

CASE STUDY

Succession

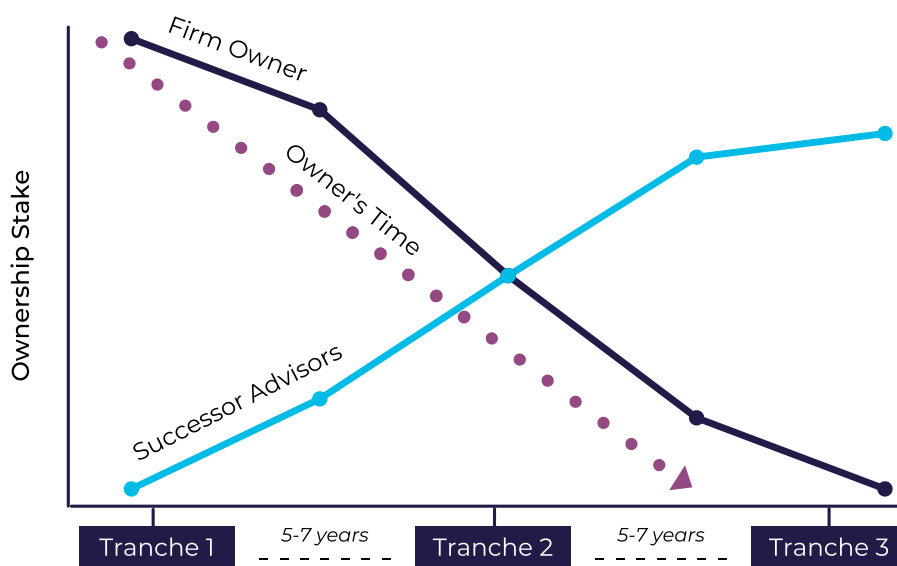
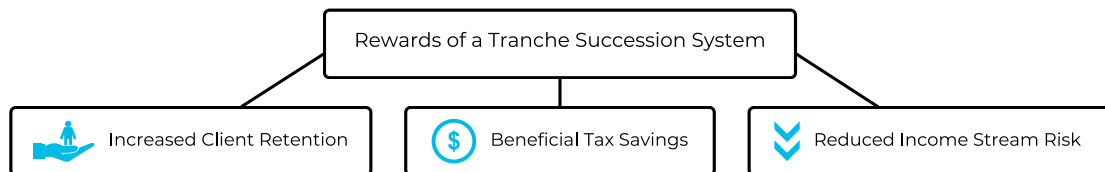
OVERVIEW

When it comes to traditional external succession plans, as they pertain to the financial services industry, there are often two main downfalls. The first is that they usually involve an abrupt cliff-like handoff that can create an almost chaotic atmosphere of change, often resulting in the loss of clients. The second is that they introduce a fourth constituency, often in the form of a third-party consolidator.

By implementing a tranche succession system that allows for a more gradual 7-10 year transition period, the Forum Advisor Alliance in conjunction with Forum Financial Management has been able to optimize their client experience, retain clients, reap profits, and benefit from collective wisdom from a community of like-minded and knowledgeable colleagues.

“If you do it the way we’re describing it here, you often get a larger multiple because you participate in new business that comes in, as well as market upside...over time markets do go up, and so if you’ve got a 10 year time horizon, odds are you’re going to participate in some of that upside.”

— Marcus Heinrich



THE PROBLEMS FORUM ADVISOR ALLIANCE SET OUT TO SOLVE

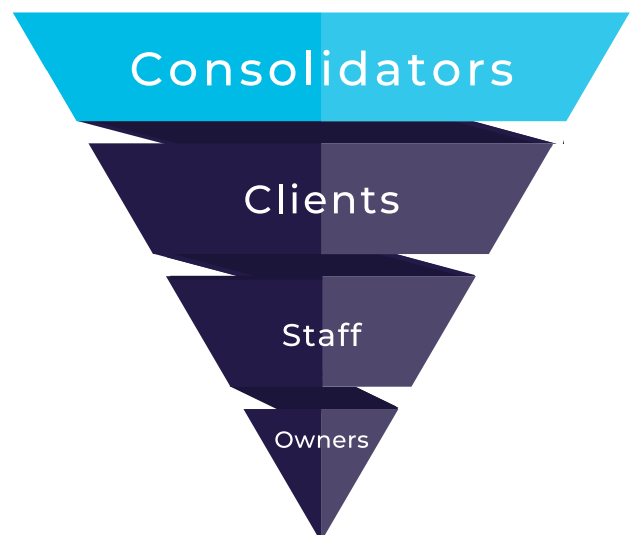
The Abrupt Handoff

When it comes to traditional external succession plans, the typically abrupt handoff can sizably increase the margin of error. First of all, an abrupt handoff has the potential to create a chaotic and uncertain atmosphere for all parties involved - including your clients and staff. Change can feel hectic, especially if there is a lot of it happening all at once. Additionally, the abruptness forces processes that should be carefully thought out so as not to be rushed. Choosing a successor advisor, ensuring that they are a good fit, both for the firm and the clients, and maintaining the clients' best interest are all more likely to succeed if there is a more gradual, natural, and comfortable adjustment period.

The Fourth Constituency

All advisory firms have three constituencies. If you think about it like an upside-down pyramid, the top layer is the firm's clients, the middle is the firm's staff and advisors, and the bottom is the firm's owners or partners. When you introduce a roll-up firm into the hierarchy, by definition you are obligating yourself to a fourth constituency, as the private equity firm or investor who provided capital to your business will now rightfully have a say in business decisions. This has the potential to be hugely problematic, because no matter how elegant the acquisition, this fourth constituency will fundamentally have different goals and will have a strong influence over your firm's decisions.

"There is a direct correlation between the time clients spend working with the successor advisor and the client stickiness percentage. The longer the transition, the higher the percentage," Heinrich says.



76%

76% of advisors planning to retire within 10 years have not mapped out a timeline for transitioning client relationships.¹

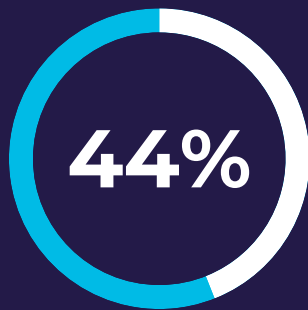


6%

Only 6% of RIA owners approaching retirement have a “fully documented” succession plan in place.²

≥ 6

Advisors say the ideal time to begin succession planning is 6.8 years before retirement.³



44% of financial advisors do not have a formal succession plan.⁴



1 in 3 potential successors would consider leaving without a clear succession timeline.⁵

69%

69% of advisors planning to retire within the next 10 years are confident they will achieve their succession goals.⁶



THE FORUM ALTERNATIVE

Because the timeline has been identified as such a significant factor in the flawed traditional approach to succession, Forum Financial Management has focused on implementing a tranche succession system that allows for a more gradual 7-10 year transition period.

Here's how it works:

The process begins when an advisor identifies a successor advisor and transitions a block of 20-30 clients for them to serve. This period involves the advisor and the successor advisor acting as a team to serve the client, with the successor advisor taking over follow-up items and leading more of the conversations as time progresses. Acting similarly to a trial period, this 2-3 year servicing period helps the clients to become comfortable with the successor advisor - gaining confidence and building a relationship along the way.

At Forum, we recruit advisors into this role who are expected to also develop their own clients directly. Over the next 18 months, if they have done so, the firm owner would transition another two blocks of 20-30 clients each. The goal is for the successor advisor to develop 50-60 new clients alongside servicing 60-90 transitioned clients. A key incentive is that we tie the subsequent

transitions to a new client recruiting goal with fee or AUM minimums that are lower than industry average.

We put contracts in place at the beginning of the servicing period, such that when it is completed, a sale of the clients to the successor occurs, which can be either financed with a fixed upfront payment or bootstrapped over 7 years.

WHY THE TRANCHE SYSTEM IS BENEFICIAL FOR ALL PARTIES:

For the clients

It makes sense that the longer a client has worked with an advisor, the more comfortable they would be with them. Change can raise red flags for clients, especially when there is a lot of it happening all at once. Luckily, internal succession involves far less disruption to the client because the systems and processes remain in place. The main apparent change for the client is the shifting of the relationships which can be done more naturally over time.

By keeping the transition gradual, as well as having a collective of financial knowledge shared across a multitude of advisors, Forum Financial Management has optimized the client journey

and focused on providing a more seamless client experience. This allows a higher level of continuity and comfort from the client's perspective.


For the successor advisor

For the successor advisor, this tranche succession plan is especially appealing because it eliminates the first few years of the "trial by fire" learning period, which can make or break a career, depending on if an advisor reaches critical mass or not. Additionally, it allows the successor advisor a period of mentorship to learn the many nuances of specific client financial planning matters, and allows for more deliberate goals associated with career pathing and growth in their client base.

For the selling advisor

For the selling advisor, this gradual plan provides the ability for all parties to agree the transitioned clients are a good fit, and to work with four or five successor advisors over time. This strength-in-numbers approach reduces risk versus selling an entire book to just one advisor. Additionally, the selling advisor is launching not just one, but a group of productive advisors, enabling an increase in the firm's capacity for future growth, and thereby helping to ensure buy-out success.

CONTACT

 <https://forumadvisoralliance.com>

 www.linkedin.com/company/forum-advisor-alliance/



1. Kestra Financial & Bluespring Wealth Partners, "Bridging the Gap: Succession Misalignment Between G1 and G2 Advisors," 2025. <https://mss-p-061.sitecorecontenthub.cloud/api/public/content/36469e8bb26b46bfaa01d6f86b7487cf?v=1becce5d>
2. Ibid.
3. Ibid.
4. J.D. Power, "2025 U.S. Financial Advisor Satisfaction Study," 2025. <https://www.wealthmanagement.com/ibd-news/j-d-power-study-finds-46-of-financial-advisors-to-retire-by-2035>
5. Kestra Financial & Bluespring Wealth Partners, "Bridging the Gap: Succession Misalignment Between G1 and G2 Advisors," 2025. <https://mss-p-061.sitecorecontenthub.cloud/api/public/content/36469e8bb26b46bfaa01d6f86b7487cf?v=1becce5d>
6. Ibid.
7. Heinrich, Marcus. Interview. By Katie Galloway. 9 March 2021.
8. Heinrich, Marcus. Interview. By Katie Galloway and Gretchen Halpin. 25 May 2021.

Forum Advisor Alliance (FAA), formerly known as Wealth Advisor Alliance (WAA), is a division of Forum Financial Management, LP. FAA engages new advisors and partners for Forum and provides outsourcing services to other independent advisory firms across the country. These services may include, but are not limited to, trading, billing, reporting, technology, marketing, coaching, client service and wealth planning. All such services are provided through Forum.

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