



SUCCESSION/ TRANSITION PLANNING



By Ellen Bessner

Consider: if something happened to you tomorrow, do you have a plan to protect your:

➤ Dependents ➤ Business ➤ Clients ➤ Employees

PLAN EARLY WITH 10 STEP PLAN

STEP 1: REGULATORY REVIEW

Consider applicable Provisions:

- NI 31-103 s.11.1
- CSA Staff Notice 31-350
- IIROC Rules 17.16 and Bulletins 3304 and 3442
- MFDA Rule 2.9 and MSN-0056

STEP 2: CONTRACT REVIEW

Consider:

- Who owns the book of business/clients (Dealer or Advisor)?
- Is there a non-solicitation of client clause?

STEP 3: POLICIES AND PROCEDURES MANUAL

Are there relevant provisions that impact a succession/transition plan?

STEP 4: CONSIDER THE BIG PICTURE

What and when do you want to scale down or stop - wish list?

- Do you want or need to work until a certain age - have you prepared a comprehensive Financial Plan for yourself?
- Do you want to work until you cannot anymore?

Whatever the answers... you need a transition plan

Consider these questions every 3-5 years and update your succession/transition plan

STEP 5: TAKE STOCK

What do you have/own?

- Number of clients, revenue/AUM, expenses and long term obligations (rental of offices and equipment)
- Reliable employees
- Areas to improve?

What is plan to prepare/improve and potentially grow business both before and through transition?

STEP 6: PLAN FOR THE DETAILS

Two ingredients for success:

1. Find the right fit (successor for yourself and your clients), consider:
 - Licence/registration/clean background
 - Consistent values
 - Work ethic
 - Investing approach
 - Relates well to existing clients and their next generation (beneficiaries)
 - Don't fall into trap of looking for "mini-me"
2. Give yourself a lot of TIME to transition clients to successor - prepare for false starts - 3-10 years in advance may be necessary

STEP 7: BE CREATIVE

Consider:

- Segmenting business
- Selling slowly with joint codes for certain segments
- Training required to fill gaps in successor's skills
- Financing options
- Tax Planning

STEP 8: NEGOTIATE AND ENTER INTO WRITTEN AGREEMENT

- Not just a handshake
- Iron out details
- Hire an experienced corporate lawyer who understands this highly regulated industry
- Agreement should cover all details and possibilities

STEP 9: COMMUNICATION PLAN

- Be in control of communication, even when you cannot be in control of business
- Letters to each client mandatory – agree to content of letter with your dealer/successor
- Communicate plan with your family/Power of Attorney/executors

STEP 10: INSURANCE

- E&O coverage even after you leave the industry
- Key Person Insurance

CONCLUSION

- The worst plan is no plan
- Plan VERY FAR in ADVANCE - it is never too early to plan
- Review plan regularly/revise
- Don't rush - bring a positive energy to this plan

Even if you think you will never retire, you will have to stop working at some point- don't leave the plan to your family ill-equipped to obtain value that you worked so hard to build

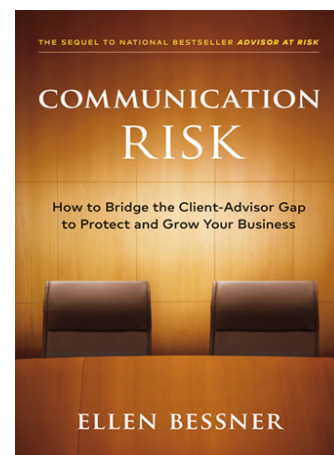
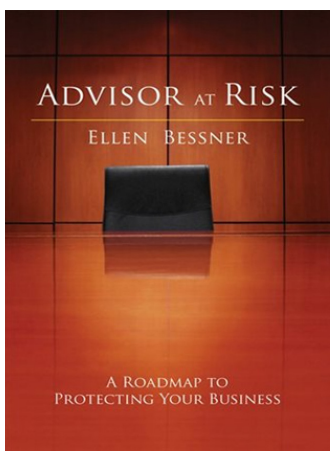
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