

Changing the Guard

A comprehensive approach
to succession planning

Toolkit

The
comprehensive
guide to
succession
planning for
acquiring and
retiring financial
professionals

01 **Part 1**
Doing the right deal

02 **Part 2**
Doing the deal right

Changing the Guard

Toolkit

A comprehensive approach
to succession planning



Changing of the Guard

The Changing of the Guard at Buckingham Palace has provided for the seamless and orderly transitions between the old guards to the new guards since it was first performed in 1689. The ritual has three primary objectives: to carefully inspect the new guard before they stand post, to protect the palace during the transition without interruption, and to assure that only the best soldiers are allowed to stand guard.

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Not your average toolkit— not your average consulting group

Invesco Global Consulting (IGC) is the largest asset manager consulting group in the industry.¹ Our comprehensive toolkit is specifically designed to help you create the most successful transition possible—regardless of where you are in the process.

This toolkit features:

01

Primary and proprietary research findings on succession planning and communications

02

Links to Excel exercises built to help you answer questions in this document that can be saved for later

03

Active video links with helpful information from IGC coaches

04

Video links to the dial sessions on language research

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Where are you at now in your succession?

Click on the links below for faster access to the tools you will need

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Communication Strategy (pg. 21)

There are opportunities ahead. Let's get started...

Changing the Guard

Whether you are buying or selling a practice, there are critical variables that may determine the success or failure of your succession plan:

1. **Right time**—The key ingredient to transferring confidence and trust...is time. As a buyer or seller, you should have a five-year runway before the transition is complete. There is a direct correlation between the amount of time you give yourself and a successful handoff.
2. **Right reason**—As a seller, loss of enthusiasm and interest is not a great reason for leaving the business. Recapturing your passion and sense of purpose might be a better solution. As a buyer, don't buy a practice to mask weaknesses and a lack of growth in your own business. Hone and refine your business before attempting to absorb another practice.
3. **Right person**—As a buyer or seller, finding someone with complementary talent during the transition phase and similar experience, capability and personality for the long-run is key to success.
4. **Right communication**—Positioning and articulating your long-term integration and succession strategy helps to ensure that both the team members and clientele stay buckled-in during the transition.



Get this right:

- You maximize your ROA/ROI
- You provide continuity for your team members and their families
- You help ensure that your collective clientele are taken care of for generations to come

Get this wrong:

- Your ROA/ROI could be a fraction of what you anticipated
- You could throw your team into utter chaos
- Your clientele may leave you for greener pastures

ROA = Return on assets

ROI = Return on investments

The opinions expressed are those of the author and are subject to change without notice. These opinions may differ from those of other Invesco investment professionals.

Step 1:

Valuation framework and guidelines

Every business, firm or practice is likely composed of two components: structure and people. The more sound the balance sheet, the more systemic and repeatable the business processes and the more sophisticated and cohesive the team, the higher the ROI/ROA. This first step is designed to help you quantify the strengths and weaknesses of the practice under consideration. For a seller, this framework may serve as a benchmark to help you prepare your practice for sale at the highest possible ROA. This framework may also help the buyer pay an appropriate multiple, given the quality of the practice under consideration. Looking at a practice through the metaphorical lens of house, your practice has four “rooms”: the New Business Development Room, the Wealth Management Room, the Client Service Room and the Practice Management Room. We have given you five variables per room to help you assess the quality and functionality of each. We then conclude with personnel utilizing the same five-variable structure. Remember, these are simply guidelines designed to help you either assess or evolve the practice to achieve highest valuation. There may be other variables you want to assess or create, given your unique practice and market.

Is the house in order?



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HNW = High-net-worth
WM = Wealth management

Due diligence descriptors and rationale

New Business Development

- **5-year growth rate:** A growth rate above the industry average over a five-year period indicates a structurally sound, systemically driven and highly functional team environment.
- **HNW referrals:** Receiving qualified referrals from 10% of your clientele each year indicates a high degree of satisfaction with your team's performance.
- **Established professional network:** This not only helps to ensure implementation of your comprehensive wealth management strategy, but it can also become a great cross-referral generator.
- **Formed strategic alliance(s):** CPAs, attorneys and/or other professionals with formal written revenue-sharing agreements, in our experience, are the #1 source of high-quality referrals for top practitioners.
- **Formed strategic partnerships:** Revenue-sharing arrangements with other financial professionals are a testament to something unique and powerful in your practice and a great quasi-passive revenue source.

Wealth Management

- **Clients with a comprehensive financial plan:** A pure portfolio management practice is at far greater risk of being commoditized and a much less stable long-term approach to attracting and retaining HNW clients.
- **Clients who have completed a WM checklist to demonstrate implementation:** This checklist is designed to demonstrate whether the financial plan is actually implemented, thus creating multiple revenue streams, forming a greater bond with the clientele and locking out the competition.
- **Investment philosophy and policy statement:** These are meant to ensure that financial professionals spell out in detail how they manage portfolios, based on objective principles of sound investing and the subjective needs of a particular client.
- **Highly systematized portfolio management structure:** The portfolio management structure is diversified (across style, geography and category), focused (fewer, better products and managers) and repeatable (leveraged across all clients, both individuals and institutions).
- **Incorporation of banking, lending, risk mitigation and insurance solutions:** This aims to demonstrate the implementation of the wealth management plan and a more diversified revenue stream, independent of market action, across all client needs.

Client Service

- **Manageable number of clients:** The wealthier the client, likely the more complex the financial challenges. Dealing with complexity takes time, specialization and a sophisticated team. In our experience, a traditional HNW practice with \$3-5M average AUM can handle around 100 clients per relationship manager (defined as anyone who is primarily client-facing). As the average AUM goes up, the number of clients you can handle per relationship manager tends to go down.
- **Quantitative and qualitative segmentation strategy:** The “degree of difficulty” of any client is always in the qualitative space. Assets and revenue don’t clog up your phone lines, frustrate your staff or fail to take your advice; people do.
- **Stratified service levels:** There should be a highly delineated level of service and recognition between your 3-4 tiers of the clientele. Too many practices treat everyone equally—poorly. Your top clients pay the majority of your bills and therefore deserve the majority of your time, attention and recognition.
- **Proactive and predictable client contact system:** A proactive and predictable contact system diffuses the reactivity that often exists in a financial professional’s practice. If clients don’t know when you will contact them, they will contact you randomly and arbitrarily throughout the course of your week, month and year.
- **All personal information, insights and preferences captured on the CRM:** In our view, this is the #1 most underutilized system in financial professionals’ practices. Used effectively, it “keeps the trains running on time,” and makes your client interactions more personal and meaningful.

Practice Management

- **% of recurring revenue:** A predictable revenue stream from fees creates a higher ROA/ROI.
- **Technology to manage all processes and engagements within the practice:** Moving from manual to digital reduces redundancy, ensures things don’t fall through the cracks, and provides a more comprehensive picture of both your clients and practice, potentially enhancing your recommendations/solutions.
- **Accretive and clearly defined roles and responsibilities:** Solving the sophisticated and complex challenges facing your wealthiest clients requires a diversified team with highly specialized roles and responsibilities. Each of these roles requires an often dramatically different set of talents, skills and temperaments. Establishing technological and procedural firewalls is critical in allowing each member to stay focused.
- **Unified staff compensation and split arrangements:** Consider what commitments/contracts are in-place and whether they are reasonably structured to help ensure long-term growth and profitability.
- **All staff members licensed with a Series 7:** Having a high percentage of staff with a Series 7 license may create more leverage for the team and higher levels of engagement and income for your staff.

Exercise: Benchmarking and valuation scorecard



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New Business Development	1pt	2pt	3pt	4pt	Score
5-year growth rate	< industry average	industry average	> industry average	>10% industry average	
HNW referrals annually	0-2% of clients	3-5% of clients	6-9% of clients	>9% of clients	
# of professional network members	0	1-2 members	3-4 members	>4 members	
Formal strategic alliances	0	1	2	3	
Formal strategic partnerships % of revenue	0	1-5%	6-15%	>15%	

Wealth Management	1pt	2pt	3pt	4pt	Score
% of clients with a comprehensive financial plan	<40%	40-60%	61-80%	>80%	
% of clients who have incorporated a comprehensive WM checklist	No system in place	<40%	40-60%	>60%	
% of clients utilizing >3 non-investment products	<30%	30-50%	51-80%	>80%	
Highly systematized portfolio management structure	No system in place	Broadly diversified	Diversified and focused	Diversified, focused and repeatable	
Incorporation of banking, lending and insurance solutions	<30% of clients	30-50% of clients	51-80% of clients	>80% of clients	

Client service	1pt	2pt	3pt	4pt	Score
Manageable number of clients per relationship manager	>200	150-200	100-149	<100	
Qualitative and quantitative client segmentation	None	Quantitative only	Quantitative and qualitative	Mapped to client service stratification	
Service stratification	Generic	Customized	Personalized	Stratified and implemented	
Proactive and predictable client contact system	Reactive	Proactive	Proactive and predictable	Proactive, predictable and pod-based	
Personal information, insights and preferences captured on the CRM	Minimal	Client	Client and family	Client, family and business	



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Practice Management	1pt	2pt	3pt	4pt	Score
AUM quartile based on LOS	4th quartile	3rd quartile	2nd quartile	1st quartile	
Revenue quartile based on LOS	4th quartile	3rd quartile	2nd quartile	1st quartile	
Recurring revenue	<30%	30-50%	51-80%	>80%	
Profit margin	< Industry average	Industry average	> Industry average	>20% of industry average	
Internal staff compensation and split arrangements	Significantly below industry average	< Industry average	Industry average	Slightly above industry average	

Personnel Analysis	1pt	2pt	3pt	4pt	Score
Level of experience and personality	< Experience	Similar experience	Similar experience and similar personality	More experience and similar personality	
Complementary talents and skills	Same as lead financial professional	Complementary in 1 area	Complementary in 2 areas	Complementary in 3 areas	
Philosophical alignment personally and professionally	Fundamental disagreements	Basic agreement	Total agreement professionally	Total agreement personally and professionally	
Team members' experience and compliance record	Compliance challenges	Experience challenges	Experienced and clean compliance	Experienced, clean compliance and well-delineated roles and responsibilities	
Team member compensation and career aspirations	High compensation and low career aspiration	Low compensation and high career aspiration	High compensation and high career aspiration	Industry average compensation and high career aspiration	
Total score:					

Score <50 = <1X multiple

Score 50 – 70 = 1X multiple

Score >70 = >1X multiple

Note to seller/buyer: A higher score dictates a higher multiple for the seller but less “work” for the buyer to get the practice where it needs to be.
The reverse is also true: A lower score dictates a lower multiple for the seller but more work for the buyer to get the practice where it needs to be.

Step 2:

Personnel assessment and integration

With many senior partners reaching an age where retirement is becoming a consideration and many firms are offering fixed-term buyouts of the practices if they “team up,” we have inadvertently sailed into the “perfect storm.” Navigating this transition may appear to be smooth sailing—but it’s not! You are attempting to transfer trust, affinity and loyalty from a financial professional who has built those characteristics over a lifetime of interactions to a financial professional who the client has just recently met. Integrating your succession partner into a highly

functional team, with defined roles and responsibilities, allows you to ease your partner into the team and client relationships based on their functional capability over time and may help to mitigate the flight risk for your key clients and team members. This is an important metaphor; the focus is on the squad’s capability versus any one individual to execute under pressure to achieve the desired result. Early on in the client relationship, you want to constantly emphasize the power of the team to execute on behalf of the client, not on the replaceable brilliance of the senior partner.



Prospective Successor

- Similar level of experience and personality: This helps give clients the confidence that you can handle their complex financial challenges and likely increases the likelihood that you and the client will connect personally.
- Complementary talent and skills: The longer your runway to retirement, the more critical complementary talents and skills become. This helps you to expand the capabilities of your team, position your prospective partner within their area of accretive specialization and slowly integrate your new partner into relationships with your clients.
- Philosophical alignment personally and professionally: Do you have philosophical alignment around critical issues such as comprehensive wealth management, client engagement and service strategy, compensation structure and a comparable work ethic?

Prospective Team Members

- Team members’ experience, roles and responsibilities, and compliance record: Look for skill set “gaps” that may impact revenue generation and/or asset gathering potential. Ensure there are no underlying compliance/business risks that could affect performance and profitability.
- Compensation agreements and career potential: Take a fresh look at any compensation agreements relative to the position, performance and overall impact on the practice. This also gives you the opportunity to discuss career aspirations as you begin to map how the practice must evolve over the next 3 to 5 years.

Personnel analysis

A synergistic team reflects the functional model of an army squad, the smallest tactical unit of specialized military personnel organized around a common endeavor.

+

The smallest tactical unit

Without a disciplined and focused rationale for the team's strategic and tactical purpose, financial services teams often grow to unmanageable proportions and, in many cases, become "mini branches."

+

Specialized military personnel

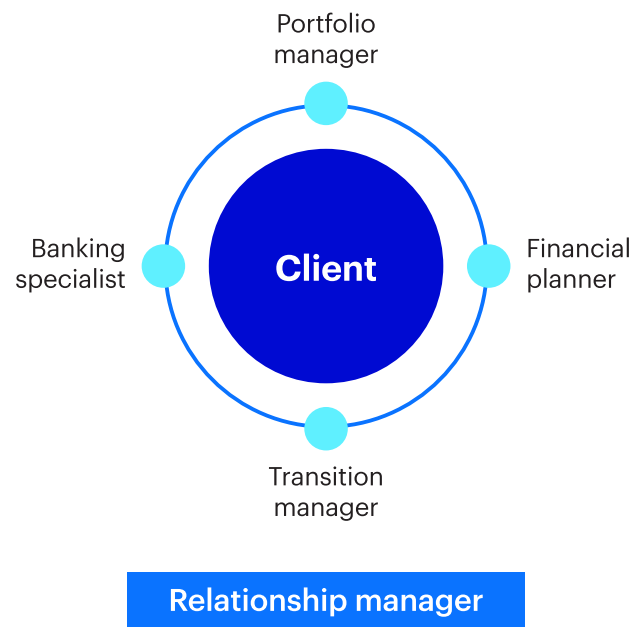
While most financial professionals likely have the same foundational training (just like their military brethren), it is their sub-specialization that often allows them to come together as a complementary and cohesive team.

+

Organized around a common endeavor

In our industry, that common endeavor is the client, the client's extended family and, in many cases, the client's business/professional practice.

This "self-contained fighting unit" (i.e., your team) should be capable of handling virtually all the day-to-day challenges facing its sophisticated clientele: from portfolio management to estate planning, from personal and professional banking services to hedge funds, alternative investments and trust services. On those occasions when the client's challenges are both sophisticated and somewhat esoteric, you can call in your high-powered strategic alliances (just like the army unit calls in the heavy artillery and/or air cover) to assist in that particular case.



Personnel assessment process

The following exercises represent a progressive process. As you complete each exercise, you will determine whether to continue moving forward to the next exercise or simply “shake hands” and agree to terminate the process amicably.

- | | | |
|-------------------|--------------------------------|--------------------------|
| Exercise 1 | Get acquainted | <input type="checkbox"/> |
| Exercise 2 | Tactical assessment | <input type="checkbox"/> |
| Exercise 3 | Philosophical alignment | <input type="checkbox"/> |
| Exercise 4 | Highest and best use | <input type="checkbox"/> |

Exercise 1: Getting acquainted



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Excel file to build, save
and export your answers

Use the following questions to get to know your prospective partner both personally and professionally.

These questions are designed to be answered individually by both of you prior to the meeting, and then you are encouraged to sit down and share the answers with each other. You're looking for philosophical congruence and tactical complements.

1. Why did you choose this profession?

2. Why did you decide to form a team, who are working team members, and what critical roles do they fulfill?

3. What is your succession timeline? Do you want to retire or move into senior emeritus status¹ for some period of time?

4. What is the plan to integrate you into the practice and with the clientele?

5. What are the 3-5 things that you do in the practice that have the greatest impact on productivity and growth?

6. What will be (have been) your greatest challenges in working within a team structure?

7. How are decisions made on the team on issues such as guiding the evolution of the practice and dealing with short-term and long-term business challenges?

8. What is the current team meeting structure (e.g., daily huddles, weekly strategy and semiannual developmental meetings)?

9. Are there any particular niche markets that have contributed to your success and productivity?

10. Is there anything else you need to know?

¹Senior emeritus status = involved with the aspects of the business but at a reduced time commitment.

Exercise 2:

Tactical assessment of key stakeholders



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This tool is designed to allow you to assess the tactical capabilities of individual practices within the “4 rooms of the house,” then see the new combined capabilities and uncover any critical gaps that might need to be filled in the years ahead. Given the optimal time frame of 5 years to fully implement a succession plan, initially introducing your prospective successor based on how his/her experience and specialization might expand the team’s capability to solve the complex challenges facing your best clients potentially allows the successor to ease into a relationship with the clientele.

	Partner 1	Partner 2	Partner 3
Wealth Management Room			
Separately managed account specialist			
Portfolio manager/analyst (style)			
Fixed income manager			
Mutual fund and exchange traded funds (ETF) manager			
Certified financial planner (CFP) review, present, orchestrate implementation			
Organize supporting documents, input critical data and summarize highlights for the CFP			
Risk manager (estate planning and trust services)			
Insurance specialist			
Corporate services and executive benefits			
Banking services (personal and business financing)			
Philanthropic services			
Client Service Room			
Client service coordinator			
Client education and recognition coordinator			
Run the team CRM (input notes, coordinate schedules and acknowledge important client events and milestones)			
Organize, schedule and manage annual client reviews			
New Business Development Room			
Rainmaker			
Seminar manager and coordinator			
Seminar speaker			
Strategic alliance manager and liaison			
Marketing and communication manager			
Referral reciprocity monitor and manager			
Practice Management Room			
Integrated technology specialist			
Business planning, tracking and monitoring			
Chief of staff			
Business administration and operations			
Client service coordinator and administrator			

Exercise 3: Cultural alignment



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Likely every firm, complex, team and even family has built a culture that reflects the philosophy and core tenets of the people in charge. We have seen more strife, discord and dissolutions occur due to incompatible philosophies and culture than any other business or personal challenge. People who are philosophically aligned and share a common worldview and core tenets are likely capable of sticking together through all kinds of challenges and disruptions.

	Partner 1	Partner 2	Partner 3
Comprehensive Wealth Management: “I commit to incorporating a comprehensive, in-depth, written and ultimately implemented financial planning process with all clients.”			
Client Management: “I will segment our clients both quantitatively and qualitatively, and the higher the average assets per client, the fewer clients we will retain.”			
Client Engagement: “I will introduce my partners into all my client relationships based on their unique roles and specialization in fulfilling our wealth management approach.”			
Client Service: “I am committed to building a truly exceptional and highly personalized client service platform for our platinum-level clients.”			
Investment Philosophy: “I commit to a written and uniform investment philosophy around which our team will operate and to reduce all superfluous and extraneous investments that no longer fit our model and detract from our ability to maintain due diligence and oversight on our holdings.”			
Financial Professional Compensation: “Once we complete the “dating phase” and become a fully operational team, we will combine all assets under one joint production number.”			
Succession Plan: “I commit to the evolution of my role from full-time financial professional to senior emeritus status and ultimately to the retirement timeline that we agreed upon.”			
Staff Compensation: “I am willing to bonus support staff members based on their unique critical objectives and growth components.”			
Communication and Collaboration: “I will foster an open and collaborative environment through the use of daily huddles, weekly strategic meetings and semiannual developmental meetings.”			
Roles and Responsibilities: “I will help establish roles, responsibilities, goals and accountabilities so each team member can potentially play to their strengths and contribute to the overall performance of the team.”			
Delegation: “I am willing to delegate tasks and authority (some of which I currently perform effectively) to the appropriate team members so I can remain focused on my critical roles, responsibilities, strengths and objectives through each phase of the succession plan.”			
Professional Model: “I am committed to managing a professional practice where client meetings are well-structured, highly systematized and scheduled a week or more in advance.”			
Technology: “I will consistently utilize a networked CRM system, a comprehensive planning tool and automated investment management process, each to its full capacity.”			

Exercise 4:

Highest and best use exercise

for all personnel



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This exercise is designed to create an “at a glance” snapshot of all team members and provide a tool to help guide individual interviews with each member.

Team member	
Current role	
Strengths	
Weaknesses	
Career path	
Career aspiration	
Current compensation	
Aspirational compensation	

Team member	
Current role	
Strengths	
Weaknesses	
Career path	
Career aspiration	
Current compensation	
Aspirational compensation	

Team member	
Current role	
Strengths	
Weaknesses	
Career path	
Career aspiration	
Current compensation	
Aspirational compensation	

Team member	
Current role	
Strengths	
Weaknesses	
Career path	
Career aspiration	
Current compensation	
Aspirational compensation	

Team member	
Current role	
Strengths	
Weaknesses	
Career path	
Career aspiration	
Current compensation	
Aspirational compensation	

Team member	
Current role	
Strengths	
Weaknesses	
Career path	
Career aspiration	
Current compensation	
Aspirational compensation	

Team member	
Current role	
Strengths	
Weaknesses	
Career path	
Career aspiration	
Current compensation	
Aspirational compensation	

Individual capacity list

Each team member fills this out.



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We have found that the single greatest challenge in leading and managing people is to ensure that they’re all focusing on the 3–5 things that only they can and should do that will have the greatest impact on the practice, their clientele and their teams. The larger and more complex the practice, the more challenging this becomes. Size breeds complexity, and complexity diffuses focus. The ultimate goal for any team, in our view, is to have members spending 60%–70% of their week on the 3–5 things that only they can and should do.

- Step 1**

Have each member of your team list what they believe to be their 3–5 critical objectives.
- Step 2**

Have them list any obstacles standing in their way and possible solutions.
- Step 3**

Meet with them to review their 3–5 things (make modifications where appropriate) and remove obstacles where possible.
- Step 4**

Work together to finalize an individual action plan.

3–5 things that only I can and should do Just because you can do it doesn’t mean you should.	Current hours per week	Ideal hours per week
1.		
2.		
3.		
4.		
5.		

Each member of the team should strive to spend 60%–70% of his/her week doing these 3–5 things.

Obstacles and potential solutions

Each team member fills this out.



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Individual obstacles and potential solutions		
Obstacles	Potential solutions	When
1.		
2.		
3.		
4.		
5.		

Final individual action plan		
Obstacles	Finalized potential solutions	When
1.		
2.		
3.		
4.		
5.		

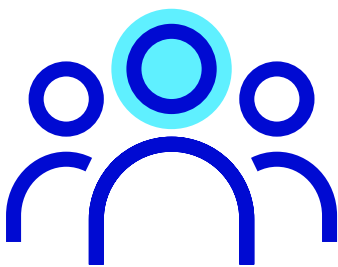
Step 3:

Client assessment

The degree of difficulty in managing and growing a practice boils down to its structural integrity and the quality of the clientele. The first 2 steps we have covered are designed to help you assess the structural integrity of the practice. This step is meant to help you assess the quality of the clientele.



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Exercise 1: Define your ideal client

Client demographics	Primary challenges/concerns
Minimum assets/revenue	Centers of influence/annual referrals
% recurring revenue	Niche market
% non-investment revenue	Primary needs

Ideal client (explanatory notes)

- **Client demographics (age, gender, ethnicity, marital status, etc.):** Many financial professionals have basic client demographics at the center of their ideal client definition.
- **Minimum assets/revenue:** This number could reflect where you are or where you aspire to be.
- **% of recurring revenue:** All businesses with a higher recurring revenue stream likely receive a higher multiple.
- **% of non-investment revenue:** This is a key indicator that wealth management strategies are being implemented.
- **Niche market(s):** We have seen that a HNW niche market strategy fosters a higher level of relationships and recurring revenue. Is your skill set aligned with the needs of the niche market represented in the practice currently?
- **Centers of influence/annual referrals:** Our experience has been that the #1 driver of new business development for HNW practices is formalized strategic alliance relationships and that the #2 driver is referrals from delighted clients.
- **Primary challenges/concerns:** Given the demographics and niche focus of the practice, are you equipped and will you enjoy addressing their unique challenges and concerns?

Exercise 2: Mapping exercise for buyer



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Once you’ve completed this exercise, take these variables and overlay them against the practice you’re considering purchasing. Look to see how closely that practice aligns with your definition of an ideal client. The closer the practice is to the ideal client, the likely better the ROI and the likely higher the multiple that you may be willing to spend. Use the tool below to assist you with this process.

Ideal client profile	Your practice	Prospective practice	Degree of alignment* (rate 1-3)
Client demographics			
Min. assets/revenues			
% Recurring revenue			
% Non-investment revenue			
Niche market(s)			
COIs/referrals			
Primary challenges/ concerns			

*Use 1 – 3 scoring system based on level of alignment: 1 = below your practice, 2 = aligned with your practice, 3 = exceeds your practice



Step 4:

Client and team communication

What you say to your clients and when you say it could have an impact on succession success. IGC completed a one-year study together with word specialist, Maslansky + Partners, to measure the emotional response investors had to the language of transition. The research clearly demonstrated that words matter in the high-stakes transitions.

Research-based communications

Emotions drive decisions, relationships and trust. That's why we study investors' emotional reactions to language in order to help financial professionals build and use communications that better connect with investors on an emotional level.



Invesco Global Consulting
The industry's largest communication and consulting group¹



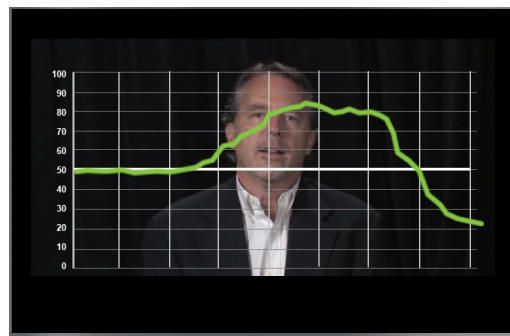
**WE MAKE IT
MATTER**



Maslansky + Partners
Word specialist

IT'S NOT WHAT YOU SAY,
IT'S WHAT THEY HEAR.[®]

Instant dial response technology finds the emotional reactions investors have to the language of financial services.



WATCH

Watch a video explaining the dial response technology used during IGC's research with Maslansky + Partners

¹Source: RA Prince & Associates, Inc. as of 3/31/20

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3 stages of succession communication

The retiring (Jim) and acquiring (Maria) financial professionals are taking a strategic, multiyear approach to the transition using research-based communications throughout.

01

Announcement

An additional team member (Maria) is joining the team



02

Transition

The retiring and acquiring professionals will be working together in the transfer of trust



03

Completion

The retiring professional leaves and the acquiring professional becomes the primary professional



"Jim" and "Maria" are fictional, and so is the presented scenario. For illustrative purposes only

Stage 1:

Announcement

The retiring financial professional is expanding the practice by bringing on a new team member



The 3C communication principles for all stages of the transition:

- **Principle 1: Client**—Put the client at the center of all communications
- **Principle 2: Complementary**—Describe the acquiring financial professional's skill set as additive to the retiring financial professional's practice
- **Principle 3: Continuity**—Minimize the change and disruption to your clients' financial lives



Watch a video of focus group investors responding to the announcement message



JIM RETIRING
PROFESSIONAL

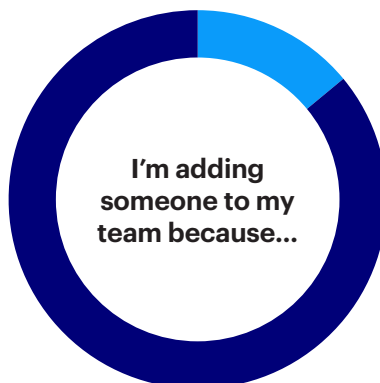
"Jim" and "Maria" are fictional, and so is the presented scenario.
For illustrative purposes only

Principle 1: Client

Put the client at the center of all communications

86%

I want to better serve
your needs



14%

My firm has been
growing rapidly

Principle 2: Complementary

Describe the acquiring financial professional's skill set as additive to the retiring financial professional's practice

73%

Complementary investment
strategies to our team



27%

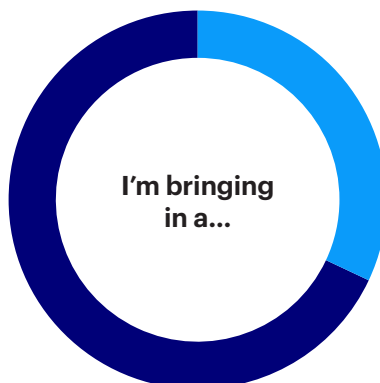
New investment
strategies to our team

Principle 3: Continuity

Minimize the perceived change and disruption to your clients' financial lives.

68%

Team member



32%

Partner

Which would you rather hear from your financial professional?

Although nothing's going to change for many years, eventually I will retire.



Eventually I will retire.



Nothing is going to change about the way you and I work together. Maria brings a lot of experience and new specialization that will expand the services we can offer you.



Maria brings a lot of experience and new specialization that will expand the services we can offer you. Nothing is going to change about the way you and I work together.



Maria and I share the same beliefs on investing and financial planning.



Maria will bring new approaches to investing and financial planning.



I'd like Maria to join our next meeting.



Maria will be contacting you shortly to introduce herself.



Stage 1

Jim announces
the addition of
Maria to the team



Client letter

Dear [name],

As your financial professional, over the many years we have worked together, I have truly **enjoyed helping you plan and prepare for your future**. As you have prepared for your future, I too have been preparing for my future and retirement. So, while this will not be an issue for many years to come, I do think that it is important that we discuss it early so we can make sure **you and your family feel secure for the long term**.

With that said, I have gone through a very thoughtful process in determining who might bring **complementary skills** to the group. We will be adding a new team member, Maria Sanchez. Maria’s experience and specialization have really stood out to me. She has served several clients whose financial goals are similar to yours and has a track record of success. We believe that Maria will not only be a great fit for our team, but she will bring a **complementary skill set** such as generational planning, Social Security and tax-smart strategies.

With Maria working alongside me, we’ll not only be able **to continue the services** that we have always offered, but expand our services to help you accomplish your financial goals. **Maria respects what we’ve tried to build together**. We share the same beliefs on investing and financial planning, and I feel confident that **we will continue** the mutually beneficial relationship that we have had over the years. It’s important to me that you meet Maria at our next planned meeting. I’ll be reaching out to see if you would be interested in scheduling an introductory meeting.

Best wishes,

[name]

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Client



Complementary



Continuity

Notes

Client letter

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins or other markings on the paper.



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Announcement conversation guide



Client

“As your financial professional, over the many years we have worked together, I have truly enjoyed **helping you plan and prepare for your future**. As you have prepared for your future, I too have been preparing for my future and retirement. So while this will not be an issue for many years to come, I do think that it is important that we discuss it early so **we can make sure you and your family feel secure for the long term.**”



Complementary

“With that said, I have gone through a very thoughtful process in determining who might bring **complementary skills to the group**. We will be adding a new team member, Maria Sanchez. Maria’s experience and specialization have really stood out to me. I have seen that Maria has a proven track record of success over the years she has been in the business. We believe that Maria will not only be a great fit for our team, but **she will bring a complementary skill set such as generational planning, Social Security and tax-smart strategies.**”



Continuity

“With Maria joining the team, we’ll not only be able to **continue the services** that we have always offered, but also expand our services. We share the same beliefs on investing and financial planning, and I feel confident that we will **continue the mutually beneficial relationship that we have had over the years**. It’s important to me that you meet Maria at some point in the near future. I will be reaching out to find a convenient time that will allow for an introduction.”

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Our research indicates that your scripts should: 1) be client-focused, 2) indicate that the change complements your existing practice/offer and 3) indicate a continuation of the benefits that you work to provide to your clients. Use the space below to create your verbiage following those three elements.

Client	
Complementary	
Continuity	

Now, use the space below to create your whole Announcement script. Be sure to incorporate the three elements you've isolated above.



Client



Complementary



Continuity

Stage 2: Transition

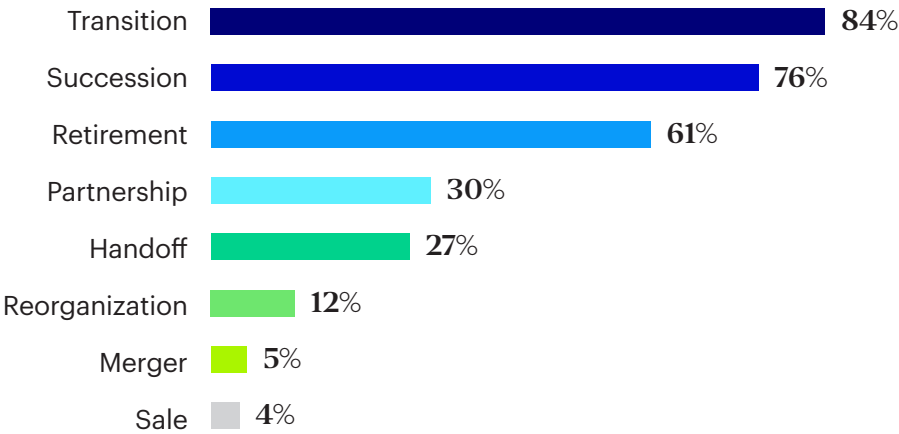
The acquiring professional is taking on a larger role



Principle 1: Client

Put the client at the center of all communications

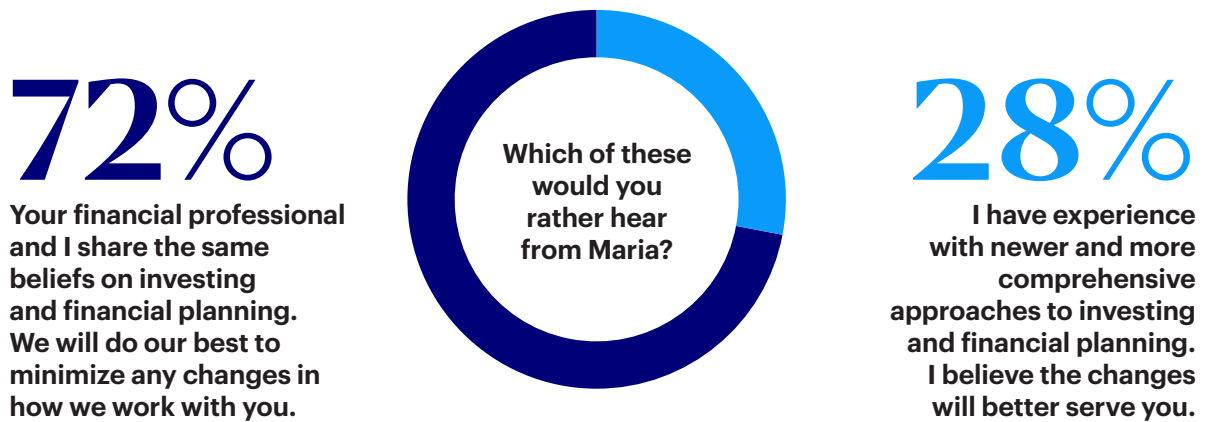
Which of these is the best name for the scenario we've been discussing? (top 3)



Percentages might not add up to 300% (because three answers were to be chosen) due to rounding.
"Jim" and "Maria" are fictional, and so is the presented scenario. For illustrative purposes only
Source: March 2020 study of 1,037 North American investors

Principle 2: Complementary

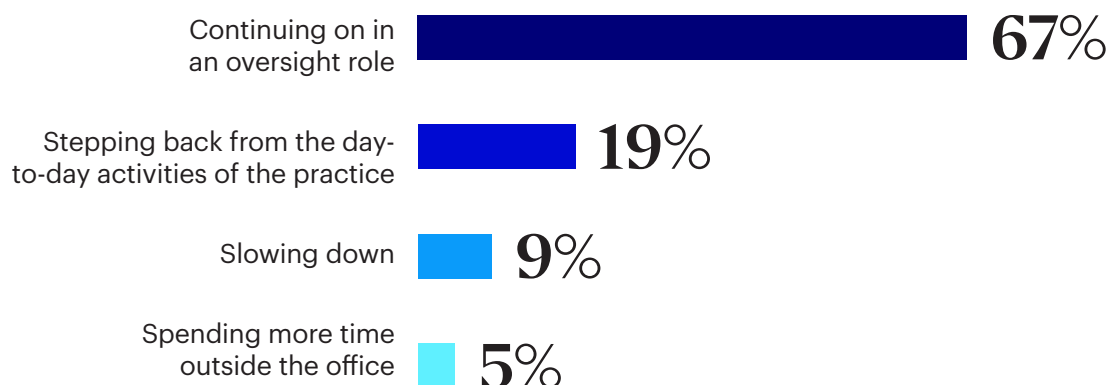
Describe the acquiring financial professional's skill set as additive to the retiring financial professional's practice



Principle 3: Continuity

Minimize the perceived change and disruption to your clients' financial lives

I will be...





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Excel file to build, save
and export your answers



Transition conversation guide



Client

"As I am sure you know, Maria joined our team last year to **help you and clients like you** to better plan and prepare for the future."



Complementary

"She has provided valuable resources and **complementary skills** to the team, mostly in specialized areas like tax-smart investing and Social Security distributions. Going forward, Maria will be working more closely with me and clients like you. She will continue to be a valuable resource for us."



Continuity

"To be clear, you and I will **continue working together** as we are now. Since Maria has joined us, I have been very excited to have her as part of our group. If you have any questions going forward regarding Maria's role, **please feel free to let me know.**"

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Client	
Complementary	
Continuity	

Now, use the space below to create your whole Transition script. Be sure to incorporate the three elements you've isolated above.



Client



Complementary



Continuity

Stage 3: Completion

The retiring professional announces his retirement, and the acquiring professional announces her new role



The farewell letter

Words and phrases to “use” and “lose” when announcing the retirement

57%

I write to you today with important news...



17%

I have some exciting news...

26%


I am pleased to announce...

Which of these is the best reason for your financial professional to announce their retirement?

I'm approaching a new stage in my life.  **48%**

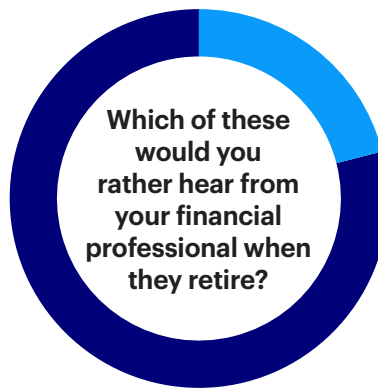
I want to spend more time with my family.  **35%**

I'm ready to find new opportunities.  **9%**

I have earned the right to retire.  **7%**

79%

On a personal level, I want to thank you for the privilege of serving as your financial professional.



21%

Thank you for choosing me to manage your investment needs.

51%

If there are any questions I can answer for you about this, please contact me by phone or email.



12%

Thank you so much for the years and the great memories

37%

Thank you for your trust and our time together.



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Excel file to build, save
and export your answers



Completion conversation guide



Client

"I wanted to **contact you regarding some important news**. As we have talked, I'm approaching a new stage in my life and after 25 years in the business, I will be retiring in the coming months. I am only taking this step because of the confidence I have in the hard work that **you**, Maria and I have done during our time together, and **I firmly believe that you and your family are well positioned for the future.**"



Complementary

"We have all experienced the **complementary skills that Maria has** brought to our practice. Going forward, although Maria will be your primary contact, I will also be available if there are any questions I can answer. You will be in capable hands with Maria."



Continuity

"We have taken every step possible to make sure this is **a smooth and seamless transition** for you. On a personal level, I want to thank you for the privilege of serving as your financial professional. I hope that you and your family have felt cared for during our years of working together and wish you the very best."

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Client	
Complementary	
Continuity	

Now, use the space below to create your whole Completion script. Be sure to incorporate the three elements you've isolated above.



Client



Complementary



Continuity



Stage 3

Jim informs his clients about his retirement

Client letter

Dear [name]



Client

I wanted to contact you regarding some important news. As we have talked, I'm approaching a new stage in my life and after 25 years in the business, I will be retiring in the coming months. I am only taking this step because of the confidence I have in the hard work that you, Maria and I have done during our time together, and I firmly believe that you and your family are well positioned for the future.



Complementary

We have all experienced the complementary skills that Maria has brought to our practice. Going forward, although Maria will be your primary contact, I will also be available if there are any questions I can answer. You will be in capable hands with Maria.



Continuity

We have taken every step possible to make sure this is a smooth and seamless transition for you. On a personal level, I want to thank you for the privilege of serving as your financial professional. I hope that you and your family have felt cared for during our years of working together and wish you the very best.

Best wishes,

[name]

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Stage 3

Maria announces her new role on the team

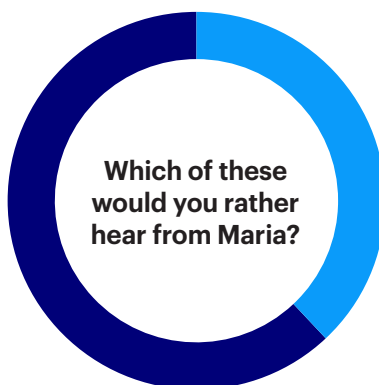


MARIA

ACQUIRING PROFESSIONAL

62%

I know you have a choice in who you work with, and I want to earn your trust to make that choice easy for you.



38%

I'm honored that your financial professional entrusted me with your account, and I'm looking forward to working with you



Client

As you know, Jim has retired after a long and rewarding career. We wish him well in the next chapter of his life. Since joining the firm several years ago, I have grown to respect the work that he has done with clients like you. Our priority has always been to help you achieve your financial goals. I see my job as all about you and I want to learn more about your portfolio, your goals, and your concerns.



Complementary

I'm here to listen and hear more from you, especially about elements of your relationship with Jim that have been positive that you'd like to see me continue. I really admire the relationships Jim has with clients like you, and I want to make sure I'm honoring them.



Continuity

"I know you have a choice in who you work with, and I want to earn your trust to make that choice easy for you. Jim and I have worked hard to ensure a seamless transition:

- Our approach to your investments will not change.
- We will continue to provide the same level of service you have grown accustomed to.
- There are no plans to increase our costs.

We will be calling shortly to schedule a meeting.

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Source: March 2020 study of 1,037 North American investors

Appendix

Common pitfalls and how to avoid them

1. Overpaying for the enterprise

- The cost of the practice is a composite of three variables: the structural viability of the practice, the caliber of the personnel within the practice and the quality of the clientele of the practice.
- This toolkit is designed to help you create an enterprise that is hitting on all three of the cylinders.

2. Overpaying/underpaying for people

- The two greatest compensation risks for any company, firm or practice are to overpay for mediocrity or underpay for excellence.
- Talent has a price, and if you want it, you must be willing to pay for it.
- In step 2, personnel assessment and integration, we provided tools built to help you assess each team members' current roles and responsibilities, as well as career aspirations.

3. Failing to consistently introduce and integrate successor into key client relationships

- Every day you are not systematically and consistently involving the prospective successor in all client engagements, you're extending the time it will take to foster trust and loyalty between your new partner and clientele.
- This is why determining what unique insights and capabilities your new partner brings to your clients is so vital. That way, you can introduce them initially through the lens of expanding your capability to serve your clients and help them with their complex financial challenges.

4. Converting clientele to fee-based and wealth management model (from transactional model)

- Leverage the framework and language in the "Taking the Fear Out of Fees," found in Invesco Global Consulting's "Compelling Conversions" toolkit.¹

5. Family teams

- Family teams should go through the same process of integration and handoff as non-family teams.
- If you attempt to shortcut this process, you could jeopardize both your team and client relationships and buy-in.
- You must evaluate family members based on their talents, skills and predispositions to see if and where they best fit within the team, both short-term and long-term.

6. Retirement time frame

- The traditional “cliff retirement” (where one day you’re going to work and the next day you’re retired) can be unnerving to many clients.
- Utilizing the senior emeritus status structure may allow the senior partner to ease into retirement. If the partner really loves what he/she does, you simply dial down the workload (working half-days, three days a week, etc.), adjust the compensation accordingly and have him/her focus only on those things that he/she loves and that have the greatest positive impact on the team.
- We have seen examples of people using this senior emeritus status well into the traditional retirement years.
- This can give them a sense of purpose and impact, as well as stay connected to many of the relationships they have forged throughout their lifetimes.

7. Incompatible work ethic

- This is why the “dating model” is so vital. You can only see incompatible work ethic day-to-day, over time.

8. Client messaging

- Clients want to know how this new team member helps them solve their complex financial challenges, not how it helps you.

6 potential blind spots of family teams

There’s nothing more potentially fulfilling or fraught with danger than managing or leading a family team. Whether the team comprises a parent and children and/or siblings, they have all of the opportunities and challenges of traditional teams, combined with a history and legacy of hierarchy and/or relationships that must evolve if the family team hopes to not only survive but also thrive.

1. **Right person:** Does the family member possess the talent and skill necessary to both complement and augment the team?
2. **Right time:** We recommend that the prospective family member spend a few years building his/her own practice to develop the skills and confidence necessary to be a contributing member of the family team once he/she joins.
3. **Right reason:** A great team is often incapable of salvaging a weak individual. Make sure you are always hiring strong, resilient and accomplished individuals into your team and never hire a reclamation project, regardless of the relationship.
4. **Favoritism:** In any group dynamic, from the office to the military to your favorite sports team, there is always a risk of fracturing the team with the perception that you’re playing favorites. This risk is especially acute when family members are involved.

5. Client perception: As with any team member, you must introduce him/her to your clientele based on his/her functional capability and complementary specialization in helping clients achieve their comprehensive wealth management goals. This approach is meant to diffuse a whole range of misperceptions:

- “Are you bringing in your [family member] because you’re going to retire?”
- “They don’t have your level of experience and specialization, so why should I work with them?”
- “Am I no longer an important client and therefore being relegated to a junior partner?”

6. Education and experience:

The performance of the team collectively simply reflects the development of the team members individually.

- What area of knowledge and specialization must the new financial professional acquire to better integrate into your existing clientele and enhance the team’s ability to execute on your holistic wealth management process?
- Given the direction of our industry, we believe all new financial professionals (whether family members or not) consider obtaining CFP certifications to both add value and enhance credibility with clientele.
- The new family member must be given the opportunity to develop the base-level skill set of a financial professional.
- This can only happen by allowing him/her to work with B- and C-level clients and prospects. This can happen within your team or external to your team, but, in our view, ultimately, it must happen.

Notes

[illegible]



Greater Possibilities Together

Your team

We're here to partner with you directly and offer access to any of these important resources:

Contact us

National Wirehouse
1-800-998-4246

Independent and Broker Dealer
1-800-421-0807

Registered Investment Advisor (RIA)
1-800-421-4023

Retirement
1-800-370-1519

Insurance/Third Party
1-800-410-4246



Dedicated to helping you and your clients get more out of life

Addressing your unique needs

Your businesses and clients demand more from you now than ever before. You face increased pressures to maintain or grow your business and build effective portfolios and investment plans, all while sustaining a high level of client service. Invesco can work to help deliver support in three key areas:

01

Your business

Financial professional practices have become more sophisticated and complex, and you need to spend more time managing and leading your practice and/or team. Invesco Global Consulting can work to help you:

- + **Grow** your business through new client acquisition strategies.
- + **Keep** clients by implementing an enhanced service model.
- + **Optimize** your practice model and team performance.

02

Your clients

The 24-hour news cycle has exacerbated investors' natural inclination to act on short-term events. Our engaging, easy-to-use, and outcome-focused tools and resources are designed to help you:

- + **Understand and inform** your clients on the global markets and the principles that hold true in almost any market environment.
- + **Enhance the financial literacy** of your clients and their families so that they recognize the knowledge gaps and behavioral biases that could derail them from achieving their long-term goals.
- + **Communicate across generations** to identify shared wealth goals and the value of a continuing, consistent relationship with you.

03

Your portfolios

As investment options and tools for evaluating portfolios grow more diverse and sophisticated, you must continuously hone your investment specialization. Invesco Investment Solutions can work to help you:

- + **Evaluate** the merits of various strategies, asset classes and investment vehicles.
- + **Build** client-first investment plans and outcome-oriented portfolios.
- + **Analyze and adapt** portfolios to help ensure their effectiveness.
- + **Assess** the market and economic cycles and identify opportunities.

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