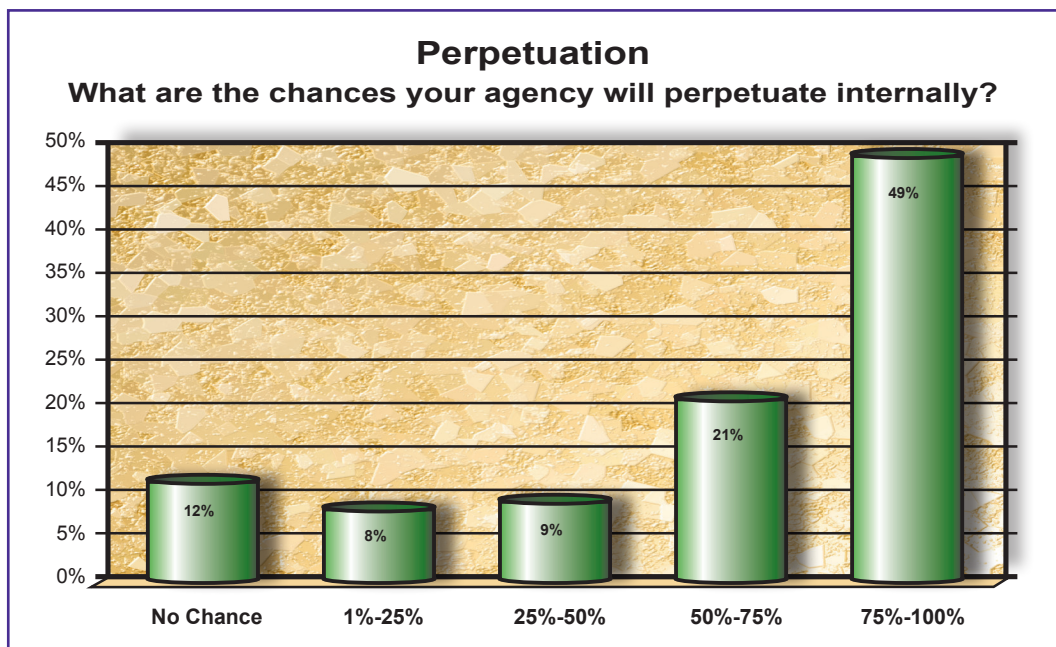


Perpetuation - Controlling Your Future Viability

In a recent survey, we polled agency owners to see how many were confident in their agency's ability to perpetuate ownership internally. Figure 1 illustrates the results of the survey. The majority of the respondents felt their chances of internally perpetuating ownership were at least even. Seventy percent gave the agency a 50% or higher chance of pulling off this difficult feat. Almost half gave the probability of 75% or greater.

While we are encouraged by the optimism shown in the poll results, unfortunately we have not seen these results materialize in our consulting practice. As advisors and consultants to thousands of agencies for more than 30 years, we know that **the majority of independent agents and brokers will NOT perpetuate ownership internally at a fair market value.**



What seems to be an unbelievable statistic is actually a harsh reality. The reality is that most agency owners view perpetuation as an event, rather than a continual process. This view inevitably leads to an external sale as the owner lacked the discipline to continually invest in the agency. To perpetuate internally, agencies need the **discipline** to:

1. Construct and execute a long-term business plan
2. Continually Reinvest in all staff personnel (Production, Leadership, Service & Support Roles)
3. Drive financial metrics: operate the business like a business, not as a personal bank account
4. Consistently transfer stock

The good news is that agencies can overcome these challenges and remain independent. With discipline and focus, an agency can position itself to proactively choose between selling stock internally or externally. Next month we will highlight additional obstacles to internal perpetuation.

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