’s an unprecedented amount of value in the wealth advisory space that will change hands over the course of the next 5 to 10 years as a legion of advisors choose to retire. In this seller’s market, it may prove to be easy for an exiting advisor to await the highest bid and choose a monetization that rewards a career of hard work. But advisors who have reaped success during their careers have done so because of their utter commitment to their clients – as well as their

employees. For a professional class regulated to manage every decision to be in their clients’ best interest, it is no surprise that top performing advisors are those who embrace that mandate as a way of living. They’re the ones who have invested so many hours each week genuinely engrossed in achieving the best possible outcomes for their clients – who have rewarded them in turn with trust, confidence, loyalty and respect. When these advisors think about retiring, they don’t ask “what multiple will I get?” but instead, they wonder, “who will take care of my clients the best?” These advisors don’t fixate on value – they’re committed to values.

There’s no reason to believe that these pursuits must be mutually exclusive. In fact, a retiring advisor may transition their practice to their team, or to an equally committed third party, and earn a substantial windfall from the succession plan. The point is simply that not all rewards are measured in dollars. How your plan plays out should

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take into consideration the interests of the three main stakeholders: you as the advisor, the inheritor/acquirer, and your clients.

If you’re heading towards a retirement date without a succession plan, your first consideration should

be to seek advice from a neutral party. The emotion of the decisions you face require objectivity, but preferably from an empathetic actor who can walk you through your options. How are your best interests served, as you also look to address the interests of your clients and employees? Standing too close to this question may prevent you from an optimal solution, and you may choose unnecessary sacrifices that diminish your ability to emerge from the transition with equal measures of pride, satisfaction and financial success.

You may require a good deal of flexibility in building out a solution that will best achieve your goals. Perhaps you want to “retire over a period of time.” Or perhaps you’d like to sell your practice but stay on as an employee managing select clients – or maybe as just a transition consultant or an employee mentor. As the owner of your own independent firm, you have this autonomy to customize your succession plan to fit your needs and desires. (If you’re a wirehouse or bank advisor, you’ll never have such flexibility until

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you choose to go independent... and it’s never too early to plot that path for your future.)

Flexibility is one of three components of a productive transition, along with Fit and Fair Price. You should never consider any deal that

comes with a price tag you don’t consider to be fair value. So a purchase price that satisfies you is table stakes – but Fit and Flexibility aren’t. Flexibility is within your control, but as with all negotiations, you’ll have to prioritize your expectations. Here’s where third-party advice can enhance your planning by bringing you ideas on how to structure your transaction to align with your best interests. And it’s likely you may not have thought of variations and variables that could elevate your plan even further.

Which leaves us with Fit. For some advisors, this is the only factor that matters. They believe that the sale price

will take care of itself. They surrender their own flexible terms to ensure that the succession results in the ‘right fit’ for their clients. More often than not, that fit is with their own team – knowing that their employees will continue to serve the clients they’ve come to know so well with their full capabilities and unwavering commitment.

Bringing together Fit, Flexibility and Fair Price ensures that a succession transition will be done right, leading to the undiminished legacy of the retiring advisor as well as the ongoing financial well-being of the practice. At Sanctuary Wealth, our management team has decades of experience helping guide retiring advisors through the development and implementation of their succession plans. We regularly incorporate exit strategies into the conversations we have with our partner firms. We introduce new concepts of how to best structure payments and terms, as well as legal entities and staffing issues. Like our advisors, our priority is always the care of the existing client base. Because of the geographic and specialization diversity among our network – complemented by our vast connections across the wealth management spectrum – we excel at finding the right partners for advisors looking to transition their practice to a new firm.

Through every transition we’ve seen, there remains a clarity of thought, a sense of purpose: succession is an emotional decision for the advisor who deserves as much peace of mind as they bring to their clients every day.

For more information about succession planning or our Partnership Program, please contact me directly at: jdickson@sanctuarywealth.com