



MDRT

The Premier Association of
Financial Professionals®

MDRT Minute

Take the First Step

In this profession, we are client-focused. But, when it comes to client service, we often forget that when we step away, our clients' lives may be impacted dramatically. While we want to focus on selling and bringing in more names and prospecting, that will only get us so far. Whether you're within an agency or out on your own, you must perform business succession planning. If you don't do it, your business model cannot be sustained.

Through the client's eyes

I stumbled onto the importance of business succession planning when an insurance carrier requested my assistance in servicing some orphan clients. I called the first client, introduced myself, and asked her to come into the office so we could talk about her objectives. She told me she already had an advisor, and when I explained to her that he was no longer in the business, she began to panic, telling me she had just seen him last week. Confused, I hung up and received a call from her advisor five minutes later. He was not happy. I called the insurance carrier, only to discover that the advisor was part of a detached agency whose contract dissolved. Before the advisor had a chance to call any of his clients, they all went into the mainstream system and were serviced out to other advisors. That is when I realized if I didn't plan carefully, my *own* clients could find themselves the same situation. That was very unsettling to me, so I immediately approached my business partners about formalizing our succession plan.

Examine the intricacies

When I see my clients, I let them know that if they need support and I'm not around, there are other very competent financial advisors on my team. However, the phone call with the so-called "orphan client" helped me realize an essential piece of the puzzle was still missing: I needed to examine the intricacies of the contracts with our insurance carriers. These contracts detail what happens in the event of disability, death and income continuation to business partners.

Formalizing your plan

While a full succession plan takes time to design and consider, you can begin to formalize your succession plan by:

- *Insuring each other.* Work with your partners to eliminate the immediate threat that you may not be able to meet responsibilities, such as paying staff and overhead.
- *Bringing in your affiliates.* Meet with them to read your contracts and figure out if they work out together. You'd be surprised to find that, more often than not, they don't. For example, my partners and I found we all had different contracts -- theirs were career contracts, and mine were broker contracts. We worked jointly to see how to update the contracts so they could work together.

We're in the business of relationships, and that is what we are good at. But if we care about our clients, if we want to make sure they're passed on to someone we trust, we have got to take the steps to ensure they are protected. When you sit down with your clients and let them know you are doing this kind of planning on their behalf, they will thank you for it.

Naomi L. Duke has five MDRT member years, with four COT qualifications. You may find Ms. Duke's entire article in the May/June 2012 issue of *Round the Table* magazine.