



SENIOR MARKETING  
**SPECIALISTS**

AN INTEGRITY **||** COMPANY

# Succession Planning

Why Every Insurance  
Agent Should Pay Attention

**Find Out More**

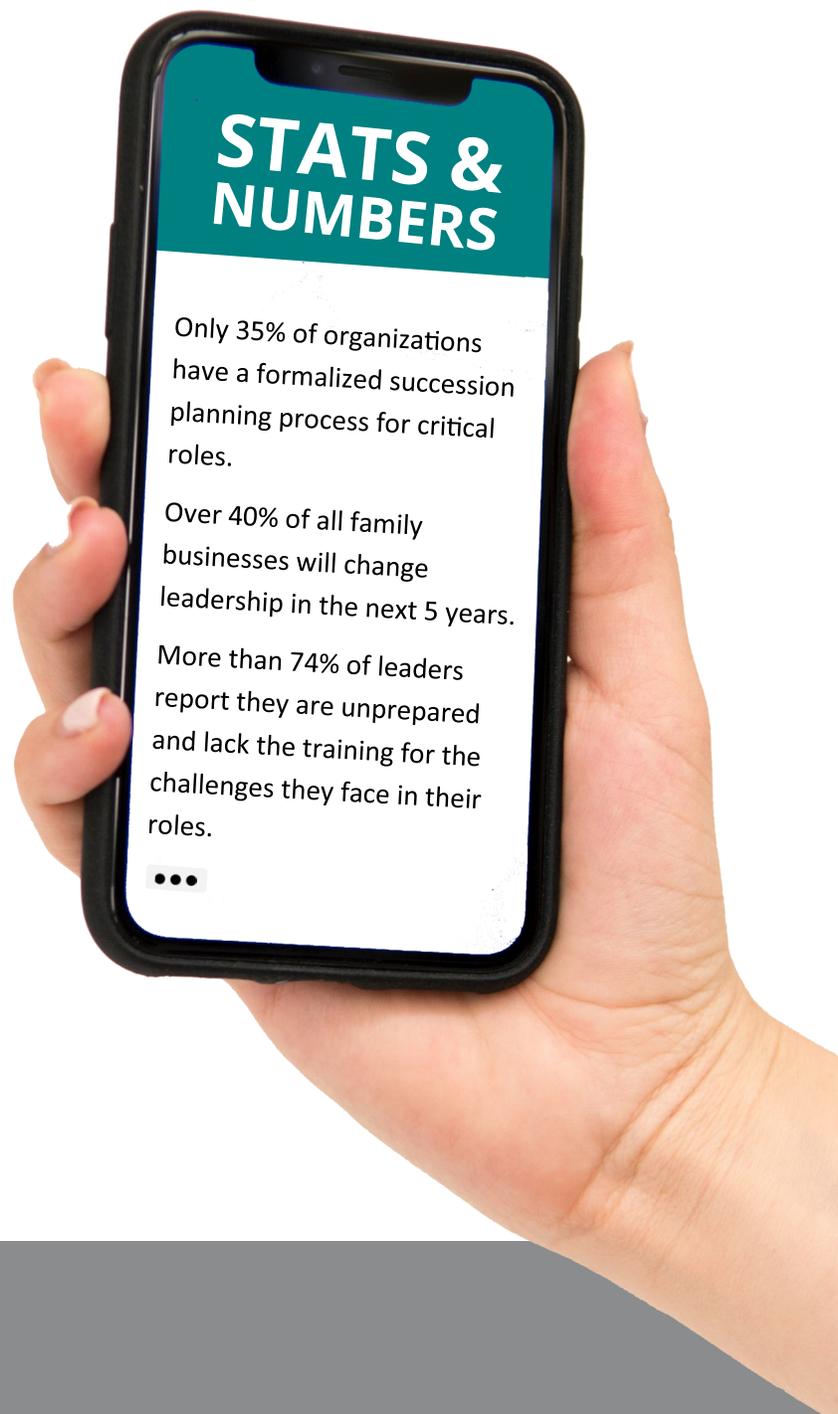
[www.smsteam.net/succession-planning](http://www.smsteam.net/succession-planning)

**(800) 689-2800**



# WHAT IS SUCCESSION PLANNING?

Succession planning is a process for identifying and developing new leaders who can replace the old leaders when they leave, retire, or die. In business, it entails developing internal people with the potential to fill key business leadership positions or finding a company or successor to purchase the existing business when the time comes.





# NOW, NOT LATER

## Why Every Agent Should Pay Attention

No one entering this business will be in it forever. Whether you're 19 and this is your first career, or it's your 3<sup>rd</sup> career and something to do after early retirement from another profession, setting up your business in the correct way early on is key in protecting your renewals, your clients, your income, the value of your business should you sell or the potential income you leave behind if you pass away.



**You can do 99% of the 'things' correctly and that 1 item left behind inhibits it all.**

Let us help you build your business correctly, with the right contracts, the correct business model, legal agreements, and systems. It's never too late to start the process, but the Earlier in your career you address it, the easier it will be when the time comes for change.



# WHEN THINGS DON'T GO AS PLANNED

## SCENARIO 1:

Many situations arise when an agency owner assumes they have a plan in place only to discover their assumption was mistaken when the time comes for a business sale or transfer to occur.

For instance, an agency owner we will call Sarah had reached a point where she was ready to retire. She reached out to us to help her facilitate the transfer of her agency to her long-time employee/agent.

She had been paying this licensed employee a salary for many years and Sarah had focused on building other parts of her agency. Therefore, she had allowed the employee to write the majority of her Medicare-related business and to sign many of the agency's contracts with carriers.

When we began the valuation process, we discovered that because of the way the employee was contracted, with the commissions being assigned to the agency, the employee was actually already the 'owner' of the policies, not the agency or the agency owner. Because the policies only had the commissions assigned to the agency, the agent/employee could unassign the commissions at any point they desired, leaving the agency no control over the commissions or policies.

When the employee found out, they refused to pay Sarah for policies they already technically owned. That substantially reduced the agency's overall value and the amount that Sarah could sell the agency for. The entire situation obviously led to some very hard feelings about how the employee handled the situation and the two ended up parting ways.





# WHEN THINGS DON'T GO AS PLANNED

## SCENARIO 2:

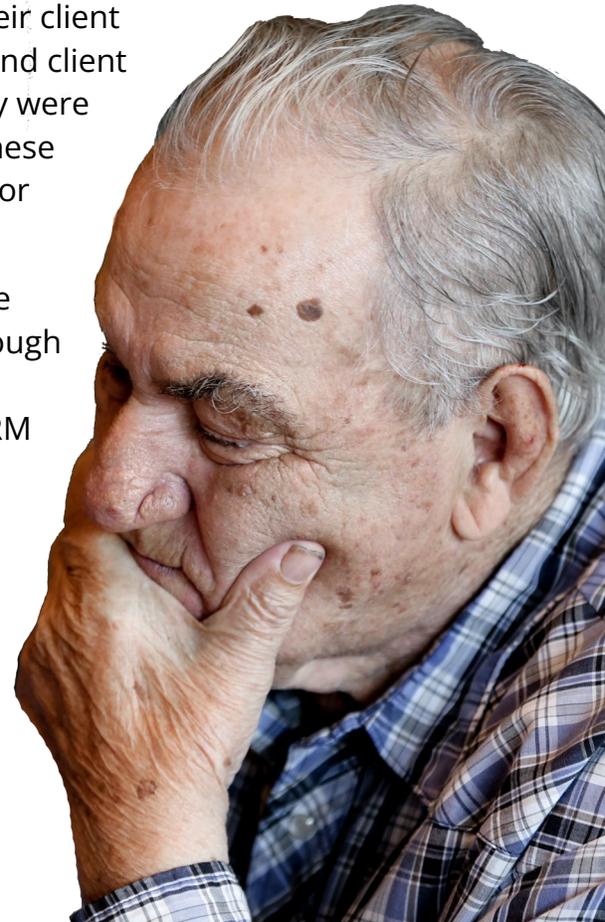
Another common scenario is when an unexpected life change happens, and the agent is unprepared for a transition. Many times, we see this with unexpected loss of life or medical concerns/conditions.

In one specific instance, an agency owner we will call Howard spent many years caring for his clients. Over the years Howard built his business large enough that in his office he needed additional help, so he hired his wife to help set his appointments and greet clients.

Unfortunately, Howard developed a severe health condition that meant not only could he no longer work and service clients, but also that his wife would need to assist with his healthcare, so she could no longer work in the practice either. They needed someone to step in very quickly to care for their clients and to purchase the agency.

Upon beginning the process of assisting with a sale, we immediately found circumstances that made the transition very difficult. First, Howard had never incorporated, he was contracted with all his carriers as an individual, which made the transfer of contracts to the new owner much more difficult. Some of the policies were even unable to be included in the sale of the practice, making the value of the business lower. Secondly, their client records were not up to date with current policy information and client contact information and were not in an electronic format, they were all paper records. Before a new owner could begin assisting these clients, it required someone to enter all that data into a CRM for ongoing service and support.

These factors added both financial and emotional stress to the already difficult situation Howard and his wife were going through with his medical issues. Preparing their business structure for potential transfer and keeping their records up to date in a CRM at the start of the agency would have turned the process of selling their agency, something they needed to do quickly into a process that took many months. Had the agency been set up correctly from the start the process could have been done in weeks so Howard and his wife could focus on the medical issues at hand.





# KEY REMINDERS ALONG THE WAY

## 1. CARRIER CONTRACTS

— Do Them Correctly, From the Start —

Contracts that have an individual versus a corporation as a principal can complicate and financial transaction and leave a book of business at risk.

Also, some agencies use sub-agents as the principal on some carrier contracts. This practice is dangerous. It can place the ownership of those policies solely in the hands of the sub-agent and not the agency owner.

Agency owners should also be aware that if an agent has assigned their commissions to the agency, then the agent can also unassign them as well because they own those commissions, not the agency owner.



Schedule  
Discovery  
call

# KEY REMINDERS ALONG THE WAY

## 2. MANAGING CLIENT DATA

It is extremely common to find that client data is incomplete and inaccurate. Verifying and putting the data in digital format will significantly expedite and transaction. It is impossible to attain the full value of a client during a sale if information about that client is incomplete or disorganized.

## 3. REALISTIC EXPECTATIONS OF VALUE

As agents, we are very connected to our relationship with our clients. A buyer has not had that same history with your clients, so they will be looking closely at the numbers. They will look at the type of policy, age of policy, the age of the policyholder, etc. Be mentally ready for the buyer to be less emotionally involved than you are.

# HELPING GOOD ADVISORS BECOME PROSPEROUS BUSINESS OWNERS

**Already setup for success and ready to grow your client base?**

We can help you find new clients and build your book of business.

**Are you ready to take the next step and transition out of the industry?**

Through our Acquisition Pathways program, you can feel confident that your clients are taken care of. Feel at ease that we'll manage your book of business with the same integrity you would and feel relaxed knowing you can enjoy retirement while we do the work.

And Remember...  
Succession planning should be done

**NOW, NOT LATER.**

Schedule a Consultation today.

**1-800-689-2800** or online at [smsteam.net/succession-planning](http://smsteam.net/succession-planning)

