



# Communicating with Your Team and Clients about Your Succession Plan





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If averages hold true, three quarters of the advisers reading this white paper don't have a formal plan in place to transition their businesses, once they no longer want to work full time. That was a key finding of a recent study from the Financial Planning Association that focused on how advisers view their own retirement and the future of their businesses.

And while it's easy to focus only on the low proportion of advisers who have a plan in place, the more important question is: Why? That was the question that FPA, in partnership with Janus Henderson Investors, sought to explore. Why is it that so few advisers choose to formalize a plan for the transition of their business and what can they do about it?

Based on the research, a majority of advisers say the biggest obstacle to creating a plan is finding the right successor. However, data uncovered two additional issues that, while less obvious, may be getting in the way.

### **Adviser Mindset.**

In the first [white paper](#), we looked at adviser mindset and the extent to which an adviser's own views on retirement and the future of the business might impact his or her likelihood to create a formal succession plan.

### **Role of the Succession Plan.**

In this white paper, we focus on the strategic role that a succession plan can play in a business. The reality is that some advisers may not have a plan because they see the plan as a tactical step to be taken when they are ready to retire. We'll argue that a succession plan has greater strategic value, impacting both client and team engagement.

Note that for the purposes of this white paper, the term "succession plan" includes any formal plan to transition a business, which respondents may also refer to as a transition or business continuity plan.



# Your Succession Plan and Your Stakeholders

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It's easy to think about a succession plan only as a personal plan that focuses on you and your future. The reality is that your plans for your business impact your clients and your team. For that reason, we would suggest:

- 1. Your succession plan should not only focus on the process and structure of a transition of the business, but should also consider the transition of both clients and the team.**
- 2. A formal, comprehensive succession plan has significant strategic value and may drive deeper client and team engagement.**

In this white paper, we'll focus on the ways in which advisers are communicating their succession plans to clients and the team. And, we'll look at the client and team member perspectives to highlight the real opportunity.



# The Succession Plan and Your Clients

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In a 2016 investor study conducted by Absolute Engagement<sup>1</sup>, investors who worked with a financial adviser were asked about their adviser's succession plan. **Sixty-nine percent** did not know when their adviser planned on retiring and **60 percent** indicated they didn't know if there was a plan in place that outlined what would happen after the adviser retired.

Just over half of clients indicated that it is either important (**39%**) or critical (**13%**) that their adviser have a succession plan in place. That number is, not surprisingly, strongly influenced by the age of the adviser. **Forty-three percent** of clients said a succession plan was important if their adviser was under the age of 30, increasing to **62 percent** of those whose adviser was 60 years of age or older.

On the basis of the available data, we believe that a succession plan can be viewed as a client engagement tool. Rather than viewing the plan as an internal requirement, it may be helpful to think of it as a tool that, if shared, will provide clients with comfort about the future of the business, demonstrate stability, and ensure that you are leading by example and planning for your business (in the same way you are asking clients to plan for their retirement).

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<sup>1</sup> Absolute Engagement Investor Research 2016. All clients work with a financial adviser, contribute to the financial decisions in the household and meet specific criteria regarding household assets.

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# Communicating Your Plans

You probably don't need to see the data to know that this is an important issue for clients. In fact, a majority of advisers (66%) say that they have been asked by clients about their plans for retirement. That fact alone suggests that advisers need to consider how they will talk to clients about this issue.

Have you ever been asked about your plans for retirement by your clients?



Clients are saying that they want to understand your plans for the future and they are asking the questions. All signs point to the importance of communicating plans to clients, but only 35 percent of advisers say they have shared a retirement date with their clients.

I have told clients when I plan to retire.



Advisers with larger teams and businesses are more likely to have shared a retirement timeline with their clients. Fifty percent of advisers with 10 or more team members have talked to clients about the timing of their retirement, dropping to 32 percent of solo practitioners.

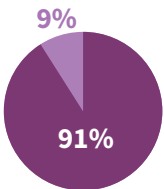
It might be assumed that the reason so few advisers have communicated their plans is because they don't have a plan. However, only 44 percent of those advisers with a plan have told clients when they plan on retiring. The lack of a plan is not the only barrier.

## When is the Right Time to Share Your Plans?

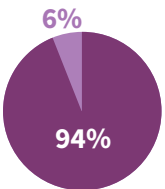
Once you have decided to share information about your plans for retirement and/or the transition of the business, the next question is: When is the right time to talk to clients about plans for transition? While there is no right or wrong answer, the data provides some clues.

While just over two-thirds of advisers report that clients have asked about their plans, that number jumps to over 90 percent when the adviser is within 10 years of retirement. The data suggests that clients are thinking about this issue well in advance of your planned retirement date.

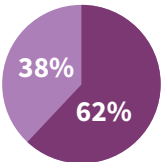
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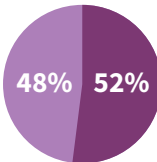
<5 years



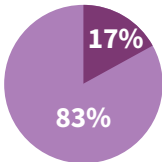
5-9 years



10-14 years



15-19 years



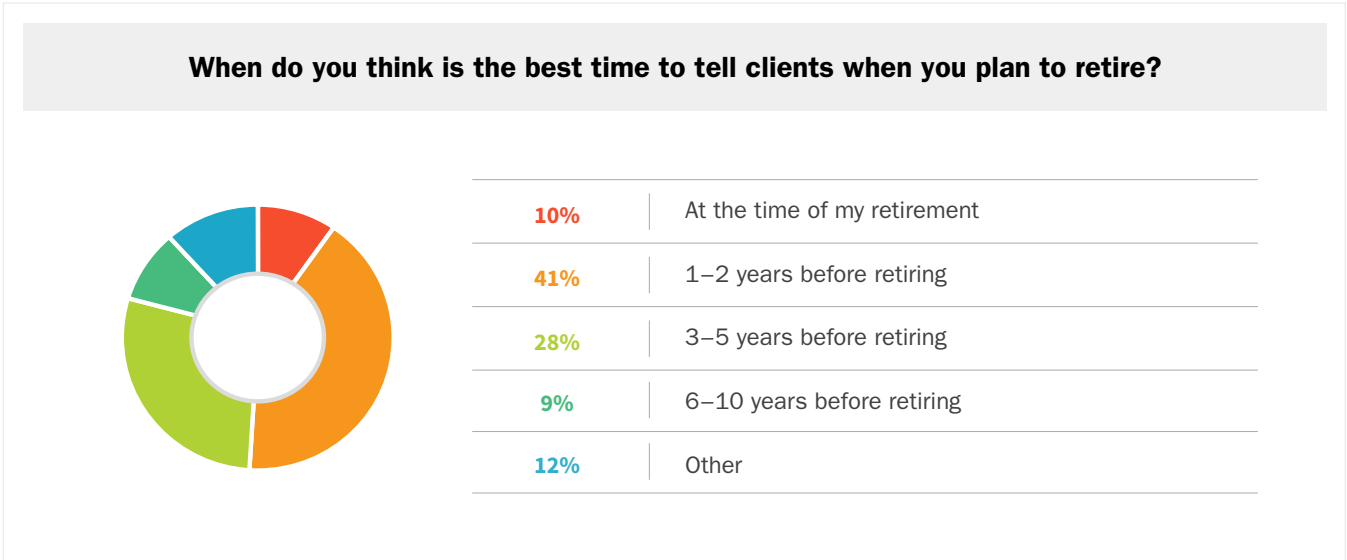
20 years +

■ Yes ■ No

Years to Retirement/Transition

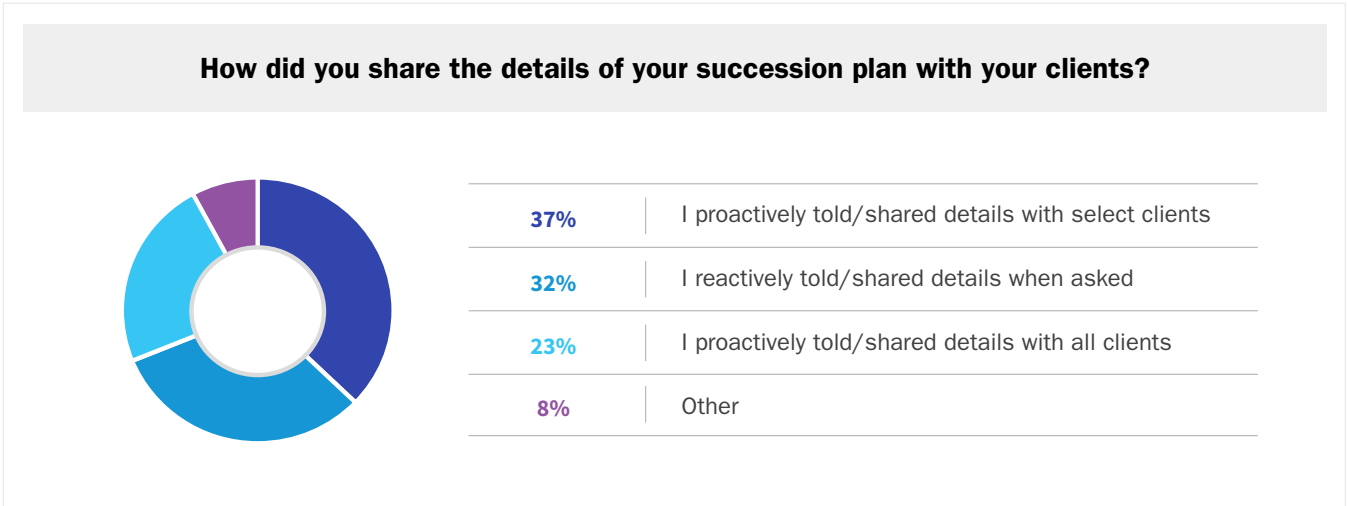
**While just over two-thirds of advisers report that clients have asked about their plans, that number jumps to over 90 percent when the adviser is within 10 years of retirement.**

Despite the fact that clients are asking questions years before an adviser’s planned retirement date, most advisers don’t believe it is necessary to provide clients with a great deal of advance notice. More than half of advisers (51%) say that sharing their plans within two years of retirement is enough notice.



**Share or Wait to Be Asked?**

There is a nuance to when information is shared with clients that the research also addressed, and that is whether advisers proactively share information or wait until they are asked. Even among those advisers who share information with clients, it is not common to proactively share details with all clients.







# The Succession Plan and Your Team

Clients aren't the only stakeholders who have a vested interest in the future of your business. Your team also wants to know there is a clear plan in place.

## Communicating Your Plans

According to advisers, a relatively high percentage of teams have asked for information about retirement. As with clients, the level of interest about the future of the business increases with both the size of the business and the perceived proximity to retirement.

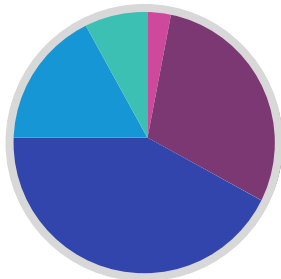
**Have you been asked by team members about your plans for retirement?**



While there was a gap between client interest levels and communication, there is no gap when it comes to teams. **Fifty-six percent** of advisers say they have shared the timing of their retirement and **50 percent** have shared details of the succession plan. Of those who shared their plans, **83 percent** said they had shared the information proactively.

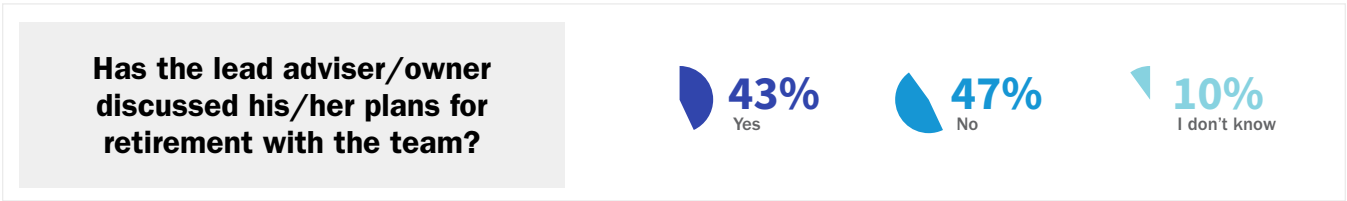
Advisers want to bring the team in earlier than clients, with the largest proportion saying that information should be shared three to five years before retirement.

**When do you think is the best time to tell the team when you plan to retire?**

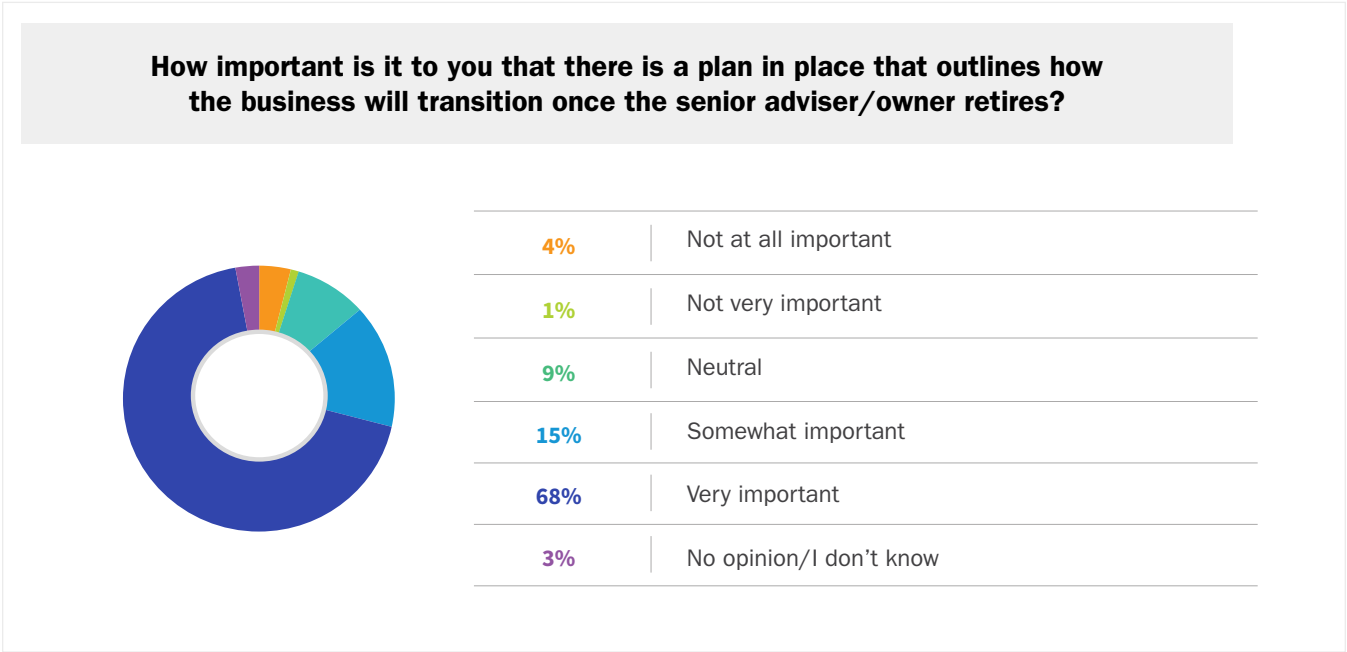


3%	At the time of my retirement
30%	1–2 years before retiring
42%	3–5 years before retiring
17%	6–10 years before retiring
8%	Other

While **56 percent** of advisers say they have shared information with their teams, only **43 percent** of team members say that such information has been shared.

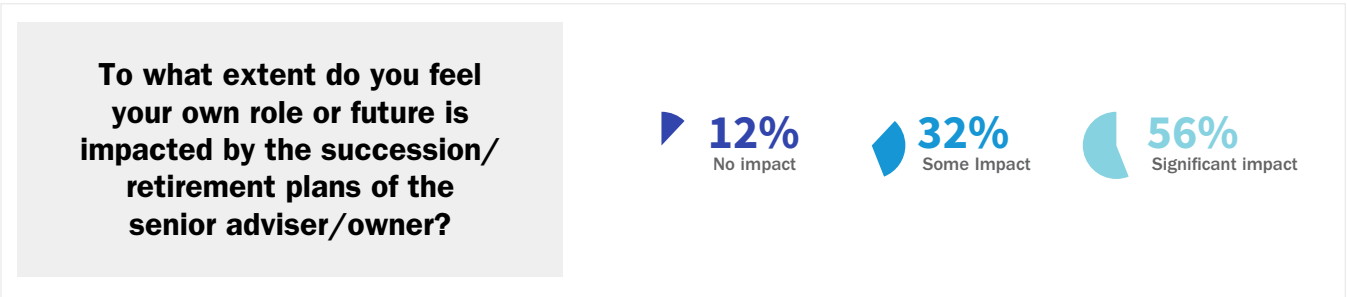


The gap itself is meaningful, but why isn't that number higher? The reality is that **83 percent** of team members said that knowing there was a plan in place was somewhat or very important, suggesting either that more advisers need to create a plan or that those who have one in place need to communicate it more effectively to the team.



**Succession Planning Through the Eyes of the Team**

The obvious difference between the priorities of the adviser and those of the team is the focus on team development. This is an important, if not critical, issue for many team members. **Eighty-eight percent** of team members said (or understood) that the future of their role would be impacted by a succession plan.



Almost every team member surveyed said there was some risk in not having a plan. Team members see the lack of a plan as a greater risk than advisers do. **Forty-one percent** of advisers say that the lack of a plan creates some risk and **54 percent** say it creates a significant risk.



### Do you see any potential risks associated with not having a succession plan?



Team Members	Advisers	
4%	4%	No risk at all
23%	41%	Some risk
73%	54%	Significant risk

Almost half of team members considered succession when looking for a role, so it would be fair to think of your succession plan as a recruiting tool.

### When looking for your current role, did you ask about the succession or transition plan for the business?



### Team Perceptions

If you have not communicated plans about the future, your team may be left to make assumptions about why this is the case. A large proportion of team members believe there is no plan in place due to adviser mindset about retirement, an issue we examined in depth in the [first white paper](#). Only **17 percent** identify finding a successor as the key challenge, which was the biggest challenge identified by advisers.

If perceptions differ, it is important to manage the messaging even if you are not yet in a position to share a concrete plan.

### Why do you believe there is no formal succession plan? Select all that apply.



# What Information Should You Share with the Team?

While team members are less interested in understanding the value of the business or the details of potential buyers, they do want to understand how both the team and clients will transition. To the extent that a succession plan helps articulate a clear vision for the future of the business, it can also help individual team members understand how they will fit into that future. As such, the succession plan can be an effective team engagement tool.

When you compare what advisers say is included in their plan with what teams say they want to see, the gaps are clear. Everything on the list below is important, but perhaps advisers need to think about the plan through a broader lens.

## What information do you think is important to share with the team regarding succession or transition? Please select all that apply.

Team Member	Adviser	
41%	72%	Estimated value of business
71%	57%	Transition process (e.g., external sale, internal sale, merger)
72%	56%	Duration of transition process
75%	48%	Plan to share details of succession/transition with clients
80%	61%	Client transition process
85%	41%	Team transition process

The lens through which you look at the succession plan impacts how you prioritize what is included in that plan. It is perhaps not surprising, then, that team members are primarily concerned with the team transition process and advisers are primarily concerned with the value of the business.





# Your Action Plan

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This action plan assumes that you have a plan in place. If not, that is your [first step](#)!

Consider the following to enhance your plan and drive client engagement.

To start, focus on how a clear succession plan impacts you and your key stakeholders.

**Why do you think it is important to have a succession plan for the business?**

**For you**

**For your clients**

**For your team**

When you have a deeper understanding of the benefits of a succession plan for your stakeholders, you're in a better position to communicate those benefits. Drawing on the points you made above, identify the key points you want to communicate to both clients and team members as it relates to your plans for the future of your business.

**How will you position your own retirement and/or the transition the business with your clients? Note the key points you want to make, considering the topic through their eyes.**

How will you position your own retirement and/or the transition of the business with your team? Note the key points you want to make, considering the topic through their eyes.

## Updating Your Plan

The client and team transition process were identified as important pieces of your succession plan. Consider what, if anything, you would like to add to your plan.

### For Clients:

Define the client transition process:

Who will take on the management of client relationships?

How will you transition the relationship?

Over what period of time will you transition the relationship?

## For Team Members

Define the team transition process:

by Michael Futterman, Assistant Vice President, Janus Henderson Labs™

- **Communicate, Communicate, Communicate** – getting everyone on the same page about what is going on will ensure that confusion is minimized (never eliminated) and that the team can operate as efficiently as possible through the transition.
- **Plan but be flexible** – Eisenhower said that planning is everything but plans are nothing. In the preparation for transition it's critical to identify the key moments, people and clients who will be most affected in the change but remain flexible to the details that reveal themselves during the transition process.
- **Incorporate the “acquiring party” sooner rather than later** – if clients are unfamiliar with the other team members who are taking over the business, start to integrate them into the client service model, introducing them to the key clients and having them complete tasks that are visible to the client. For the adviser taking over the business, sitting in on meetings, gradually offering their perspectives and approaches and ultimately becoming the key point of contact will help retain clients and provide a sense of seamless transition.
- **Take the time to map out key processes and the roles and responsibilities of individuals on the team who are completing those processes** – consider the opportunity to revise the process and roles, and identify the key handoff points where the hazard of “dropping the ball” exist.



When will information about your plan be shared?

With new clients

With existing clients

With new team members

With existing team members

## In Summary

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We know that clients are asking for details about their adviser's retirement and transition plans, and they are asking well in advance of the retirement date. We also know there is a gap between the importance that clients place on the plan and the proportion of advisers who have a plan in place. There is a clear opportunity to use a succession plan to proactively respond to the questions that clients have about the future and to tangibly demonstrate the stability of your business.

We also know that teams are asking for information about succession and that they not only see the plan as having a direct impact on their roles, but may see the plan as important in deciding whether to take a role in the first place. There are two key opportunities with your team. First, for those who have not shared information about their plans, is to bring the team into the conversation. The second is to consider if and how you will incorporate the team transition process into your plan.

The data suggests that a formal succession plan plays an important strategic role in your business and, if crafted well and communicated broadly, can drive deeper client and team engagement.

Looking for additional resources to help you with succession planning? Visit [janushenderson.com/successionchallenge](https://janushenderson.com/successionchallenge).

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Michael Futterman is director of Janus Henderson Labs™ where he is involved in research and curriculum development for professional development programs. He is a frequent speaker and coach to adviser and client audiences.

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