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INVESTMENTS & WEALTH INSTITUTE®

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As many of our clients age there has been an increased focus on business transition and what some in our industry have termed exit planning. In recent years, I have found myself having many more conversations about this topic, not just with our clients but also with other advisors. We all inherently know that we are not immune to aging. In fact, the demographic profile of our industry really shines a light on the graying of the advisor population. According to a 2019 study from J.D. Power, the average age of financial advisors is about 55 with 20 percent of industry professionals currently age 65 or older.¹

In our practice, I have the privilege of advising business owners who are contemplating succession plans, and I have had the pleasure of helping three business partners with their own retirement transitions. The year 2022 marks my 22nd anniversary in the financial advisory profession. Over the past two decades, I've had multiple strategic partnerships with advisors from across the country. I've also been directly involved in the seamless transition of the books of business of three retiring financial advisors. It hasn't been all rainbows and roses; I also have experienced my fair share of challenges and partnerships that did not work out. When things do work out it is fulfilling, financially rewarding, and a great experience for clients to know that there will be continuity in their planning.

When I look back on my experiences, I find there is commonality among the three successful transitions. I call that

commonality the three P's: people, planning, and practical execution (well, three P's and an E). It's also telling that the partnerships that didn't go well clearly were missing one, two, or all of the three P's. Although this article focuses on advisor transitions, this topic is also relevant for other business owners when it comes to their succession planning. So, let's explore the three P's.

PEOPLE

The most important element is always the people. Transitions can't happen without people, but there's more to it than just warm bodies doing a lot of business with significant assets under management. Having the right people may sound cliché, but it is integral to a successful partnership and transition. The people you decide to partner with must be willing to align on the vision, be open to input, trust each other, and have an abundance mindset.

ALIGNMENT ON VISION

You and your potential partners do not necessarily have to agree on your target niche or how to execute on business strategy, but it is essential for your practice that the vision be aligned. One of my partners and I had very different ideal client profiles. She marketed to women undergoing transitions and I helped business owners—obviously different clients with differing needs—but the one thing we did align on was our vision of what we do for our clients. We were in perfect alignment on a shared mission of helping our clients make informed financial decisions. We agreed that our job was not to tell people what to do, but to be thorough in our

process and provide enough value-added information so our clients, whether they were business owners or recently divorced, could use that input to arrive at an informed decision. That was our guiding light, which gave us the common vision we needed to integrate our businesses and engage with each other's clients.

OPENNESS TO INPUT

Along with having an aligned vision, it is also helpful if all parties are open to consulting and coaching from external experts. No one knows it all and it's useful to have a third-party unbiased coach to help you work through any issues that arise. We took personality tests to help determine our ideal communication and working styles. I am an analytical and methodical worker. My most recent partner didn't sweat the small stuff but was very good at relating to and connecting with people. As you might expect, our approaches were different and we often disagreed. The beauty of having a third party help us work through issues was that it allowed us to appreciate each other's strengths and figure out the best way to work together for the benefit of the team and our clients. In contrast, we tried to partner with one advisor who absolutely refused to spend time with our team coach. He thought it was a bunch of baloney and a waste of time to meet with anyone because he was "always right." You can imagine how that went down. In hindsight, his unwillingness to be coached was a red flag and we could have saved everyone a lot of time and angst by just agreeing that we were not an ideal fit for a business transition.

TRUST

Another element of the people portion is the trust factor. If you're an advisor who is transitioning into retirement, you are trusting these potential partners with your client relationships. Many of these clients are now friends and likely people you will continue to be in contact with even if you are no longer their financial advisor. If you are an advisor who is taking over a practice, you are trusting the transitioning advisor to give you the highest probability of success and stickiness in those client relationships and hold to the timelines agreed to. We have similar conversations with clients who are contemplating transition. It helps to have a defined endpoint, even if it is five years in the future. Keeping it open and loose doesn't do anyone any favors, especially your clients.

AN ABUNDANCE MINDSET

Partners with an abundance mindset are working together to make the transition beneficial for everyone and not just themselves. Here is an example of an abundance mindset: One former partner took a shorter payout period because he understood that the goal wasn't to fight for every piece of the pie. He was motivated instead by thinking about how to help make the pie bigger, and hence the transition package larger, even though it occurred within a shorter timeline.

At the end of the day, the people you decide to partner with for a successful advisory succession plan must have the willingness and ability to align on vision. Good partnerships also require openness to input, trust in each other, and an abundance mindset.

PLANNING

The second P is planning. A successful transition doesn't just happen—it is years in the making. In fact, I'm already thinking about transition not because I'm ready to retire (I'm 45 years old), but because I owe it to our clients and our team to be prepared for a transition whether it is planned or forced by that proverbial bus.

There are many parts to planning, but I'll highlight what I believe are some of the critical factors to consider. Planning must be intentional and time-committed to make it work. In my role as a wealth advisor to business owners contemplating a transition, I always ask about what drives the value of a business. One of the key drivers to higher business valuation is ease of transferability. In other words, how easy or difficult it would be for someone to pick up and take over the business. I apply the same process to advisory transition.

DOCUMENTING PROCESSES

Checklists are your friend. Take the time to sit with your team and document processes such as onboarding, client reviews, investment management, and intelligence gathering. The more you document how things are done, the more systematic and efficient you can make the business and the smoother the transition will be because clients will know what to expect regardless of who delivers. You might be thinking your clients are special and unique—so are mine. However, the best teams still have a repeatable process for almost everything they do, and you should too. It doesn't have to be so rigid that it dictates every single keystroke, but it should be linear enough to ensure that the client experience, although special, is also repeatable.

We started thinking about processes at least three to five years before the transition date, but in practice two years is usually enough. This gives you time to implement and introduce clients to the process so that they aren't surprised by a new way of doing things when the receiving advisor takes over. It takes intentional effort to make this happen. Here it is the departing advisor's role to introduce the new team and some of the new processes and/or service offerings and why they are going to benefit the client. We started by writing down all the various projects, activities, and client milestones, and then built processes and procedures around each of them.

Winging it is a recipe for disaster and ultimately creates confusion and more work once you realize there is no transition plan.

PREPARING TO SCALE

The next part of planning is to staff up and/or create efficiencies to take on the additional workload anticipated upon the retiring advisor's transition. In our case, we looked at each client relationship and determined whether we could continue to serve them if they no longer fit within our service model. In some instances, this meant partnering with other advisors to take over as leads on these relationships. For others, it meant coaching the clients out of our practice. Whatever this looks like for you, to ensure that the client experience is elevated once the transition takes place, it is important to be realistic about how many relationships you can feasibly manage within your practice. You owe it to yourself, your family, and your clients to make those difficult decisions in the short term for everyone's long-term benefit. Whether it is staffing up, culling your client relationships, or some combination of the two, give proper thought and time to what will best serve your clients and your team members. The key takeaway is that successful planning depends on having the time to prepare and being intentional about every step of the process.

PRACTICAL EXECUTION

Once you've found the people and have done the planning, you've reached the final P—practical execution. This is where the rubber meets the road. I use the word practical here because I recognize that while you're navigating the transition, you still have a business to run. Given potential constraints on your time, it is important to break up the execution into bite-size pieces. For example, when we laid out our strategy, we worked backward to identify how many clients we needed to reach in any given week to incorporate a combined planning session. This broke down the overwhelming task of transitioning 80 to

100-plus family relationships into manageable chunks.

ESTABLISHING PROACTIVE COMMUNICATION

The other secret to success on the practical execution front is proactive communication with clients and with each other. For instance, we had a standing weekly meeting where we allotted 30–45 minutes to discuss transition activities that we had executed or needed help with. Setting aside time exclusively for this purpose was instrumental in keeping everyone on the team accountable. This is where coaches also can be helpful as third-party liaisons.

Proactive communication to the client involved getting feedback, where appropriate, on how the transition was going, what the client's preferences were, and what else we could be doing to improve their experience with us. We weren't ready to tell clients about the actual retirement plans and specific date until about six to nine months out. However, in all cases we were transparent with the clients that it was on our radar and that we wanted to involve other team members in meetings to ensure continuity, especially when their primary contact was the retiring advisor. Here much of the responsibility for messaging and proactive client communication does fall on the departing advisor. The retiring advisor must be comfortable with the message and ready to make the introductions. Unfortunately, if the advisor is unwilling to let go and involve others, clients can sense this and it makes the stickiness of the transition that much more difficult.

CONCLUSION

I have laid out some of the lessons learned and key ingredients that, in my experience, resulted in successful transitions. In summary, a successful transition requires the right people, detailed planning, and practical execution. Having the right people involves alignment of vision, coachability, trust, and an abundance mindset. Planning

TRANSITION CHECKLIST AND RESOURCES

PEOPLE

- Take personality assessments to identify communication and working styles. Here is a site that offers these assessments: www.advantagecoaching.com/products/individual-assessments.
- Create your shared vision and mission statement. Here is an excellent article by *Entrepreneur* magazine that can be helpful: <https://www.entrepreneur.com/article/378478>.
- Find a coach who has worked with financial advisory teams that have transitioned a practice. You can search for one here: <https://wabccoaches.com>.

PLANNING

- Define timeline for transition.
- Document processes.
- Take inventory of clients and segments based on a 1–5 score for each category (assets, revenue, future opportunity, servicing needs, referral potential, and rapport); tally up cumulative total for each client.
- Quantify annual hours required to service clients within each segment.
- Develop plan for culling relationships if necessary.

PRACTICAL EXECUTION

- Schedule a weekly meeting focused on updates of transition strategy.
- Refine your messaging: “Why are you partnering and what is the benefit to the clients?”
- Identify and track weekly action items including the number of client introductions.
- Gather and document client preferences: communication methods (including frequency), hobbies, history, values, and other pertinent information.
- Agree on date when official retirement announcement will be made. Departing advisor should circle back with top clients to get input including feedback and potential concerns to address.

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must be done in a strategic manner with an appropriate timeline. Practical execution of the transition plan should incorporate proactive communication and accountability. There will always be stumbles on the path to success, but I am confident that incorporating the three P's will help guide your business transition planning. ●

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ENDNOTE

1. “U.S. Financial Advisor Satisfaction Study,” <https://www.jdpower.com/business/press-releases/2019-us-financial-advisor-satisfaction-study>.

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