Better conversations.
Better outcomes.

What's your retirement game plan?

Succession planning guide for financial advisors.

Advisors are experts when it comes to helping clients transition to retirement. But planning for your own retirement? Just as mechanics are sometimes too tired to fix their own cars after a long day helping others, many advisors put off planning their own retirement. It's understandably difficult to think about stepping away from a business and career, but having a solid plan in place both increases the value of a business and improves long-term stability for clients. To get started, here some steps and considerations to think of as you prepare your exit strategy and start the next phase of your life.

Creating your vision

During your numerous conversations with clients on planning their retirement, you may start with these questions, "What is your vision for retirement?" As with your clients, this is a key component to get the process started with your own planning.

However, you will need to dig even more deeply by considering these additional questions: What legacy would you like your practice to have, if any? How would you like your clients to be cared for? Would you like to transition into retirement or have a clear retirement date? Addressing these types of questions can help you set your goals and objectives in which to start your planning process.

It's never too early to start planning; the recommended time to start coming up with a plan is about 10 to 15 years before retirement.

What is the plan?

One of the first plans that you should put in place is a catastrophic plan. Whether you have one client or 50, a catastrophic plan ensures clients will be taken care of in case of the unexpected. With catastrophic planning, the earlier the plan is established, the better. **So if you don't have one currently in place, you need to do it ASAP.**

There are many routes an advisor can choose to take when planning for their succession:

Internal succession Allows you to transition your practice and clients to other partners or employees already within your firm.

External succession Some advisors choose to sell their practices to another firm because there is no internal successor and feel a sale would provide the highest monetary value for their practice.

Grooming a successor Another option is hiring a junior advisor and grooming over a period of time. This not only sets up the firm for growth but is also a great way to continue the business you have built.

Deciding which route makes the most sense depends on the specifics of your business as well as your funding needs — is cash needed up front or over time, tax considerations and seller financing can also be factors to consider.

We are on the leading edge of a retirement tsunami.

Helping you engage in better conversations that drive better outcomes is at the very heart of who we are at BMO Global Asset Management. And we do that by providing you with ideas, access and ease.

- **Ideas** — Unique insights into wealth planning and financial decision making.
- **Access** — To our investment teams and industry experts.
- **Ease** — Making it easy to put ideas and access into action.

Let's start better conversations!

Picking a successor

This may well be the hardest part of succession planning. While financial gain is important, it's not the only factor. You'll also want to ensure that any potential successor will be a good fit with your clients. Will the successor treat clients the way they are accustomed to being treated? Smooth transitions are generally dependent on finding someone with similar philosophies, values and approaches to service.

For advisors who are looking to sell, consider other advisors in your professional networks or even a nearby competitor. The more a seller and buyer know one another, the more successful the transition can be.

Grooming and transitioning to the successor

A successor can be either someone established in the industry or a new advisor. Either way, a succession plan should factor in the time needed for mentoring and institutional knowledge transfer. This can be difficult because much of the knowledge does not lend itself to straightforward policies or rules. If transitioning on to a new advisor, the process can take five or even 10 years to groom a solid successor. If transitioning on to an experienced advisor, the grooming period could be dramatically shorter

Open communication and essential conversations

First and foremost, open communication is very important and key to a successful transition.

Succession planning is a process that involves many conversations between the retiring advisor and incoming advisor. Here are some main points to discuss with the new advisor to ensure a smooth transition.

- Review your service model and client tiers to identify any potential gaps
- Investment philosophies and approaches
- How much will you continue to stay engaged in the practice?
- Timeline for exiting

When talking about the succession plan with clients, the old and new advisor will need to come to an agreement on how to handle client communications regarding the hand off. Open frequent communication is best to head off any surprises. If clients are accustomed to face-to-face meetings, deliver the news in person. If it's usually a phone call, then tell them over the phone. In either case, there needs to be an introduction or friendly hand-off to the new advisor. Then send a letter to all clients as you get closer to the retirement date. Here's an option — throw a retirement party and invite local clients to attend. It's an opportunity to mark the occasion.

Continue the conversation

BMO Global Asset Management Better Conversation Guides provide insights into some of the biggest challenges to your success.

Visit the Advisor Resources section on the BMO Global Asset Management Viewpoints website at **bmogamviewpoints.com** for additional resources and information to help make your next client conversation a better conversation.

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