

Why Worry About Retirement?

By Chris Burand

My experience working with insurance agency owners is that most have a difficult time planning their retirement. For a variety of reasons, most wait too long.

Many agency owners seem to forego planning because they are having too much fun enjoying sales, their position, and the money they are making. Then, almost overnight, the fun evaporates and they decide it is time to leave. I have seen this happen many, many times. Sometimes I have, like others, seen the change coming over the owner, though the owner does not see it his or herself. So, even if you are still enjoying your role as an agency owner, take my word that one morning you will decide it is time to sell, to slow down, and maybe even leave.

When that day arrives, you may not be able to sell for an acceptable price if you have not planned for it. For example, one agency owner recently decided to sell, only to realize at the eleventh hour their entire net on a sale of several hundred thousand dollars, after taxes, would be \$4,000.

I also know several agency owners in poor health that continued to wait to sell their agency. They died before even beginning the perpetuation process. As a result, they left their agencies and their families considerably poorer because it is difficult to sell an agency for a good price with a dead owner.

Even more common is an agency owner who realizes they have lost the fire but they do not want to sell their agency yet. They just want to ride it out for a while. They are not ready to leave but they do not want to make the effort to continue building the agency. In these situations, the agency usually begins going downhill and by the time the owner decides to leave, the agency has lost considerable value. For example, several years ago, an agency owner told me he had lost his fire. He continued going through the motions of hiring producers (they all failed), moving to a bigger office, and merging. Last year when he began considering the agency's sale, the agency was deep in debt, profitability had decreased, growth was nonexistent, and the agency was worth several hundred thousand dollars less. If you want to maximize your sales price, sell as soon as the fire is gone.

An equally important consideration is deciding what you are going to do all day in retirement. Since many retiring owners do not have enough to do, they elect to retire slowly. They still see clients, come into the office for a few hours a day or manage the agency for new owners. These slow retirement options always look better on paper. A position as an ex-owner can be frustrating and can cause friction and problems. For example, the staff may continue going to the ex-owner for direction and the ex-owner will often continue trying to be the boss. The new "real" bosses will not appreciate this. Even more emotional for an ex-owner is learning how to work for a boss. After spending decades being the boss, now at 65 or 70, it is hard taking instructions from someone 20 years younger! What will you do with your time? Start preparing today so you won't wander aimlessly when you retire. As my grandmother says, "A man entering retirement without a hobby is a horrible waste."

I think retirement is the most emotional decision many agency owners ever make. It is more a

personal decision than a business decision. To maximize your agency's value, enhance its future, and ease the transition, begin planning your agency's perpetuation at least five years before you want to retire. This does not mean to start thinking about a plan five years before retirement. It means to actively begin preparing for your retirement. Planning and making commitments about such an emotional decision is difficult. Agency owners always think, "I don't want to make commitments five years out because I may change my mind and I don't want to limit my options!" With an open mind, a little work and perhaps some outside assistance, a perpetuation plan can be developed without limiting an owner's options. Planning your retirement then can increase or at least keep your agency from losing value, ease the transition, maintain your options and make your decision much simpler when the day for retirement arrives.

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