



## Succession Planning and Successor Search™

By Mitch Vigeveno, CEO, Turning Point Inc.

In repeated studies that have been done by various custodians in the RIA market and broker dealers both on the independent as well as private client group sides of the market, succession planning has emerged as a MAJOR ISSUE for most financial advisors who have a mature practice.

Generally speaking approximately 60% of the advisors surveyed report that they do not have a succession plan at all. Furthermore, according to David Grau Sr. the founder of FP Transitions, in an article in Financial Advisor magazine, 90% of the succession plans that have been created are not tied to an actual business value.

And here is the most interesting part. In a recent study conducted by T.D. Ameritrade, 50% of the advisors surveyed stated that they would prefer to pass the practice on to an internal successor (30% more were still undecided) but with more than 50% of the advisors surveyed, no clear successor had been identified. Another 33% either “lacked the time to develop a plan”, were not sure where to start or lacked the necessary resources, all of which indicate that, again, no clear successor had been identified. Only 19% of those surveyed wanted to sell the practice or merge with another firm.

All this data points to the indisputable fact that most advisors would rather pass the firm to an internal successor if they could, in fact, identify a suitable professional. They realize that if they do that they can retain better control over the process. They really want to know the person who will be carrying the torch going forward and taking care of their clients. And they don't want to get “shoved out the back door” before they are ready.

In response to this need, Turning Point Inc has started a new division called Successor Search™. As a firm that has been doing financial advisor recruiting for over 18 years AND executive search in the financial services industry for almost that long, Turning Point is uniquely positioned to deliver the right successor to the financial advisor who is in need.

### **The process of recruiting a successor is different.**

Finding a successor is substantially different from simply recruiting a financial advisor to the practice. When recruiting another advisor to join a firm, the main concerns are primarily integrity, credentials, adequate production and assets, and a clean compliance record. When recruiting a successor, many other factors come into play: 1) the compatibility of the advisor with the current clientele from the standpoint of personality, technical ability, and investment philosophy 2) the ability to “make rain” *for the firm* going forward and bring in new business 3) Leadership skills to be able to take over a business, maintain the existing clientele and staff and create growth in the future 4) the financial capacity to help the current advisor realize a fair value for his share of the business and absorb some of the bumps that will inevitably come along and 5) an understanding of the emotional issues the current advisor is facing as he exits the business. The list goes on.



To find another financial advisor with all the necessary qualifications takes a lot of time and effort and is not something that the financial advisor himself is typically capable of doing because of other demands on his time. That is why so few firms have identified a successor. *If they could have, they would have.* The financial advisor is, after all, busy taking care of his clients and marketing the services of his firm, and that is a full time job. That is why one of the logical solutions to this problem is conducting a serious, focused executive search. And yet most financial advisors don't understand the executive search process, have never worked with a good search firm and don't know how to find one.

## **WHY USE EXECUTIVE SEARCH?**

### **It is really the only way to access premium prequalified candidates in any quantity.**

High caliber financial advisors *who are also strong leaders* are not listed anywhere. Many will be happy and successful in their current role but some may consider a move for the right opportunity - if it is compelling. The only way to reach such individuals is to approach them directly in a discreet and professional manner. A retained executive search firm can do this and do it effectively. The search firm has the resources, the contacts and the processes to identify and cultivate the potential successor and the methodology to do it professionally.

### **It saves the Financial Advisor time and money.**

Executive search can save the advisor a lot of the time, disappointment and expense that often comes with trying to hire senior or specialized people. By approaching a broad range of high caliber potential candidates, an executive search firm is able to ascertain key information such as qualifications and experience, potential interest in a move and current and expected compensation. The search firm then interviews suitable candidates, presenting their client with a shortlist of pre-screened candidates who are interested in the position, qualified to do it, and in a position to take advantage of the right opportunity. The FA does not waste his time talking to unqualified, uninterested candidates. Rather, he continues to work with his clients and generate his usual income while the executive search firm becomes the project manager that introduces the candidates and solves this problem..

### **It protects the Financial Advisor's reputation and the confidentiality of his exit plan.**

Broadcasting that the advisor may be retiring or selling his business is a sensitive matter and can send the wrong message to the market. If the message is out there prematurely and/or is misunderstood, it may lead to client departures and a lack of referral business from other local professionals going forward. By approaching potential candidates in a highly professional and confidential manner on behalf of the advisor, a search firm can preserve anonymity and the integrity of the process until the time is right to reveal the advisor's identity.

### **It means the succession plan gets the attention it deserves.**

By engaging a qualified retained executive search, the FA ensures that the succession plan receives the undiluted attention of a professional until the job is done and a successor is found.



## THE SEARCH PROCESS

Finding a successor in a timely and efficient manner demands an organized, focused and disciplined process. The search firm's job is to apply this process in partnership with the client to assure that their search for a successor enables them to accomplish their mission and meet their personal and corporate goals and objectives. Our success results in our client reaching a "turning point" and solving one of the largest challenges that they have. There are many steps in the search process, if done properly:

- UNDERSTANDING OUR CLIENT
- UNDERSTANDING THE SUCCESSOR WE SEEK AND CREATING A WRITTEN PROFILE
- CREATING A SOURCE LIST OF POSSIBLE SUCCESSORS
- CONTACTING ALL POSSIBLE CANDIDATES AND SOURCES ON OUR LIST AND THEIR REFERRALS
- INTERVIEWING ALL CANDIDATES
- NARROWING DOWN THE FIELD OF CANDIDATES
- TESTING AND FURTHER QUALIFICATION
- PRESENTATION OF THE BEST
- REFERENCE CHECKING
- DEVELOPMENT OF THE OFFER
- NEGOTIATION AND FINALIZATION
- TRANSITION

Obviously, most financial advisors do not have the time, energy and experience to go through this process on their own.

While executive search isn't the solution in all cases, such as family succession scenarios, it can be the solution for many financial advisors who find themselves faced with the succession problem and need to take some action steps to get it solved.

The cost of this type of work is quite reasonable in the light of the problems it solves and the results it achieves. In the case of a successor who brings a book of business to the practice, the cost is offset partially or completely by the revenues earned on the successor's book of business.

In most cases, a Financial Advisor's practice is one of his most important and valuable assets. Engaging a quality retained executive search firm that really understands the business to find a successor might very well be the best action step an advisor can take to preserve and build the value of his business and protect the interests of his clients.

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