



# Succession Planning Webinar

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# Today's webinar topics

- **Meeting Your Regulatory Requirements**
  - Rules require you to have a plan
  - Regulatory exam findings will cite deficiencies
- **Addressing Your Business Requirements**
  - Your enterprise
  - Your legacy
  - Your clients
- **Recommendations for Starting or Improving your Succession Plan**
- **Questions and Answers**



# Business Continuity and Succession Planning by the Books

## **Mandatory components under Montana's rule for Investment Advisers:**

- (a) The protection, backup, and recovery of books and records.
- (b) Alternate means of communications with customers, key personnel, employees, vendors, service providers (including third-party custodians), and regulators, including, but not limited to, providing notice of a significant business interruption or the death or unavailability of key personnel or other disruptions or cessation of business activities.
- (c) Office relocation in the event of temporary or permanent loss of a principal place of business.
- (d) Assignment of duties to qualified responsible persons in the event of the death or unavailability of key personnel.
- (e) Otherwise minimizing service disruptions and client harm that could result from a sudden significant business interruption.

# Mandatory Requirements in Plain English



Who has the keys/passwords to the office, the files, the data, the cloud archive?



Who is available, qualified and willing to take over mission critical duties and responsibilities?



How will a temporary or lengthy interruption in your availability impact incoming and outgoing communications from the firm?



Would a transfer of duties critical to the business to back-up personnel cause the office to relocate?



How might client harm result from a sudden significant business interruption?



# Your Business Needs a Plan

**“Starting a small business is hard. Exiting can be even harder, but planning early is the key...”**

According to the U.S. Census Bureau, approximately 51% of small business owners are over the age of 55, indicating that many will need to consider exit strategies in the near future.\*

Just 13% of advisors at firms managing less than \$50 million in assets have a formal plan, compared with 60% of those at firms managing at least \$500 million. \*

More than half (57%) of the 118 RIAs surveyed by DeVoe responded that a transition from founders to the next generation would be “bumpy” or worse and 13% said it would be a severe challenge.\*

Most advisors without a plan recognize the potential perils of not having one: Fifty-four percent see a significant risk\*

Top reasons [for not having a plan] include uncertainty about the business's future (32%), feeling unsure of where to start (32%), and the inability to identify a successor (26%)\*

*\* Sources include: AP News, DeVoe IRA Next Gen Transitions Survey, Edward Jones*

# It's Your Business and Your Legacy

You determine the right time (Is it now?)

What is right for your clients?

What is right for your business?

Remember - your business has value.

Remember - your business regulated.

# Planning to Make a Plan

## When it's time it's time (it's now)

- Ask the mandatory question:
  - What does my regulator require
- Consider the tough questions:
  - Am I the leader I once was?
  - Am I the leader that can sustain/grow the business?
  - Do I need a professional to mediate conflicts of interest?
  - Can I put this off another couple of years?
- Perform a Gap Analysis to determine how your skill set compares to the skill set the business requires to prosper

## Implement the Plan



Prioritize the objectives of the plan

Transition to retirement?  
Close the practice?  
Sell the practice?



Determine a reasonable time frame



Evaluate regulatory/legal impact

Licensing  
Leases, contracts



Prepare to communicate the plan to clients, employees, service providers

# Succession Planning is a NOW Task



QUESTIONS?



THANKS FOR YOUR  
ATTENDANCE.