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The Emotional Side of Transition

Retiring or scaling back from your practice can be unsettling. Here's what you can do to ease the transition.

By Joni Youngwirth

In the first installment of this two-part series, I addressed the importance of building a practice that is prepared for transition, even from its inception. In particular, I stressed the value of creating a comprehensive practice management manual to guide your firm during transition, as well as in day-to-day activities. But assembling a manual isn't the only—or necessarily the most difficult—part of transitioning a practice. For almost all advisors, the personal, emotional aspects of career exit pose a significant challenge.

What makes career exit so emotional?

Ending a career is difficult for people in all industries, but retirement planning can be especially challenging for financial advisors. Whether by luck or by design, advisors enjoy a very high level of job satisfaction. As they help clients realize their goals and improve their quality of life, advisors tend to become emotionally invested in their work. It's only natural that, when you experience the joy and fulfillment of helping others day in and day out, your sense of self becomes deeply rooted in work and client relationships.

So it's no surprise, then, that professionals in this industry often use delay tactics to avoid succession planning. In fact, advisors are a lot like their clients when it comes to facing retirement. Hindsight bias, overconfidence, confirmation bias, representativeness, regret theory, herd mentality—all of these factors may apply to advisors on the verge of transition as much as they do to clients. Watch your clients closely as you guide them through retirement issues; you're more like them than you may think.

What can you do to ease the transition?
Although the 70s, 80s, 90s, and beyond are often associated with deteriorating health, loneliness, diminished financial status, and the like, those perceptions of aging are changing. In her book *New Passages,* author Gail Sheehy promotes the idea of a second adulthood in middle age, where 45 becomes “the infancy of another life.” In light of our ever-lengthening life spans, Sheehy redefines middle and old age not as times of decline, but as periods of deeper meaning and renewed creativity. In essence, she proposes a new road map for adult life.

With that philosophy in mind, here are several ideas to help you transition to retirement as gracefully as possible.

Move into retirement gradually.
Jerry, who is 63, has been talking about succession for 10 years. After burning through a couple of juniors, he merged his practice with a larger ensemble. He plans to ease out of client work over 10 years and then begin a payout for his practice for an additional 5 years.

Mitch Anthony, author of *The New Retirementality,* encourages advisors to challenge clients’ assumptions about retirement—like the idea that they’ll stop working cold turkey—and the same goes for advisors themselves. As long as your mental and physical health allow you to work, why not? The key to a successful transition is to take it nice and easy. As Joe Deitch, chairman of Commonwealth Financial Network, often says, “You don’t have to retire—just change your work.” Financial advisors are lucky that, in this industry, it’s relatively simple to ease out. A common approach is to decrease your book, transferring some clients to other advisors and keeping your favorites (though not necessarily the biggest) for yourself.

Change your role.
Susan, who is in her 60s, loves her comprehensive planning work within the wealth management ensemble she founded. Client interaction dominates her time. Yet she has always wanted to embrace the CEO role for the firm.

If you’ve developed junior advisors who can step in to assume client responsibilities, taking on the CEO role is a real possibility. But first, consider your fit for the new position. In the article “Exit, Stage Left” (Investment Advisor, October 2007), Mark Tibergien presents “What Color Is Your Job?”, a series of questions designed to help advisors identify an affinity for managing the business versus an affinity for advising clients. For example, how does your passion for developing strategies and implementing business plans compare with your enjoyment of working one-on-one with clients? Changing your role is an option only if you're a good fit for the position you want to move into.

Ensure that you are as financially prepared for the future as your best clients.
At 64, Bob has had two heart attacks. He is financially secure but would like to work another five years to support his retirement. He is anxious about accumulating more wealth and hopes that his health will allow him to continue working.

Like their clients, advisors can get emotional about their financial stability as retirement nears. You've certainly analyzed your portfolio, but have you analyzed your money personality? Even if your portfolio is on track, understanding your money personality can put you in the right frame of mind as you prepare to tackle a new stage of life.

Try assessing yourself according to Russ Alan Prince's nine high-net-worth personality types: family stewards, financial phobics, independents, the anonymous, moguls, VIPs, accumulators, gamblers, and innovators. If you're an accumulator, will you feel comfortable when you stop amassing wealth? If you're a VIP, will you worry that a fixed income won't allow for the status symbols you crave?

Start early.
Tom is 79 and going strong. He has no contingency plan and no junior. He feels "healthy as an ox" and has no intention of slowing down. He loves his work so much that he can't imagine life without it.

Many advisors find themselves in this situation. Some have been doing what they do for so many years that they simply can't imagine anything else. Little by little, personal identity merges with work identity, and before they know it, individual identity vanishes. Their identity is their work. To maintain a strong sense of self, start cultivating a work-life balance early in your career. Experts like Stephen Covey and Dan Sullivan preach concepts like "sharpening the saw" or "free days"— basically, breaks from work-related activity. By scheduling time to rest and rejuvenate, you'll build a healthy identity outside of work.

Make a plan.
Far before she moved into retirement, Janet worked with a consultant to craft her game plan. As a result, her exit from the industry and traditional work life opened up enormous opportunities. Beyond travel and golf, she recently spearheaded a trip to Haiti, something she never would have considered before retirement. And she loves her new beachside condo near her grandchildren, which allows her to play an increasingly

important role in their lives.

To enjoy retirement to the fullest, experts say to plan early, not when you're ready to retire. At each passage of life, consider the following questions. Your answers will evolve as you move through your 20s, 40s, 60s, 80s, and beyond.

- Where will you live?
- How will you gain regular intellectual stimulation?
- What values will you hold most dear?
- What aspects of work will you pursue?
- How will you gain and maintain social connections?
- What will you do for fun?
- How will you stay mentally and physically fit?
- What hobbies will you pursue?
- How will you manage your finances?
- What have you always wanted to do, but haven't done yet?

Why does being personally prepared matter?
Mapping out your own path for the next stage of life has a number of benefits, both for you and for others. As planning professionals, financial advisors recognize the value of a sound game plan. A proactive, planned approach to retirement limits surprises, promotes creative thinking about the future, and positions you to leave a powerful legacy.

Also think about the attitude you pass along to your children and employees. If you dread retirement, it most likely will be dreadful. If you embrace transition, you model vitality at every stage of life for the next generation.

Finally, being personally prepared tells your clients that you have their best interests at heart. Addressing how clients will be served once you are gone demonstrates that you care deeply for them. If nothing else motivates you to tend to your own succession plan, the desire to do right by your clients should.

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