Succession planning for retiring advisors is a hot topic in the investment industry. When an advisor opts to retire from a financial institution, the territory typically receives a new advisor, and the book of business transitions accordingly. However, a smooth transition is never guaranteed. A top-producing advisor may opt to monetize their career path before retirement and can be lured away from a financial institution by a competitor, a big check, or both. In these situations, a financial institution can lose multiple years of production from a top producer and a sizeable portion of business. A quality sunsetting plan is critical to mitigating this risk.

Accomplish Multiple Program Goals & Enhance the Client Experience

Succession planning also accomplishes multiple goals for the program. It helps attract and recruit new advisors by promoting clear career paths for individuals looking to build their business in the bank and credit union channel. It also serves as a retention tool for top producers as they near retirement. Lastly, and most importantly, succession plans deliver a better experience for your clients as they adjust to receiving advice from a "new" financial professional.

The Three Ts: Team, Timeline, and Transition

The three steps of a worthwhile succession plan include the Three Ts: Team, Timeline, and Transition.

TEAM. You will want to implement a team approach to your succession plan by hiring an Associate Advisor to start working with your retiring advisor. The Senior Advisor will introduce the Associate to clients, start transitioning relationships, and create a more robust revenue stream with two people working the book. The Associate will require a compensation plan based on team production, and this payout will likely be in effect until the Senior Advisor's retirement. At that time, the Associate would transition to a standard payout plan.

TIMELINE. Most succession plans take place over two years to give the Senior Advisor ample time to train the Associate and build a comfort level with business processes. Be sure to provide a clear plan document for the retiring advisor, including specific timelines and any post-retirement payment schedules.

TRANSITION. At retirement, the Associate Advisor becomes solely responsible for the book's production, and strong client relationships should already be established. The retiring advisor enters their sunsetting phase as their compensation package transitions from personal production to a predetermined payment plan. This plan must be in place before retirement to be compliant. Most sunsetting programs determine payment by the book's revenue or the advisor's average production pre-retirement.

Building and maintaining a succession plan for your top producers is critical to the long-term success of your investment program. Your financial institution will be able to attract and retain better advisors while giving your clients a seamless experience during the transition. **If you need templates or help building a succession plan, please contact your Infinex Relationship Manager. We are happy to assist you on your path to growth!**