

planning your succession



don't let your hard work be in vain – plan your succession now

Although succession planning is often talked about in the financial planning industry, very few practices actually turn their words into action. Research shows that despite the average age of South African planners being over 50, fewer than 30% have succession plans.

In the absence of a preferred succession plan, principals are often forced to make last minute decisions. These decisions may not always be the best solutions for their clients, staff or themselves.

Succession planning is basic financial planning for your business, and like financial planning, the sooner you start the better.

This guide has been designed to prompt you to start considering your succession. It is not a dossier of legal and technical complexities and does not provide all the answers. Instead, it is a practical tool designed to assist you in assessing your current position relative to best practice. It will also provide you with some tips on what you need to consider when planning for your succession.

Read this guide, consider your position, and speak to someone at **acsis** about preparing for your succession and how a strategic partnership with **acsis** can help you to build a better business now.

begin with the end in mind

In our experience, the main obstacles to succession planning are:

- ~ the fear of losing control
- ~ the belief that your clients won't be able to work with anyone else
- ~ the belief that tomorrow is a while away
- ~ the complexity of planning and implementing a succession plan and dealing with many of the 'soft' issues such as promises to staff and partners

Many principals share a common view that when they are ready to retire or move on to another career, they will be able to sell their practice for an attractive sum and receive upfront payment. This is a flawed assumption.

Smooth succession and the extraction of real value is the result of a flow of events that occur over time. Succession is intimately tied to your practice's vision and business plan, and even its day-to-day activities need to be performed with the end goal in mind. In essence, your business needs to be run as though it's going to be sold one day. The ability to successfully transfer your client relationships to someone new – with minimal client impact – is what we refer to as 'corporatising' your practice. Businesses that operate in this way generally sell at a greater price.

At **acsis**, we offer a comprehensive financial planning service to corporate and independent financial planners through our strategic partner programme. This partnership allows you to concentrate on the areas of your business that generate the greatest value and offer better outcomes for your clients and business – both while it is running and when it comes to your succession.

anticipate your potential buyer

To extract the maximum value from your business and the best result for your staff and clients, it is important to put yourself in a prospective buyer's position. Think about what they will be looking for in your business. Consider who they are likely to be because different buyers will have different motives. The following are some of the main groups of buyers:

- ~ family
- ~ employees and existing business partners
- ~ external buyers wanting to acquire your clients
- ~ external buyers wanting to buy your business as a going concern

understand how buyers will value your business

Potential buyers won't necessarily value your business in the same way or for the same amount. Selling as a going concern will generally fetch a higher price than selling a book of clients. As your business grows in size and value, the pool of likely buyers capable of raising sufficient capital will decrease.

Some of the key drivers to valuing a practice are:

- ~ The overall sustainability of the business. The level of corporatisation, quality of its people, systems and processes used.
- ~ The profitability, particularly sources of revenue. Buyers look at the type of revenue and the likelihood of it being sustained after you have left. The split between recurring fees and commissions is critical, with valuations favouring the former.
- ~ The strategic fit between buyer and seller and the level of differentiation the seller's business enjoys in the market place.

Factors such as the level of corporatisation, funds under advice, expenses, value of assets, location, client profiles, compliance status and quality and experience of staff all contribute to the final determination of a price.

the price of your business is more than simply a rand figure

Pricing your business – in many cases a large part of your life's work – must strike a balance between what you want for yourself, your staff and clients. Consider the outcomes you would prefer and plan around them.

The good news is that the right succession plan will help ensure that the hard work you've put into your business delivers the result that is right for you, your clients and staff.

If you would like more information on succession planning, are considering selling your business or want information on the acsis strategic partner programme, please contact us on info@acsis.co.za or speak to a Practice Management Coach on (011) 883 1303.

who is acsis?

acsis is an independent financial services group that guides clients along their journeys in achieving lasting financial well-being.

Our trusted advice empowers individuals and institutions to understand their financial options. This enables them to make the right choices on the development and implementation of their financial and investment strategies, based on their unique needs and goals.

Our financial planning and investment management philosophy, founded by ipac, is based on a sound, robust framework underpinned by ongoing research and international best practice. ipac is a global leader in the field of financial planning and investment advice.

We own the licence to ipac in South Africa exclusively. ipac is owned by AXA, one of the world's top three financial services companies. This strategic partnership provides us with a unique blend of local substance and strength with global resources.

At **acsis**, we employ forward-thinking people who are shareholders in the business. They all have a strong commitment and passion for financial planning and sound investment advice. With varied expertise and diverse tertiary backgrounds, they offer a quality of service unique in the financial services industry.

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