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Almost every firm that I work with has a succession issue in the near term. Baby boomers are retiring at an accelerating rate and firms are coping (or not) with the transition issues surrounding those exits.

One of the topics of conversation especially in this environment is whether the firm has a mandatory retirement age in its partner agreements. And if they do, how does the process work, what is the definition of retirement, what is the right age, what about employment after retirement, etc.

It is almost counter intuitive that firms would want mandatory retirement ages in their agreements when they are struggling with how to replace their partner ranks. But, the right answer is that you need to do both in a healthy firm – both control and manage retirements and at the same time have the horses in place to succeed those retiring partners.

Protect the firm. I will address in this article why it is critical that your firm have a stipulated mandatory retirement age and how to make it work to the advantage of both the individual partners and the firm. First and foremost is the notion that you must protect the firm first and it is more important than the interests of any individual partner. I hope that premise does not need justification or debate.

Set the date. The firm needs to control the retirement dates of the partners. In other words there should be a required age in the partner agreements when the partner will retire. There is no mystery or uncertainty. Everyone knows the date. We know when we need to begin dealing with client transition and planning for the event. We can build in a process and a schedule to make sure that we do it right! Contrast that

of movement in the profession in recent years to extend that. In the 80's and 90's the required age was trending downward to in some cases low sixties or even fifties. But what I see today is that firms are back to age 65 and beyond to in some cases age 70. I consulted with a firm recently that was using age 68. Remember that it is the fact that you stipulate a date that is important, not the date itself. Also, remember that the firm can always extend the date for a high energy, high output partner but it is very difficult to reduce it for a partner for whom it is time to go.

Client transition. If you have the required date nailed down, how do you plan as the date approaches? Assuming that, as in most firms, you have an unfunded retirement benefit that the firm will be paying to the retired partner, the asset that you will use to pay that is the partner's client base. If you don't retain those clients, how will you pay that retirement benefit? You won't! The transition and retention of those clients must be part of the plan and progressive firms are requiring that a transition plan be completed by the retiring partner to receive full retirement benefits. This transition process is a difficult thing for most partners to do as it means giving up relationships that are in many cases very personal. But, done well and timely, it is the best insurance a retiring partner has that they will receive those unfunded retirement payments down the road.

A two to three year client transition period is preferred with two cycles (client year ends) for business clients being the minimum. The point here is that there needs to be a written client transition plan with the retiring partner. If he or she completes that, then there should be no penalty or reduction of retirement benefits if a client subsequently leaves the firm.

Post retirement employment. As the retirement date approaches, the retiring partner should have less and less to do as other partners and staff in the firm assume the client responsibilities. When the retirement date arrives, the retiring partner should be able to truly retire from the firm and leave. But that rarely happens. Most firms and most retired partners will continue some form of employment, post

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