

Why Putting-Off Exit Planning is Not Good Financial Planning

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It appears when it comes to exit planning, we planners should say to our clients “do as we say, not as we do”. Given that almost 65% of planners are baby boomers or older, you might think that planning an exit strategy is a key concern in our industry. Evidently not since the majority of planners do not have an exit strategy and for those that do, most who list don't sell in a year and the planners who do sell end up regretting their choice.

It is difficult to put a price on one's life work; even more so when your life's work isn't about physical entities such as buildings, factories, products and the like but relationships with clients. Once you are able to put a price tag on your client relationships, then comes the task of finding a buyer. So, how do prepare to retire and enjoy the next phase of your life, be comfortable with handing over your business which is mostly relationships you have built over the years, and do so with an interested buyer so that all parties end up satisfied?

It all starts with a plan. No matter how you wish to transition out of your business you need to start planning sooner than later. Usually, the manner of getting out of the planning business is more of a process than an event. One often needs to ask him/her self what they are looking for in the process: retirement, protection of their family and looking out for their clients are often main concerns. Also, more practical questions must be asked such as valuation of one's practice, analysis of options and defining what actions are to be taken. This planning ends up not only being for your benefit but for you family and heirs as well. As mentioned above, most planners are boomers or older and succession planning becomes just plain good financial planning. Do you really want to leave your family and clients future at risk if you should die unexpectedly?

The process of planning your exit strategy is not a selfish act but there are certainly benefits to you that shouldn't be discounted. Depending on how you determine the best strategy to exit your practice, there can be advantages to you both now and in the future. One of the more popular methods of exit planning is through Buy/Sell arrangements. These allow for a specific process to occur at a set time and/or event. What this can do for a planner's interest includes: potentially increasing annual compensation now, increasing the value of your practice, providing for your beneficiaries, an income stream in case of disability as well as providing for your clients through continuity and possibly creating secondary relationships that will benefit the client after your exit from the business.

There are lots of reasons planners don't think about an exit strategy even when that time may not be too far off. They are too busy, maybe they think the planner they brought on board will take over, there is too much to look at and they put it off (sound familiar?) or it's just something they don't want to think about (their own mortality). This is what we are there for when our clients come up with similar excuses, but who is going to help the planner when he or she is the one procrastinating? In the end, it is up to each of us to think about and eventually come up with an exit strategy; not only for ourselves, but our heirs and just as importantly our clients. They depend on us and it is up to us to face these decisions on their behalf as well as our own.

It's time to start planning.

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