

# Essential Strategies for Succession Planning for Financial Advisors



Succession planning isn't just a business decision; it's a deeply personal one. It's about identity, trust, and the future of something they've built from the ground up. Reports from McKinsey on advisor headcount show that more than 40% of advisors are expected to retire in the next decade<sup>1</sup>. So, the question isn't if you should plan, it's when you should start. A well-designed succession plan protects your legacy, your practice's value, and your clients' trust.

## Key Points

- ▶ The Importance of Financial Advisor Succession Planning
- ▶ Take Stock of Your Practice
- ▶ Create an Internal Succession Plan
- ▶ Identify the Right Successor
- ▶ Build a Strong Continuity Plan
- ▶ Develop the Next Generation Team
- ▶ Ensure a Smooth Transition for Clients
- ▶ Align Personal and Business Financial Planning
- ▶ Common Challenges in Financial Advisor Succession Planning

## The Importance of Financial Advisor Succession Planning

Succession planning is about much more than transitioning ownership. It's about making sure your clients feel confident, your staff feel supported, and your life's work continues.

A well-structured plan should:

- Protect client relationships and ensure business continuity.
- Provide clarity on practice ownership and leadership succession.
- Safeguard the value you've built in your business.
- Align your personal retirement and financial goals with the firm's future.

At its core, a succession plan is a promise to your clients, your colleagues, and yourself that the business will continue to deliver value for years to come.

## Take Stock of Your Practice

The first step in any transition is understanding where you stand today. Conduct a SWOT analysis (strengths, weaknesses, opportunities, threats) to get a clear picture. For example, your SWOT analysis might look like:

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Loyal client base</li> <li>• Stable revenue</li> <li>• Strong brand</li> </ul>	<ul style="list-style-type: none"> <li>• Reliance on one advisor</li> <li>• Gaps in technology</li> <li>• Aging client demographics</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Next-gen wealth transfer</li> <li>• Expanding into RIAs</li> <li>• Team growth</li> </ul>	<ul style="list-style-type: none"> <li>• Market consolidation</li> <li>• Succession delays</li> <li>• Regulatory change</li> </ul>

### Identify the Right Successor

Not all successors are created equally. The right choice blends technical skills with leadership ability and client rapport. It is also crucial to prepare both clients and staff for the introduction of a new advisor, ensuring a smooth adjustment period.

Internal successors may be best suited for taking over. Consider family members, junior partners, or key employees who know your culture and clients.

Successor Qualities	Evaluation Process
<p>Look for someone with:</p> <ul style="list-style-type: none"> <li>• Strong client relationship skills.</li> <li>• Leadership and time management ability.</li> <li>• Business development and digital fluency.</li> <li>• Commitment to your firm's values.</li> </ul>	<ul style="list-style-type: none"> <li>• Set clear criteria.</li> <li>• Have open conversations about expectations.</li> <li>• And remember—this decision is about your clients' trust as much as your firm's continuity.</li> </ul>

For registered investment advisors (RIAs), consider whether merging with another firm might provide more stability and resources.

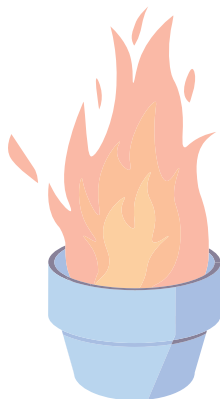
Think like a buyer—or your future successor. What makes your practice attractive? What would they need to see to feel confident in continuing what you've built? Understanding what niche your practice might fill particularly well is crucial to building a plan optimized for long-term success.

## Create an Internal Succession Plan (When Possible)

Internal succession often provides the smoothest transition for clients. They know your culture and the way the business operates. Whether it's a family member, a junior partner, or a long-tenured employee, choosing someone from within allows you to:

- Preserve culture and client trust.
- Transfer knowledge gradually.
- Introduce the successor to clients over time.

The challenge? Internal successors often need training, financing support, and mentorship before they're ready. That means starting early—well before retirement is on the horizon. Internal successors may be capable, but they also need time to develop confidence, client rapport, and a clear role. Founders, in turn, need time to step back gradually. That kind of alignment takes years, not months.



## Build a Strong Continuity Plan

Succession planning often focuses on retirement—but what about the unexpected?

A written continuity plan ensures your practice can carry on in the event of sudden illness, disability, or death. This should include:

- Naming a designated continuity partner or emergency successor.
- Documenting key processes, systems, and contacts.
- Communicating the plan with staff and clients.

Increasingly, regulators and custodians require formal continuity planning. But beyond compliance, it's about peace of mind for you, your team, and your clients. This should be a living document that is reviewed regularly and updated to reflect business and market changes.

Consider also building a contingency plan or outlining ways your business can respond to the unexpected. What is the communication chain? Who needs to be involved in decisions going forward? That way, you minimize the disruption to the business and your client impact.

## Develop the Next Generation Team

Your clients' loyalty doesn't rest solely on you. It rests on their confidence in your team.

- Invest in professional development for junior advisors and staff. Create development plans that help guide their growth.
- Cross-train to cover knowledge gaps.
- Give next-gen leaders client-facing opportunities early.

Clients who already know and trust multiple members of your team will feel more secure during a transition. Even without an eye on succession planning, investing in team development will pay dividends for your business well into the future.

## Ensure a Smooth Transition for Clients

Clients want reassurance that their financial future is secure. That requires more than legal documents—it requires communication.

- **Start early.** Introduce the concept of succession well before it happens.
- **Be transparent.** Share your timeline and the reasoning behind your choice of successor.
- **Provide continuity.** Involve the successor in client meetings, reviews, and communications before the official handoff.

Handled well, succession becomes a moment to strengthen trust, not weaken it.

## Align Personal and Business Financial Planning

Advisors are excellent at helping clients prepare for retirement, but succession also requires turning that focus inward.

- Coordinate succession with your own retirement income strategy, estate plan, and tax planning.
- Explore financing structures: internal buy-ins, external buyers, or phased earn-outs.
- Align your family's needs with the firm's continuity goals.

A successful succession plan should leave you with confidence about your own future as well as your clients'.

## Common Challenges in Financial Advisor Succession Planning

- **Finding the right successor.** Balancing technical ability with personal fit.
- **Letting go of control.** Advisors often underestimate the emotional challenge of stepping back.
- **Timing.** Waiting too long to plan limits your options and puts clients at risk.
- **Balancing value and continuity.** Maximizing practice value while ensuring stability for clients.
- **Unclear post-retirement identity.** It's easy to delay succession when you're unsure what's next for yourself. Having a clear "retirement chapter" helps ease the transition.

The key is to start early and plan for your firm's (and your client's) long-term growth and continuity.

## Conclusion

Succession planning is about more than retirement—it's about protecting your life's work, honoring your client relationships, and securing your legacy.

- Start early.
- Put it in writing.
- Balance personal and client goals.
- Build continuity through the next generation.

By focusing on clarity, continuity, and client care, you can design a succession strategy that works for you, your business, and the people who trust you most.

<sup>1</sup><https://www.mckinsey.com/industries/financial-services/our-insights/the-looming-advisor-shortage-in-us-wealth-management>

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