



# Association of American Literary Agents

## Small Business Committee

### SUCCESSION PLANNING GUIDELINES

An essential first step, no matter what kind of succession plan you are exploring, is to have your company's information digitized and readily available (e.g. financial statements, databases, client contracts & files, and any essential passwords/log-ins/subscriptions). Creating a succession plan is akin to creating a will; once your plan is in place, talk to your lawyer about including it among your estate documents.

Questions to ask when developing a succession model:

- Have you identified a successor?
- Do you feel you need to do a trial before committing to a particular successor?
- Do you want to continue to be involved with the agency after succession?
- Do you have primarily an active frontlist, or does the agency consist more of a backlist?
- What is your timeline? The process can take years and it's never too early to start, particularly in the event of death or disability.

What type of succession are you planning, and what form does that succession take?

Possible scenarios include:

1. A family member or family members take over your agency
  2. An employee or employees take over your agency
  3. You merge your agency with another agency
  4. You join another agency as an employee, bringing your client list with you
  5. You sell your agency to another agency
  6. You close your agency and your clients go to other agencies; monies from their existing contracts continue to flow through your agency, administered by you or a bookkeeper
1. A family member or family members take over your agency
    - Do they already work with you or will they need training? If the latter, how long before their takeover do you start that training?
    - Do you have (other) employees? If so, will they want to continue working under this new management? If not, at what point should they move on?



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- What financial arrangement will the takeover require? (e.g. some sort of buyout, or a partnership in which the younger family member takes over when you retire, become incapacitated, or die)
2. An employee or employees take over your agency
    - What is the timeline for this transition?
    - Do you have other employees? At what point will you announce the transition? How will the transition be handled internally?
    - What financial arrangement will the takeover require? Will there be a buyout and if so, what form will it take (e.g. one lump sum, deposit and payment plan, or no money down but a gradual payout based on agency income? Will you continue on as a 1099 or salaried employee, or will you retire? If the latter, do you expect to still receive income from the agency?
  3. You merge your agency with another agency
    - Do you form a new entity but keep previous contracts and their income stream with your former company? Or do the two companies redirect all contracts to the new company?
    - Who runs the agency? If you are merging in anticipation of retirement, who will run it when you retire?
    - What systems do you use, and which co-agents?
  4. You join another agency as an employee, bringing your client list with you
    - Do you redirect all contracts to the new agency, or keep your agency open as a passthrough entity as the contracts play out?
    - If you plan to retire, do you start moving your clients to other agents in the company you've joined, and if so, what is your timeline for that and how do you envision it working?
  5. You sell your agency to another agency
    - What is your agency worth, and when do you have it valuated? Do you use an accountant for that process, a lawyer, or both?
    - What form does the sale take? E.g. one lump sum, a deposit and payments, or some sort of commission based sale with a ceiling to be reached?
    - If you sell your agency, do you then work for the acquiring agency? For how long?
  6. You close your agency and your clients go to other agencies; monies from their existing contracts continue to flow through your agency, administered by you or a bookkeeper



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- Do you continue to earn a commission, and if so, how much, considering that you are no longer servicing these contracts except in an administrative sense?