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An AssetMark Company

# Succession Planning Checklist



# Effective Succession Planning

Understand the key elements of a succession plan and which will work best for your business. Develop a well-defined succession plan for your future.

Many independent financial advisors feel the term “Succession Planning” is synonymous with selling a practice, or retirement. And while it is a component of a practice sale, succession planning is an involved process which will allow the advisor to determine and track the value of the practice, protect it, and then - over a carefully developed timeframe - implement a plan for transition and practice transfer. Unfortunately, many advisors fail to complete the transition of their practice from one generation to the next. The tools in this resource will help prepare you, your clients, and your staff for change.



**Succession  
Readiness Evaluation**



**Succession  
Vision Worksheet**



**Transition &  
Training Plan**



**Ownership  
Transition Questions**

## Succession Readiness Evaluation

For each statement, indicate your level of agreement by checking the appropriate box.

### Areas for preparedness include:

- Family Considerations
- Strategy & Vision
- Leadership
- Business Management
- Advisory / Client Management
- Ownership & Compensation
- Performance Measurement
- Current Status



Many privately held practices fail to engage in formal planning because owners believe their successor shares their vision of the future. Don't make this common mistake - clearly define and communicate your vision to those who will be impacted by your decisions.



## Succession Vision

The first step in succession planning involves the articulation of your personal goals and vision for the future of your practice. Reflect on what you want for yourself and your business. Just as you guide your clients on their goals, your own goals should be specific, measurable, achievable, challenging, and consistent. Important aspects to envision include your personal goals, business vision, business structure, business model, and business strategy. Complete this worksheet based on your current knowledge and / or understanding.



Your vision should align strategy, plans, decisions, people and processes. Identify where you are today, then create a plan to drive towards your ultimate vision.

## Ideal Vision

Below are questions to help you define your ideal vision for a succession transition. This is the beginning of a framework for the transition and can be revisited as final decisions regarding how the transition will take place are made.

**1. What specific outcomes need to be achieved to make this an attractive and successful transition?**

**2. Over what timeframe do you envision this transition taking place?**

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**3. How do you envision you will be spending your time after the transition?**

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**4. What are the goals for transitioning ownership? Over what timeframe?**

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**5. Who can participate in ownership?**

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**6. How will the business be valued?**

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## Succession Vision

The section below helps to define your desired level of involvement over the course of the transition.

Complete the steps to establish your ideal level of involvement over the identified timeframes.

**STEP 1:** Define the time period.

**STEP 2:** For each business area on the left, summarize your desired participation level for each time frame.

- **NONE:** I do not participate in this area of the business and it is no longer a part of my responsibilities.
- **LIMITED:** I provide limited oversight in this area, but only when priority issues arise that still require guidance.
- **MODERATE:** I share responsibility and am an active decision maker / participant in this area.
- **COMPLETE:** I am fully responsible for this area, with limited or no interaction from others.

**STEP 3:** Provide a brief description of what your desired level of involvement entails.

TIME FRAMES	CURRENT	SHORT-TERM	MID-TERM	LONG-TERM
LEADERSHIP				
BUSINESS MANAGEMENT				
CLIENT ENGAGEMENT				
PROSPECTING / CLIENT				
GENERATION				
PEOPLE MANAGEMENT				
OPERATIONS				
OWNERSHIP				

## Transition and Training Plan

Developing the next generation of leadership means clarifying key duties, qualities, attributes and skills, defining roles, planning for growth and developing a clear plan to mitigate common issues. Start by defining what needs to be transitioned, then outline the steps to handing off those tasks.



Successors are made, not born. The responsibility for grooming the next generation belongs to you, the business owner.

### Transition & Training Plan

#### **BUSINESS AREA:**

*Select one key business area (leadership, business management, client engagement, prospecting, people management, operations).*

*Fill in the boxes below to build an outline for transitioning key tasks and knowledge within this business area.*

**1. Describe the qualities, attributes, and skills needed to successfully own this business area:**

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**2. Describe the primary, high-level responsibilities associated with this business area:**

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**3. On the next page, define the goal, duration, tasks, and training items necessary for each stage in the transition process.**



TRANSITION & TRAINING PLAN				
	LEARN	PARTICIPATE	LEAD	OWN
<p><b>GOAL:</b> What is the overall purpose of this transition stage? What do you hope to accomplish?</p>				
<p><b>DURATION:</b> How long will this stage last? (ex., six months, one year, etc.)</p>				
<p><b>TASKS:</b> What specific tasks in this area must be mastered before the next stage?</p>				
<p><b>TRAINING:</b> What training will you complete in this stage to ensure mastery and advancement to the next stage?</p>				

## Ownership Transition Questions

Succession planning is sound business planning - to be executed with the same inspiration and determination that you have used to build your practice to where it is today. By following a careful, structured process and executing on it, you can rest assured that your practice and your reputation have the opportunity to continue far into the future.



Obtain qualified tax advice early and structure the firm appropriately before any change in management or ownership to ensure you recognize all opportunities and potential issues.

### OWNERSHIP TRANSITION QUESTIONS

The questions and discussion points below are designed to help you develop your Ownership Transition Plan. All components of your Ownership Transition Plan should be discussed with your legal, accounting, and wealth management or financial planning professionals prior to finalizing and/or implementing your formal Ownership Transition Plan.

#### 1. What is the goal for your ownership transition to the next generation?

Provide for your retirement income, in whole or in part?  
If so, how much such income do you need, and for what period of time?

Provide for your child(ren) to take over management of the company, in the most tax-efficient manner, from an estate tax perspective?

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#### 2. How would you envision such an ownership transition might occur?

Grant ownership stake as a “bonus”  
Sell all, or some portion, of your equity ownership  
Gift all, or some portion, of your equity ownership  
Ownership transition requires the potential owner to meet specific criteria  
If so, what criteria are you considering? (i.e., client retention, revenue thresholds, revenue generated, etc.)

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#### 3. When do you want such ownership transition to occur?

Immediate transition to the next generation  
Staged transition over time to the next generation  
Use of outside management support for the next generation  
Transition to the next generation after death  
Not sure yet  
If not sure, why? What will help you make that decision?

**4. Does the current legal structure of your company provide the appropriate capital structure, keeping in mind any tax restrictions on such structure (e.g., Subchapter S requirements)?**

Only one class of ownership equity needed

If you want two classes of ownership equity, what are the differences in the classes?

Voting rights only

Distribution preferences

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**5. Who will be eligible for ownership?**

Only one of your children

If you have multiple children, have you explained to all of them the rationale for who will be eligible for ownership?

More than one of your children

Only children who are actively involved in the business

If so, have you considered how to equalize the treatment of your other children who are not as actively involved?

Are all children on board with the rationale for the transition of the business - in terms of who will receive ownership, who will materially participate, and how the interest is transferred?

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**6. Who else may need to be incentivized with equity or profit sharing rights?**

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**7. What amount of equity ownership are you willing to make available and over what period of time?**

(Ties back to questions 1-3).

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**8. What authority / legal decision making / voting rights do you want to allocate to the new owner(s)?**

**9. What is the value of your company?**

Do you have a defined model to value your company?

If yes, what is it?

Have you had a valuation of the company done recently, and for what purpose (estate planning or market value)?

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**10. For the next generation to take over the business, what training are you planning and where would you expect to obtain such training?**

Any internal discussions or training?

Any outside training, through consultants and / or conferences?

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**11. What limitations do you want to place on the transferred equity to be held by the next generation?**

**(Ties into provisions of the buy-sell language)**

Do you want to keep ownership of the equity in the hands of only those who are actively involved on a full time basis?

If so, then a voluntary or involuntary separation of the next generation's employment with the company should provide you the right to buy back the equity (for example).

Do you want to provide some degree of liquidity to the next generation's estate if your child passes away or becomes disabled?

Need to consider valuation methodology of the company for the buy-sell provisions

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**12. Have you addressed tax and/or estate planning issues?**

Do you have any estate planning documents in place now (e.g., a will, revocable deed of trust, irrevocable deed of trust, life insurance, powers of attorney, etc.)?

Do you have federal estate, gift, and generation-skipping transfer tax concerns?

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**13. What would the potential next generation owner's perspective be on the above questions?**

Grant ownership stake as a "bonus"

Sell all, or some portion, of your equity ownership

Gift all, or some portion, of your equity ownership

Ownership transition requires the potential owner to meet specific criteria

If so, what criteria are you considering? (i.e., client retention, revenue thresholds, revenue generated, etc.)

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