Planners still not planning for their own future

By Tahn Sharpe | February 8, 2018

Nine-in-10 advisers do not have a documented succession plan in place, a recent *Professional Planner* poll has found.

The result highlights an alarming and counterintuitive trend in the planning industry, and follows a recent white paper released by *Business Health* called *Future Ready VII*, which cites a lack of succession planning as a threat to maintaining stronger, sustainable practices.

Advisers are optimistic about the future, the report states, but they're not planning for it. In the 2016 financial year, "94% of the principals expect to increase their practice revenue and 89% will increase the revenue generated by fees". In addition, the report found 46 per cent of firms wanted to add more staff and 80 per cent planned to increase the number of clients they served.

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This progression, the paper states, will require "significant time, focus, expertise and resourcing". Yet only 1-in-3 practices have a longer-term strategic plan for their business, and whilst *Future Ready VII* states that 30 per cent of firms have a documented succession plan or buy/sell agreement in place, "a quarter of these do not cover all the four major trigger events (death, disability, retirement and resignation)".

Between the twin succession issues of planning for unforeseen events and mapping out business handover plans, there is a clear lack of forethought and action in the industry.

The lack of comprehensive insurance surprises Patrick Canion, certified financial planner, the most. Expensive premiums may be a factor, he says, along with "the underwriting complexities to get a decent sum insured".

Sole operators, Canion says, are most at risk of being hurt by not planning for unforeseen events.

"If something happens in a multi-practice firm, then they will generally muddle through – even without a plan. But sole practitioners usually do everything, from signing off on staff pay to being the only qualified adviser for clients."

Compliance demands and client concerns can also detract from planning for the future. Canion says advisers "are often so focused on the immediate needs of clients and regulators that important, but non-urgent, issues like this get deferred".

Advisers may also find it difficult to glean information on how to get help identifying potential buyers and managing the handover process. Canion says the best way is to start talking to institutions that you know are buyers, and other practices that have made acquisitions.

"Do your own research," he says, "and your own due diligence."

Although finding the time to address future planning can be a challenge, some advisers might find themselves on the clock. In a recent media release, Connect Financial Service Brokers chief executive, Paul Tynan, makes the point that advisers intending to leave the industry need to start mapping their exit sooner, rather than later.

“Baby Boomer planners are faced with regulatory and educational changes that are only going to increase as technology continues to disrupt traditional business models,” Tynan says. “Education standards, industry and professional accreditation exams/requirements are here to stay, and if a course of action is not taken whilst time is on their side, these planners will find the exit strategy being made for them”.

The consequences of not planning an exit can be drastic. For Canion, this was never more evident than when a senior partner was diagnosed with terminal brain cancer in 2007.

“Without a succession plan, I am sure the business would have folded,” he says. “Instead, we restructured and paid him out in full before he died, and then we went on to grow the business significantly.”

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