

Have a financial plan in place - for your business

01 February 2021: The advice industry continues to evolve, develop and improve, yet succession planning remains a pressure point, with global and local trends revealing that it is still the case that a small proportion of independent financial advisers (IFAs) have a clear, executable plan as it relates to business continuity when they retire. In the absence of a succession plan, advisers face several regulatory, personal and business risks.

This is the view of Carl Lategan, head of IFA distribution at Allan Gray, who says that a robust succession plan is one of the ways that advisers can boost the value of their business.

“A succession plan can also allow you to retain strong performers and ensures that your clients will be well looked after you exit from the industry,” says Lategan. “Not having a plan for your business is akin to your clients not having a financial plan.”

Yet, many financial planners fail to have their own financial plan.

According to Allan Gray research, not having a succession plan is a common worry that keeps advisers up at night. More than 60% of IFAs surveyed by the company said that they don't have a comprehensive plan in place, while almost 15% of IFAs said that they have no plan in place.

Many advisers who reported having a plan in place said that it was out of date, while others said they have an informal agreement in place with a successor. Some said that they have yet to find the right person to take over the business, while others said that their identified successors aren't yet ready to take over.

“What is clear is that succession planning is a key pain point for many IFAs, but it is often not given enough prominence – partly because it is hard to solve for and partly because it is a long-term concern,” Lategan notes. “With so many things competing for advisers' attention – from building and maintaining relationships, to evolving their offering and keeping up with regulatory change – succession planning is often pushed down the priority list.”

To help advisers get to grips with this issue, Allan Gray has developed a four-part free email series on succession planning. The series will demystify some of the ins and outs of a successful succession planning strategy, including useful information on how you can determine the value of your business. It will also help you navigate the tricky territory of finding the right successor.

“Having the right succession planning strategy in place will not only keep your business in operation, but it will also contribute to a healthy and vibrant financial advice landscape,” concludes Lategan.

To sign up to the series, visit <https://www.allangray.co.za/succeeding-with-succession-planning/>.

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(Media Release by Allan Gray)