Advisor Advancement Institute

Secure Your Future

# Succession Planning

## The succession precipice

Over the coming decade, 37% of financial advisors—representing 40% (or $10.4 trillion) of the industry's assets—plan to retire.[1] Yet nearly 40% of advisors say they have no succession plan in place—including a quarter of those over 60 and roughly a fifth of those planning to retire in the next six years.[2] This creates a genuine risk to the advisor-client relationship and business continuity.

## Leveraging flow theory to prepare for a successful transition

Our research explores how firms can navigate from succession planning to succession; how flow theory can help protect the advisor-client relationship and, therefore, business continuity; and the steps needed to successfully implement a plan.

## What is flow theory?

> Flow theory states that **three conditions** must be met to achieve a successful transition—or "flow." When applied to succession planning, this means:

1. The succession plan must have clear goals and progress to establish structure and direction.
2. The plan's action steps must provide clear and immediate feedback to help negotiate any changing demands—and allow for adjustment of performance to maintain a "state of flow."
3. Continuous review of real-time challenges, a skill-set match, and consistent training and development are required to ensure confidence in completing the task.[3]

**An effective succession plan should emerge if these three conditions are present and applied to the advisor-client relationship. By providing the successor advisor with clear goals and a record of progress toward achieving these goals, the structure and direction needed to be *in the flow* with the client is supported and can help reinforce the role of a trusted advisor.**

New York Life Investments

# Succession-planning gap analysis: six common pitfalls

If we know the value of succession planning, the question becomes: Why is there a gap between the current state of financial advisor succession planning and the desired future state of moving from succession planning to succession?

**It was determined from our analysis that there are six common pitfalls currently causing the gap between current state and the desired future state:**

**Pitfall 1:**
The ostrich syndrome—acting as though succession planning will not be necessary.

**Pitfall 2:**
A disconnect between the demographics of advisors and their existing clients and potential wealth holders.

**Pitfall 3:**
Too narrow a pool of potential succession candidates.

**Pitfall 4:**
Failing to test for advisor-client fit with the successor.

**Pitfall 5:**
Falling behind technologically—what got you here won't necessarily get you where you want to go.

**Pitfall 6:**
Failing to connect talent-development spend with succession spend.

# Get started now

Let us help you get started on your path to successful succession. Contact your Advisor Consultant today and gain access to all our Advisor Advancement Institute has to offer.

NEW YORK LIFE INVESTMENTS

1. "Silver Tsunami of Advisor Retirements to Accelerate Wealth Management Consolidation." Fundfire, September 7, 2023.
2. FA-IQ, December 2023.
3. C. Mainemelis, "When the Muse Takes It All: A Model for the Experience of Timelessness in Organizations." The Academy of Management Review, 2001.



6666734 RIS040-24

RIS38x-06/24