

The Art of Client Succession Planning

Where and When to Begin

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READY



The best-laid succession plans require careful thought and attention to detail. Here's a road map to help you navigate the best route for you, your firm, and your clients.

Much has been written about retirement planning. But one wise retiring partner said that since he'd never retired before, he had no idea if he was planning for it correctly.



Unfortunately, one retirement doesn't look like another. Each plan needs to be finely tailored to match the needs of the retiring attorney, that attorney's clients, and the firm the attorney works for. But the process of client and attorney succession does have common guidelines that, when followed, help to create a smooth transition for all involved. Here's how to get started.

PLAN YOUR PRE-RETIREMENT YEARS

When you're personally beginning your retirement planning, you need to think about both your personal and professional goals. The hectic life of a law firm can make it near impossible to take time to reflect on how you'd like to spend your years leading up to retirement. Some people feel that working up to a certain date works best for them, while others feel that coming in for a "soft landing" will allow them to gently enter the next phase of their lives.

Here are a few questions that may help you as you take the time to reflect:

- Do you have definite plans for an age or date when you'd like to wrap up your client work?
- Do your financial goals coincide with the age and date you have in mind?
- Can you begin to transition certain clients to other attorneys completely while still servicing your other clients? This is as much an emotional question about your ability to "step back" as it is a practical resource one.
- What are your roles in the leadership of your organization or outside the firm? How can you begin to transition these roles so the institutional knowledge and operations move forward smoothly?

FACTORS FOR A SMART EXIT

You may have additional concerns or requirements depending on whether you're a member of a firm or a sole practitioner. Here are just a few points to consider:

- If you're in a firm, read your partnership agreement to identify if it provides guidance about your obligations as you transition out of the partnership.

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- Also speak to firm management and other retired colleagues about how best to handle the process and what they found were obstacles or things worked well for them. Your firm may have a detailed, written process you can follow as you begin this part of your journey.

By reaching out to trusted colleagues, you can receive further detail on what worked for and against them. For example, your colleagues may have cautionary tales of how and when to communicate with your clients so you're confident your work will be attended to during the transition. Or your firm may have a compensation reduction method during the transition that you need to plan for.

- If you're a sole practitioner, will you consider merging your whole practice with another firm, or will you find a partner to bring into your firm who'll assume your practice? Each has its pros and cons, and these should be considered carefully based on your client base.

Bringing your practice over and into an established firm can offer resources in addition to

access to qualified attorneys. An established firm typically has administrative, IT, and marketing support and can allow you time to sunset important insurance and other major contracts, such as leases and equipment.

On the other hand, inviting a partner to join you allows you more influence over who'll be servicing your clients. It also ensures that the ever-important rate structure and style of servicing your clients remain somewhat consistent.

KNOW YOUR CLIENTS' NEEDS

To ensure your clients receive the representation they deserve, you'll need to determine their long- and short-term needs. You can begin to get a sense of that by following these steps:

1. Evaluate all their current and open matters to determine the steps needed to finalize the matter. If that can't be done by the time you're hoping to retire, at least get it ready to transition to a new attorney.
2. Evaluate other attorneys who are working with your clients or who have deep experience servicing similar matters. Look at historical trends for the client. Do you anticipate that its needs will increase or decrease over the coming years?
For example, the needs of a small corporate client who may be planning to sell its business may be relatively simple now, but will the expertise for such a transaction be available in a few years? Conversely, you could have a real estate development client that's about to begin a major project and will demand more time in the short run.
Evaluating clients' future needs the best you can will help the succeeding firm or attorney be proactive in allocating or reducing needed resources.
3. Consider the personality and working style of your client before designating a successor.
4. Be open with your client. Clients are wondering what your plans are, too. As you begin to have these conversations, don't be too vague. This could leave the client unsettled and more apt to start to search for a more stable situation for their legal needs. Also, try not to be too hasty with the statement that you'll take care of the transition. This may leave them with the feeling they're not being consulted.



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5. Don't assume clients will stay with the firm or the attorney you recommend. Clients need to feel they have choices and that their work isn't being taken for granted. There are many stories of clients choosing to move on from a firm after a retirement because they didn't have confidence in the other attorneys being assigned to their work.

Consider the example of the counsel who advised his client that the attorney's second chair would be his successor only to hear from the client a litany of reasons the client lacked confidence in that choice.


This is an error in two ways. First, attorneys should be asking for ongoing performance feedback during a client engagement. If they'd asked for such feedback, they'd have uncovered these concerns earlier. Second, the attorney failed to treat the client as a partner in the process and assumed the client would take the recommendation without input.

6. Don't neglect to advise your referral sources of your retirement plans. They're sources of future clients you may want to introduce to highly qualified and trusted individuals to whom to refer future work. In short, they took care of you over the years; you should work to take care of them during this process.

GET STARTED, NO MATTER YOUR TIME HORIZON

Although there's no definite date for beginning the client-succession process, there are things you can do at different stages of your career to will make this process easier. Here are just a handful:

- Understand your economics, and plan for the transition. It'll be easier to focus on this transition if you're at ease with your personal financial status. Additionally, being able to gradually reduce your compensation needs over time could prove to be a more organized and enjoyable process versus one massive hand off.
- Develop a timeline you feel is reasonable to educate and train new attorneys regarding your clients and their work. A shorter time frame is possible if you have colleagues who are already trained and experienced with the work involved. Allow for a longer time frame if you're developing a less-experienced attorney.
- Employ a team approach whenever possible when servicing your clients. If clients have other contacts



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at your firm, there's a better chance of meeting their needs and thus retaining them through a transition since this is a relationship business.

- Develop good hiring and training processes within your firm. Ensuring you have appropriate expertise at each level and are developing your employees allows your clients to benefit from a smoother transition.
- Work with firm management to identify individuals with the capacity to take on work. If your colleagues are all fully occupied with their own work or in a similar time frame for retirement, you'll need to adjust your plan. It may be necessary to hire expertise for your transition, and this will take time.
- If you're a sole practitioner, start to talk to other firms and attorneys you respect to see if they may be suitable partners to work with when you've determined the appropriate timeline. This may take some time so plan your timeline accordingly.

Client succession is never easy. But good planning by you and your firm can allow for a more successful transition for you and your clients. That way, when you've finally decided it's time to step away from the field, you've put some serious thought into the process, and everyone wins. ■

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