RAYMOND JAMES

Succession Success Story

When Ed began preparing for retirement, he expected his daughter, Carla, to become his successor. After years of anticipating the transition, Carla accepted a role elsewhere, causing Ed to rethink his succession plan and his decision to retire. Then he met Joe, a respected advisor who'd been in the financial services field since 2000. Their meeting helped Ed realize that what he needed to peacefully retire was the assurance his clients would be in good hands.

THE STORY

Wanting to establish a family practice, Ed hired Carla almost a decade before he expected to retire. His plan was to help train her so that one day she could become his successor. But around March 2018, Carla realized she wanted to pursue a career path as a financial controller – her former position before joining her father's business – and decided not to take over the family practice. As a result of this unexpected change, Ed began considering whether to work for two or three more years and continue building his business before transitioning it to a successor. It was during this time that Ed spoke with a friend who said something he hadn't considered: "Your clients need someone they can rely on for two or three more decades, not two or three more years."

After having served as an advisor for 30 years and spending a decade expecting his daughter to take over his practice, Ed felt overwhelmed by the thought of finding another successor. "It seemed like a daunting task, and it also made me acknowledge that I had to find a successor soon instead of delaying the process."

BEGINNING THE SEARCH

Ed began his search by calling a representative from the Raymond James sales management team to tell him his criteria for a successor and ask for any recommendations. Ed's criteria included someone who wanted to cultivate a family-focused business. "I served a number of widows, some of whom had been clients for years, even before their husbands passed away. One of them had been with me for more than 30 years and I did the memorial service for her husband when he passed away. I was very close to these families, so the very first thing at

Stats

Buyer/Seller: Ed and Joe from California

Strategy: Outright sale – Ed chose Joe to be his successor and to transition over the course of two months

Affiliation: Raymond James Financial Services

Business Profile: $750,000 – $999,999 T12

Deal Structure: Outright sale – four equal installments, with the first installment paid monthly over the first 12 months followed by three annual installments

Advisor Best Practices

- Consider whether you're compatible with your successor.
- To help your clients through the transition, introduce them to your successor in person.
- Focus on more than the numbers.
- Try to have a clean transition so that your successor can assume their new role and clients know who to depend on.

Succession & Acquisition Consulting Group

Questions? Call a consultant at 800.235.3892 or email Succession@RaymondJames.com.

the top of my list was that my successor would care as deeply and carefully for my families as I did," explained Ed. He was also seeking someone with reliable ethical standards who was highly skilled in financial planning and investment management. Lastly, he wanted to find an advisor who'd been in the business at least since 2008, "so that they'd know in their gut, not just their head, what it was like to go through such a deep downturn and feel the weight of responsibility for the finances of widows and families." Ed was then introduced to Joe.

Joe, a Certified Financial Planner™ and second-generation financial advisor since 2000, had joined Raymond James in June 2017. His past experience included 11 years at Morgan Stanley as a vice president and financial advisor and over five years at Wells Fargo Advisors as an advisor and vice president of investments.

A few months before receiving Ed's call, a different advisor had contacted Joe regarding his succession plans. "His book was very attractive, but when I met with him, our personalities weren't really a match. I didn't feel confident it would be a good partnership and made him a lower offer than he asked for, which he didn't accept." While Joe hadn't been seeking to buy a practice, he believes this experience made him more comfortable with the idea of serving as a successor.

A PERFECT FIT

As soon as Ed met Joe, they both knew it was a perfect fit. "Everything just clicked on every level," explained Ed. Joe appreciated the fact Ed had built a practice centered on close client relationships, while Ed felt he could rely on Joe's experience and his highly ethical nature. Joe also found it ideal that Ed's practice consisted of fewer than 100 clients, which allowed him to better integrate his book of business while ensuring he could maintain the same level of service with his existing clients.

Ed and Joe met up again about three weeks after their initial call to begin transitioning the practice to Joe. During this time, Ed began driving clients to Joe's office from his own – about 15 minutes away – so he could help them get acquainted and answer any questions. The transition period lasted about two months, which Joe was okay with due to the high-touch nature. Ed helped facilitate the brief transition period by being completely transparent with his clients from the start, explaining that he had found a successor he trusted and would be retiring soon, allowing Joe to take over seamlessly.

When the transition period ended, Ed was able enjoy his retirement with the peace of mind that his clients were being served by an advisor he could trust.

ADVISOR BEST PRACTICES: CLIENT TRANSITION

Best Practice #1: Consider whether you're compatible with your successor.	*"It's important that the core values of that individual align closely with yours. This matters because they indicate the way [your successor] will run the business," says Joe.*
Best Practice #2: To help your clients through the transition, introduce them to your successor in person.	*According to Ed, "It's important to introduce clients to the successor in person. While it took me a couple of months to get that done, it helped my clients value Joe as I did. It was also very rewarding to hear my clients tell me in front of Joe how much they had appreciated my work and our friendship. If that process were skipped, the attrition rate would be higher and the retiring advisor would miss the opportunity to hear his clients express their gratitude for the work he's done through the years."*
Best Practice #3: Focus on more than the numbers.	*"Don't stare so hard at the numbers that you don't focus on compatibility. Consider questions like, 'Would I take this person on as a partner?' or 'Would I be proud to introduce this person to my clients?' Also, try to ensure their service model aligns with yours," explains Joe.*
Best Practice #4: Try to have a clean transition so that your successor can assume their new role and clients know who to depend on.	*A clean transition was ideal for Joe as a buyer because he wanted to start managing the clients right away. He also believes that "clients prefer a clean transition, where they absolutely know their former advisor has retired and the successor is the new advisor they can depend on."*

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