

# Launching Legacy: Principles of a Successful Succession

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**FINANCIAL PLANNERS** spend their careers helping clients prepare for and manage their retirement. Given their expertise, we might expect advisers to carefully plan their own retirement succession. Yet, that's not always the case. Why? It's too personal. Professional identity, career, livelihood, community standing, and client relationships are intimately personal. It's extremely difficult to be objective with anything that personal. Fortunately, the psychological principles used in behavioral finance apply to a variety of circumstances. Four positive transition strategies are particularly relevant to succession planning.

## 1. Create a Compelling Future Vision

Succession planning involves handing over power, position, control, and leadership to a successor. It can feel like a big loss. That's the problem. Very few people gleefully embrace loss. We avoid it. This is a major reason advisers struggle with succession planning. Logically, they should prepare for their succession, but emotionally it may feel like professional extinction. Moreover, for many advisers, serving clients is more than a job. It's an expression of their values and purpose. It's hard to give up a personal mission. It's even harder when there's nothing compelling to take its place.

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The psychological techniques of reframing and visualization are powerful antidotes. First, flip the definition of succession planning. Instead of thinking of succession as giving up an important role, redefine it as the opportunity for an even better role. Then, take time to imagine a totally new expression of professional identity. Don't focus on predefined titles, jobs, or organizations. Instead, visualize doing the things you love best. At the same time, imagine dumping the unpleasant tasks of your current role. Embrace the opportunity to envision an ideal use of your talents and a future of fulfilling

engagement. Creating an appealing future vision will shift the perspective from dreading a loss to anticipating pleasure. By reframing and visualizing succession as an opportunity, it becomes the launch to a compelling future.

## 2. Prepare for a Succession 360 Review

After your succession, people will have an opinion of your conduct. Anticipate a candid 360 assessment of your performance. To amplify the effect, imagine a panel of those involved in your succession, personally delivering their feedback. It's a sobering thought. To make it even more realistic, recall those who transitioned poorly. Most of us have witnessed significant mistakes during important transitions, succession or otherwise. It's often cringeworthy. Yes! That's the point. Recalling troubled transitions and imagining future feedback is highly clarifying.

Preserving respect and reputation is a powerful human motivator. Daniel Pink has just published a brand-new book, *The Power of Regret*. In it, he details the universality, frequency, and usefulness of regret. I believe it's fundamental to human flourishing. Without regret, we would never learn. We'd just keep flailing around repeating the same mistakes. Actively avoiding regret is a powerful psychological tool. It motivates us to act with integrity when immediate impulses entice us to do otherwise. When thinking about a succession, consider regret prevention, respect preservation, and a future 360 review. Guide your behavior based on what you'd like people to say about your conduct before, during, and after the succession.

## 3. Focus on Substance over Style

Succession planning is like the sale of a beloved home. You hope to find a buyer who will carefully tend your property. Unlike a home sale, the succession transition can be painfully protracted. It's more

like inviting the buyers to move in and remodel while you're still living there. There will be plenty of points of disagreement as the successor becomes involved in day-to-day operations. There's the rub. How do you determine what to quickly accept, what to negotiate, and what to veto?

It's helpful to identify and agree on, early in the process, important principles that will remain constant. Ideally, the list of essentials isn't "everything," but rather a shared agreement on a short list of fundamentals. Focusing on these shared principles strengthens the mutual confidence important during the transition.

In addition, it minimizes disagreements over glaring but minor style differences. For example, the essential practice of regular client communication may be expressed in a variety of forms: newsletters, phone calls, Zoom meetings, emails, client events, office meetings, etc. It's easy to get distracted by troublesome style differences and then wrangle over extraneous details. Instead, focus on strengthening the essentials while letting go of peripherals. Although difficult, this practice of agreeing on substance while welcoming new styles will enhance successful collaboration and a smooth transition.

## 4. Be Transparent and Specific

It can be hard for advisers to predict exactly how and when they want to leave. This can lead to vague assurances from the retiring adviser. These may include promises to update business practices, or introduce clients to the successor, or set the retirement date. Without specific commitments, such promises may become ever moving targets of good intentions. As I listen to advisers share stories of failed successions, they share a common pattern. Initial assurances are followed by inaction, coupled with more pledges and more vacillation, in a repeating cycle of succession stagnation. Sadly, the retiring adviser and the successor often begin with high hopes and a sincere desire



for a smooth transition. Neither party envisioned a series of fits and starts, ending in failure.

I believe the source for this paralysis is intense ambivalence, creating a simultaneous attraction and aversion to the succession. When the retiring adviser is waffling about when and how to retire, it inevitably shows up in their words and actions.

In general, unpredictability is extremely disruptive and distressing. People can plan, if they know what to plan for. At some point, the external disruption caused by the retiring adviser's internal turmoil may become an intolerable grind. The subsequent demise of the succession is a painful loss of time, energy, and resources for all involved.

It's essential that the succeeding adviser gain mental and emotional clarity, then be transparent with the successor. A successor may be willing to give the retiring adviser a long and flexible path to retirement, if that is clear at the start and mutually agreed upon. Transparency and specific commitments are essential to prevent the slow erosion of trust and confidence that undermines too many succession plans.

## Get Support

The four strategies outlined above are designed to clear internal conflict and create clarity of vision, guidelines, and goals. In addition to this important preparation, tap into helpful mentors and advisers. A succession is intensely personal for both the successor and the retiring adviser. External advisers bring a level of objective perspective that is immensely helpful in emotionally fraught transitions.

Psychologists have studied the keys to success during difficult transitions. The research found that every—I mean every—successful person sought outside help. They reframed the act of asking for help as a strength, not a weakness. Then they were proactive in obtaining support to achieve their goals. In addition, they were intently focused on driving toward a future vision. This gave them the energy to leave the past behind and forge ahead with vigor. Good practices to emulate for a satisfying and successful succession. ■



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