

A smooth departure

BY DWARKA LAKHAN

FINANCIAL ADVISORS SPEND most of their time putting together retirement plans for their clients. But, ironically, most advisors fail to plan adequately for their own retirement. In fact, only 10% of all advisors have succession plans and another 40% have only thought about having one.

This reality sets the stage for an impending crisis among an aging advisor population whose members should be planning to exit their businesses, but, for various reasons, are postponing their decision to ready themselves for succession.

George Hartman's latest book, *Exit Is Not A Four Letter Word: How to Transition Your Practice Profitably and Proudly*, provides the strategies and processes you should follow in order to maximize the value of your practice before transferring it to a qualified successor.

Hartman, a coach and consultant who writes a column for *Investment Executive*, has written and spoken extensively on

succession planning and other aspects of practice management. He articulates the reasons you should be prepared for succession and the steps you should take to transfer your practice in preparation for your exit. The importance of being prepared is summed up in this cautionary advice: "Many [advisors] will be tragically disappointed because they waited too long, planned too little and assumed too much."

Hartman uses a bright, conversational style to make the succession journey real by reintroducing Henry, a character from Hartman's previous book, *Blunder, Wonder, Thunder: Powering Your Practice to New Heights* (2010). In that book, Henry's business had reached a plateau and needed to be re-engineered for growth. In *Exit*, Henry now has to deal with succession. Hartman's approach allows readers to connect with the realities of succession planning and allows the author to provide constructive advice and suggestions in dealing with the multitude of issues that may arise during the succession planning process.

Henry's story is complemented by several case studies that dem-

onstrate various scenarios and the implications of timely and untimely decision-making, the due-diligence process involved in making the transition, pricing issues that must be considered and an advisor's future role once he or she decides to exit the advisory business.

Given that transition should be a gradual rather than an abrupt process, Hartman suggests that you plan for it by making your business salable, scalable and transferable to maximize the value you get for it. On the subject of valuation, Hartman intones the No. 1 fundamental principle: "Expected future profitability — not past results — determines the current value of a financial advisory practice."

Once you have prepared your business for succession, you then should take steps to find a successor, then negotiate and integrate with him or her and give comfort to staff and clients to prevent them from leaving after the integration. Hartman points out that choosing the right successor — whether a financial buyer or a strategic buyer — is one of the most critical steps in any transition plan.

Hartman recognizes that advi-

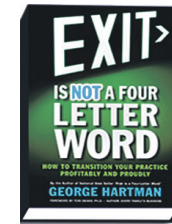
sors fail to plan for succession because of the emotional uncertainty and anxiety associated with giving up what they have built over many years and not because advisors are unaware they will have to exit their business one day.

Hartman charts the financial and emotional cycles that various advisors go through in making the decision to retire while he instills the importance of planning for succession, a process that he says can take longer than most advisors realize — often as long as five to 10 years.

To help readers make their decision to exit, Hartman has created a Financial/Emotional matrix, which can be used to identify exit options based on your financial and emotional preparedness.

Exercises at the end of each chapter allow you to perform self-evaluation to help you develop a road map for your own succession.

Hartman has taken a complex subject with multiple variables and made it easy to understand. This book is a must-read for all financial advisors, whether they are close to succession or still have many years to go. **IE**



Exit Is Not A Four Letter Word: How to Transition Your Practice Profitably and Proudly
by George Hartman,
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★★★★★