

Key Components of a Perpetuation Plan



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It is no secret that over half of the agency owners today are at or nearing retirement age. Current agency owners are facing a transition in their agency within the next 5-10 years. Their agency transition is not a question of if - it is a question of when. Many carriers and agency staff want to know that the agencies they are partnered with or a part of have a solid perpetuation plan in place, but what exactly does that mean? To some agency owners it means that they have a rough idea of what they plan to do when they decide to retire. In many cases they have a handshake agreement with another agency owner, or member of their team and have talked about what they will do someday, but no details have been decided and there is nothing in writing. While that is a good step in the right direction, that is not a plan...that's just an idea.

To have a strong plan for your agency you need a written document that addresses what will happen to the ownership of your agency if the you are no longer able or willing to run the agency. This can occur due to a planned event or an unplanned event, and the agreement needs to address both types of situations. In short, you need to define the who, what, when and how for your agency. Here is an overview of the basic areas that need to be addressed in your agency's perpetuation plan:

- **Define who is eligible to become an owner of the agency.**
- **The order that will be followed if there are multiple people eligible to purchase shares.**
- **Definition of triggering events that will cause a change in ownership.**
- **Define how the price of the agency will be determined.**
- **The way in which the purchase will be funded and the related tax implications.**
- **Outline of how the agreement can be amended, changed, or terminated.**

As you can imagine, agencies that have a single owner are at the most risk when they do not have a perpetuation plan in place. By an agency owner taking the time to think through and document their wishes in advance, they take the pressure off their loved ones at a time that is in many cases the most difficult situation they may ever face. Having a document that addresses all these factors in advance provides all the people involved in that agency with a roadmap and peace of mind that the agency will continue to operate seamlessly if something unfortunate happens to the owner. Both the experience and financial impact will be significantly different for an agency, their family, staff, customers, and carrier partners when a clear plan has been pre-defined than it is for an agency that is put in the position to decide on the spot because there is no plan in place.

About Carey Wallace



Carey Wallace is passionate about helping independent agents understand their value and make informed decisions by leveraging the data and insights that agents can uncover right inside their agency. By providing independent insurance agencies with the right insights, they are able to leverage that data, grow their businesses and thrive.

Having worked with independent insurance agencies for over 12 years, Carey's **focus** is to help YOU grow your business. Her **focus** is you - the independent agent.

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