Having a Catastrophe/Continuity Plan

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Small firms and sole practitioners face many challenges. One that is commonly neglected is continued client service in the case of an owner's disability or death. For small firms, a comprehensive partnership agreement usually addresses succession but does not always address continuity.

For a sole practitioner, it can be even more challenging due to limited resources and no other professionals to "take over the reins." Although disability or death may be the last thing one worries about, it is important to have both continuity and succession documents in place detailing an action plan. In fact, it is just as important for the practitioner as it is for the clients and staff members.

A Continuity Action Plan

A good plan should cover responsibilities in the event of death, disability or extended leave, whether expected or unexpected. If clients need a copy of their tax returns as soon as possible and the partner is on vacation for two weeks, who takes over? The longer a client waits, the more likely he or she becomes a lost client. Isn't it better to provide the client with the peace of mind of having someone there to help? This makes for better service, not to mention client referrals. There are some important items to address in any written death or disability action plan:

- Are clients assigned to specific employees?
- What work can be done remotely?
- Is there a written job description so everyone knows his or her responsibilities?
- When and how will clients be notified of a partner's incapacitation?
- Who makes decisions in his or her absence?
- Is there business overhead insurance to defray costs during temporary disability?

Keep it simple. There is no need for a 40-page continuity document. A simple, streamlined document helps employees quickly understand how the firm will run and what their responsibilities are.

A Succession Plan for Small Firms

Most small firms already have a comprehensive partnership agreement. That agreement should address not only buy/sell issues, but also terms and whether the agreement is funded with life insurance. Logistical issues, such as informing clients and which staff/professionals are to deal with those clients, should also be addressed.

A Succession Plan for Sole Practitioners

A good succession plan can be even more valuable for sole practitioners, especially those with no professional staff. Even if the owner intends to never retire, it is important to have a disaster plan in place to ensure clients are quickly and efficiently transitioned to another firm or practitioner. This will also increase the value to heirs.

Having a succession agreement in place before something happens is paramount. While this may seem obvious, it cannot be overemphasized. Think of the chaos that would ensue if there was no plan in place. Imagine spouses or relatives trying to deal with client requests for information or guidance. Think of your practice as part of your retirement plan. It is probably worth more than your home. The succession document should address some key issues:

- The successor practitioner or firm
- Payment terms
- Provision for documents such as work papers, tax returns and other records
- Work in progress
- Accounts receivable
- Employees

Ideally, the successor practitioner or firm should be exposed to the client base of the sole practitioner while the practitioner is still working. This would improve the odds of success. This also improves client service post-transition, as the successor practitioner or firm would already be up to speed on any special services provided to clients.

One possible solution would be to partner with the successor practitioner or firm for services either not provided by the practitioner or that he or she wouldn't mind phasing out. This can provide the successor firm exposure to clients as well as be an additional revenue stream for both the practitioner – assuming there are no licensing issues – and the successor firm.

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