Develop the Preamble to Your Succession plan

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One of the crowning achievements of American democracy is the peaceful and orderly transfer of power from one leader to the next. When the term of one of these leaders is over, there is another waiting in the wings to accept the same responsibilities and to carry on the continuity of the office. However, this time-honored progression did not just happen; rather, it was the product of the thought and deliberation of our forefathers and was ultimately rigorously defined and protected by the Constitution.

With many advisers approaching retirement age and starting to eye an exit from the business, it is clear that their own terms as owners of their firms are nearing an end and that someone else eventually will have to take the reins from them. But, with just 10% of these owners' having developed succession plans to this point, it is evident that not many advisers have taken the time to develop and implement their own “Constitution” to facilitate this transfer of equity and control, while also ensuring their own financial future.

Without a dedicated succession plan, your firm could face a tumultuous hand-off to your successor and even a significant decrease in firm value. However, if you do adopt a succession plan in preparation for your exit from the business, you will not only realize a better value for your practice, but you will also provide for the long-term stewardship of your firm, including its employees and clients.

Before you anoint your successor in your head and begin drafting your exit letter to your clients, you should ensure that your firm is in need of a succession plan at this time. If your firm is among those that would benefit from a plan, you then should consider whether an internal sale to employees or partners, or an external sale to a third party, fits into that plan. These steps will facilitate your decision making as to which transition option might be best for you.

About ECHELON Partners

ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as “investment product developers and distributors” (IPDADs). Since that time, ECHELON’s professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON’s business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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