KESTRA HOLDINGS

Bridging the Gap

Succession Misalignment Between G1 and G2 Advisors

How advisors on both sides of a transition can overcome succession obstacles to ensure client care, secure a firm's legacy, and maximize its value.

Advisor succession planning is more than a business transaction—it's a transfer of leadership and trust.

At its core, succession planning is about choosing someone who will not only guide the firm into the future but also uphold the same high standard of care clients have come to rely on.

This industry research was conducted to take an in-depth look from both a qualitative and quantitative perspective at what's working—and what's breaking down—as advisors navigate passing the torch.

What we found was a story of good intentions undermined by misalignment.

While owners and successors each have a vision of opportunity, they often operate with different assumptions and unclear expectations. Owners tend to feel confident, while many intended successors feel stuck, undervalued, and uncertain—some even on the verge of walking away. In an industry facing a scarcity of next-generation talent, that's a risk no firm can afford.

In the pages ahead, you'll find a closer look at the gaps threatening internal succession and the four pillars for building a plan that works for advisors on both sides of a transition.

This research aims to equip advisors with a clear path to bridging the generational divide and future-proofing their businesses.

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ABOUT THE RESEARCH

This industry study was commissioned by Kestra Holdings, a leading wealth management firm, and executed in partnership with 8 Acre Perspective, an independent research firm. Research was conducted with both G1 and G2 advisors across a broad range of independent broker-dealers and RIAs. All participants are with practices that have $750k or more in revenue, at least half of which is generated from individual retail investors.

Definitions

G1 Advisors

Practice owners who are planning to retire and sell their stake in their firm (either a founder or a partner/principal). All G1 advisors in this industry study are planning for internal succession: promoting one or more advisors from within their practice into leadership. The average age of G1 participants was 56 with 24 years of experience as an advisor, on average.

G2 Advisors

Advisors who have been identified as successors or potential successors for owners in their current practice. The average age of G2 participants was 44 with 17 years of experience as an advisor, on average.

Methodology

Qualitative

Individual interviews were conducted in 2024 with ten G1 advisors and ten G2 advisors to explore their approach to leadership transition in-depth.

Quantitative

269 financial advisors, including 180 G1 advisors and 89 G2 advisors, participated in an online survey in October-November 2024.

EXECUTIVE SUMMARY

The Problem

G1s have not fully prepared to transfer leadership of their firms to the next generation of leaders. Of G1s planning to retire in the next 10 years, 69% are confident they will achieve their succession planning goals. Yet 94% have not pinned down one or more of the critical components needed for a successful transition. Notably:

75% do not have a formal leadership transition plan.

76% have not mapped a timeline for transitioning client relationships.

78% have not determined the timeline for their successor(s) to acquire equity.

59% have not given any equity to their successor(s).

G2s' frustration with lack of planning is a flight risk. G2s report a lack of G1 readiness:

44% say their G1s are truly prepared to retire.

45% do not have a good sense of when their G1s will retire.

53% say their practice owners do not have clear, well-documented succession plans.

Pressing problem—G2s are willing to walk away:

- Those who perceive poor G1 readiness are significantly less likely to stay at their current firm. Nearly 75% of those who view their G1s as prepared to retire and transition leadership are committed to staying with their firm vs. only 30% of those who say their G1s are not prepared.
- One in three would consider leaving in the absence of a clear succession timeline.
- One in four would consider leaving in the absence of being given equity or a timeline for receiving equity.

The Stakes Are High

G1s' number one goal in succession planning is ensuring their clients continue to be well-cared for, which requires highly qualified and trained G2s. And finding G2s with aligned values and vision is by far their number one challenge—identified as a significant obstacle by 53% of G1s.

Bottom Line

The risks of delaying transition planning are high: risk to continuity of care for clients, risk of losing valuable talent, and ultimately risk to firm value.

The Solution

A structured and clearly communicated leadership succession plan is critical. Top areas in which G2s desire additional clarity from practice owners are their retirement timelines, G2 compensation structure and opportunity, and plans for equity transfer.

Investing in G2 talent development ensures long-term stability and growth. Eighty-four percent of G2s would like to take on additional leadership responsibilities—most often in the areas of strategic planning and financial management—the very skills they need to step into ownership. G2s view transparency and delegation in these areas as signs of trust, which engender loyalty.

Engaging G2s in planning increases commitment. G2s who strongly agree their G1s do a good job involving them in succession planning and are open to their ideas for advancing the practice are more than twice as likely to say they will definitely stay at their current practice.

Comparison of G1s and G2s

Succession Topic	G1 Perspective	G2 Perspective
Succession plan	52% say they have one in place (of those planning to retire in 10 years)	53% say plan is unclear or poorly documented
Alignment on firm direction	43% of G1s feel fully aligned with their G2s	30% of G2s feel fully aligned with their G1s
Equity transfer	41% have transferred equity (of those planning to retire in 10 years)	One in four would consider leaving if not given equity or equity timeline
Leadership responsibilities	G1s primarily delegate typical advisor tasks (e.g., planning)	G2s want more involvement in firm strategy and financial management
Desire for leadership development	G1s may underestimate G2 interest (given G1s' significantly lower interest in leadership development resources)	G2s are two times as likely as G1s to desire structured support for leadership development
Confidence	69% are fully confident in achieving succession planning goals	44% say their G1 is prepared to retire and transition leadership

Succession Success

Tips for building a plan that works for advisors on both sides of a transition.

- **Transparency**: G1s and G2s should come together early to communicate and discuss long-term goals and concerns.
- **Training**: G1s can give G2s the structured support and mentorship they need to succeed.
- **Tangibility**: G1s can have, and share with G2s, a documented leadership transition plan to reduce ambiguity and stress.

SUCCESSION PLANNING'S GREAT DISCONNECT

A Promising Vision: Internal Succession Is a Compelling Path for Both G1s and G2s

G1 Motivation—Client Care

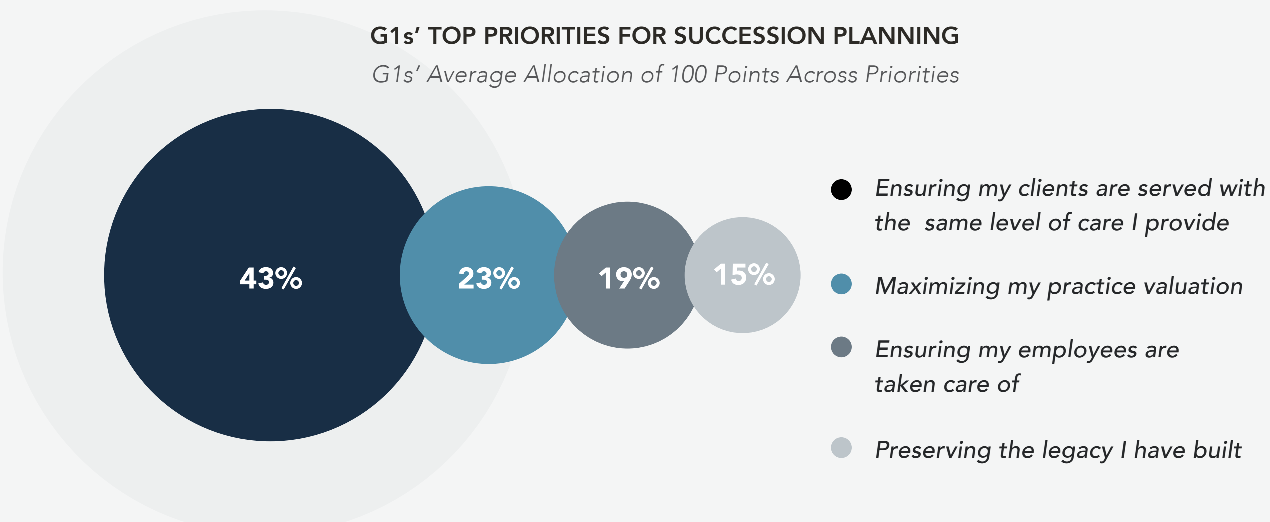
When it comes to internal succession, G1 advisors' number one priority is clear: ensuring their clients continue to receive the same high level of care they've built their reputation on. After years of earning that trust—often through deeply personal relationships—G1s want to know their successors will uphold the same high standard of service and guidance. Many also see internal succession as a chance to unlock a valuation that reflects their hard work, to protect their employees' futures, and to preserve the legacy of their life's work.

G2 Motivations—Entrepreneurial Opportunity

G2s are drawn to the opportunity to build a rewarding career as an entrepreneur—calling the shots and without a cap on earning potential—without starting from scratch or taking on the full risk of launching a new firm.

G1s' TOP PRIORITIES FOR SUCCESSION PLANNING

G1s' Average Allocation of 100 Points Across Priorities



> *[I would like clients to say] I took great care of them, made sure their needs and goals were met first and foremost, and ensured they were left in great hands, and a strong relationship was built before I left.*
>
> - G1 Advisor

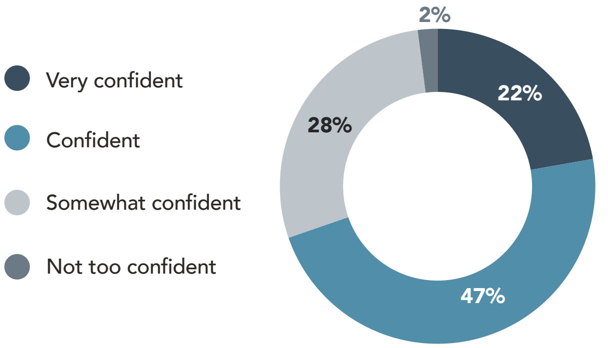
> *Being in control is a big part of it. Not having a ceiling is a big part of it. Making myself and my family proud is a big part of it. And growing something that ultimately is my own would be really exciting.*
>
> - G2 Advisor

G1 Perspective—Gap Between Confidence and Reality

While most owners express confidence in achieving their succession goals, our research suggests that confidence may be misplaced. When many G1s talk about succession planning, they largely have a business continuity plan in mind rather than a true leadership transition.

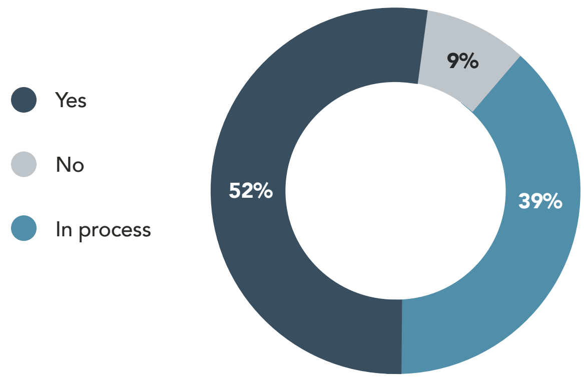
HOW CONFIDENT DO YOU FEEL ABOUT YOUR ABILITY TO ACHIEVE YOUR DESIRED SUCCESSION PLANNING/LEADERSHIP TRANSITION GOALS?

G1s who plan to retire within 10 years



DO YOU HAVE A SUCCESSION PLAN IN PLACE?

G1s who plan to retire within 10 years



Among G1s planning to retire in the next ten years, only 25% have a formalized leadership transition plan, and just 24% have set a timeline for transitioning client relationships. Even among those who say they have their succession plan in place, more than half are missing each of these critical components.

G1s WHO HAVE FORMAL DOCUMENTATION IN PLACE FOR SUCCESSION PLAN COMPONENTS

G1s who plan to retire within 10 years

What's At Stake?

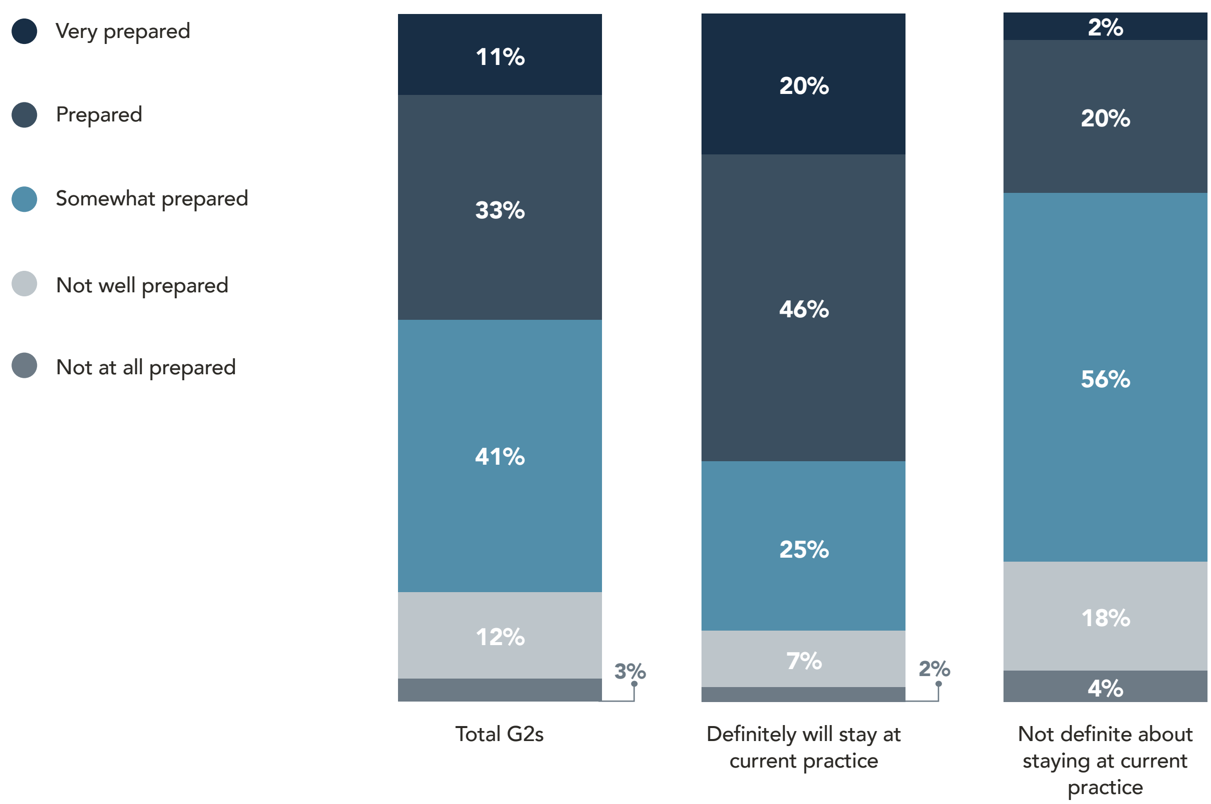
Without a structured plan for transitioning leadership and client relationships, advisors risk what matters most: client care and ultimately client retention. Firms must formalize these strategies to safeguard client trust. Only 6% of financial advisors nearing retirement have a fully documented succession plan.

G2 Perspective—Lack of G1 Preparation Breeds Frustration

G2s are feeling the impact of these planning gaps and are expressing frustration; some are even ready to consider better opportunities elsewhere. Fewer than half of G2s believe their G1s are truly prepared to retire and hand off leadership to them. Those who perceive their G1s as less prepared are significantly less likely to be committed to staying at their current practice.

G2s' ASSESSMENT OF HOW PREPARED THEIR G1 IS TO RETIRE AND TRANSITION LEADERSHIP

by G2s' Likelihood to Stay at Their Current Practice vs. Considering Other Options to Achieve Career Goals



What's At Stake?

Lack of a structured leadership transition can result in G2 retention issues. Transparency and structured engagement of G2s are essential to securing next-gen leadership.

> *He tells me I'm his succession plan. But there's a lot of holes with what we have. I feel like I'm a free agent still. Sometimes you need to leave to be taken seriously.*
>
> - G2 Advisor

HURDLES TO SUCCESS: WHAT'S STANDING IN THE WAY?

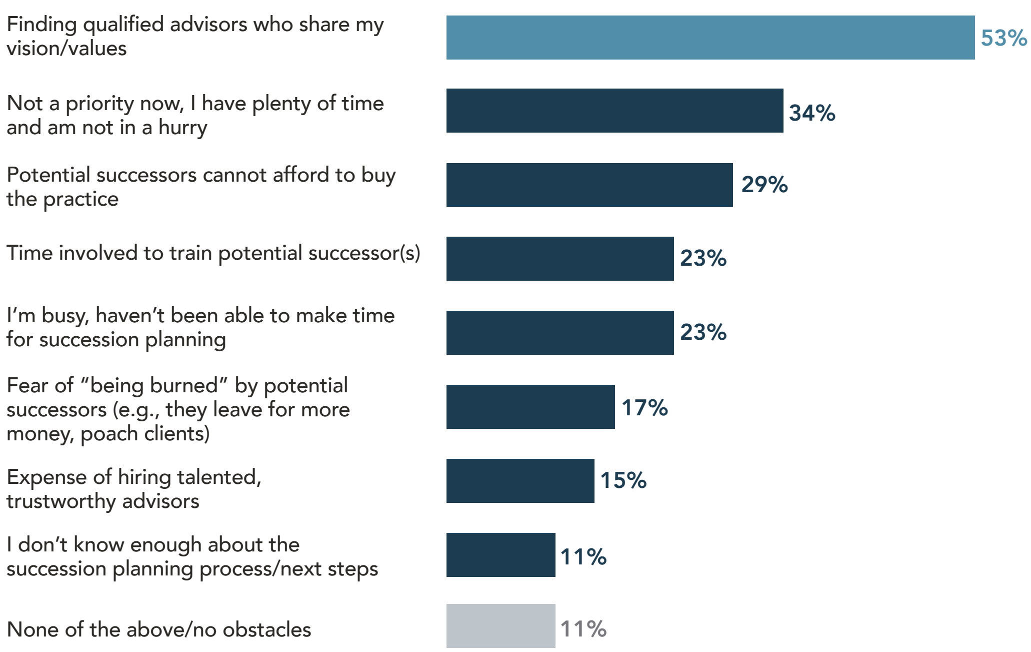
G1 Perspective: Handing Over the Reins Isn't Easy

Challenge Finding Qualified Successors

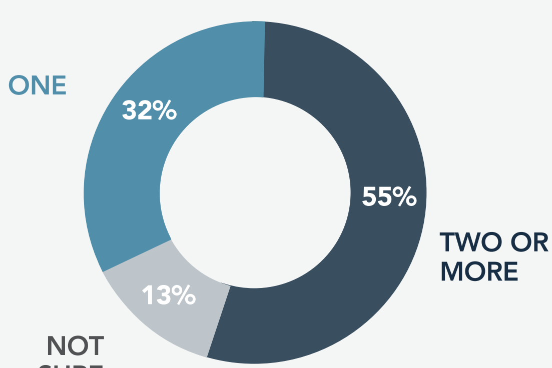
G1s say by far their biggest obstacle to making progress with succession planning is finding qualified G2s who share their vision and values. And more than half of G1s plan to have at least two successors, compounding this challenge.

G1s' MOST SIGNIFICANT OBSTACLES TO MAKING PROGRESS WITH SUCCESSION PLANNING

Respondents could select up to three



G1s' PLANNED NUMBER OF INTERNAL SUCCESSORS



> *The difficulty of finding a successor that matches your style of managing your client base—I think that's the hardest part.*
>
> - G1 Advisor

Emotional Hurdles

Beyond challenges related to hiring and training successors, G1s also wrestle with multiple aspects of "letting go." (These challenges can be even greater for solo advisors, i.e., practices with a single primary owner.)

CONCERN FOR CLIENTS

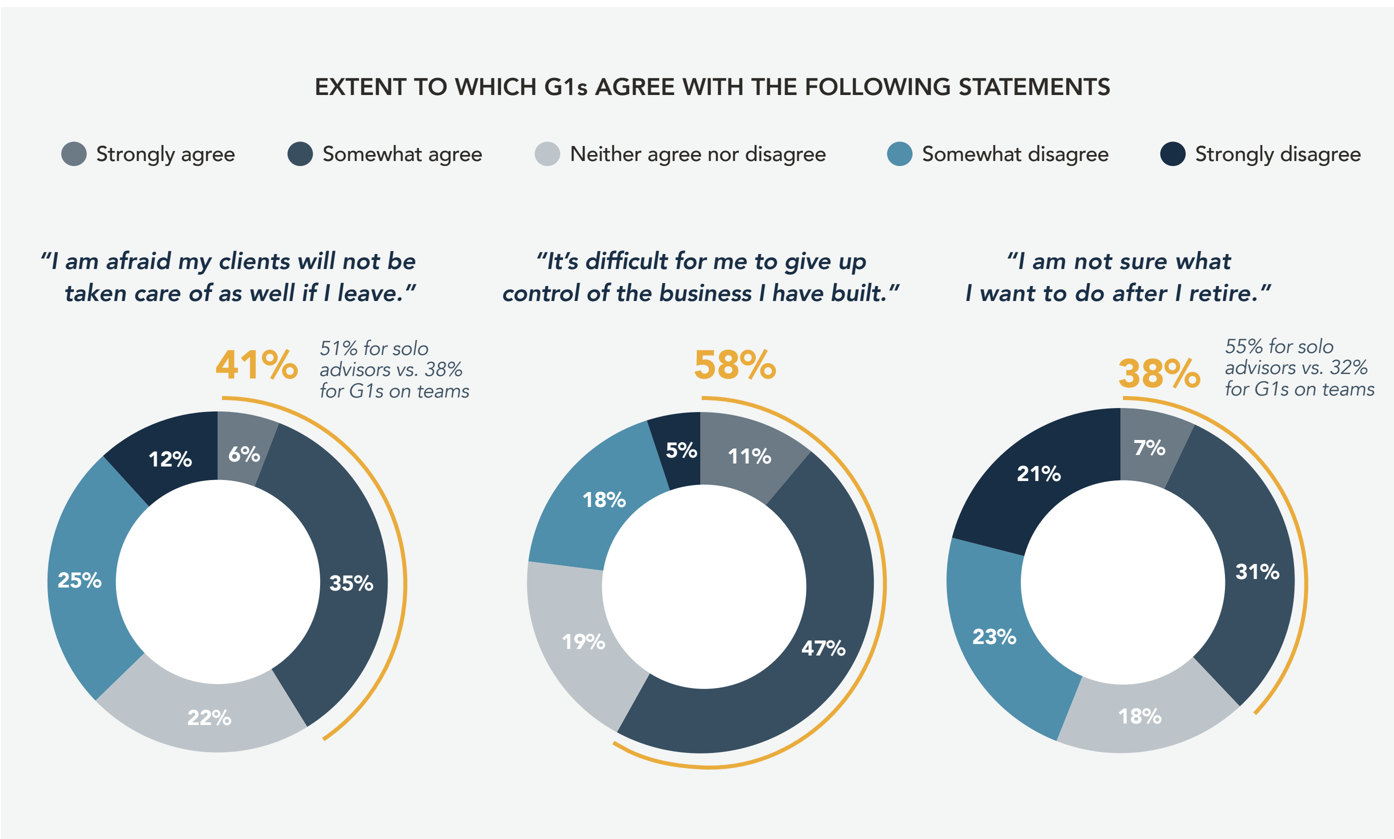
More than four in ten fear their clients will not be taken care of as well if they leave.

CEDING CONTROL

More than half acknowledge it is difficult for them to give up control of the business they have built.

LOSS OF IDENTITY

More than one-third are not sure what they want to do after they retire.



> *The business is something you started yourself and built. It's really hard to say goodbye. It's hard to give up control. It's hard to leave something that's part of you. It's who you are.*
>
> \- G1 Advisor

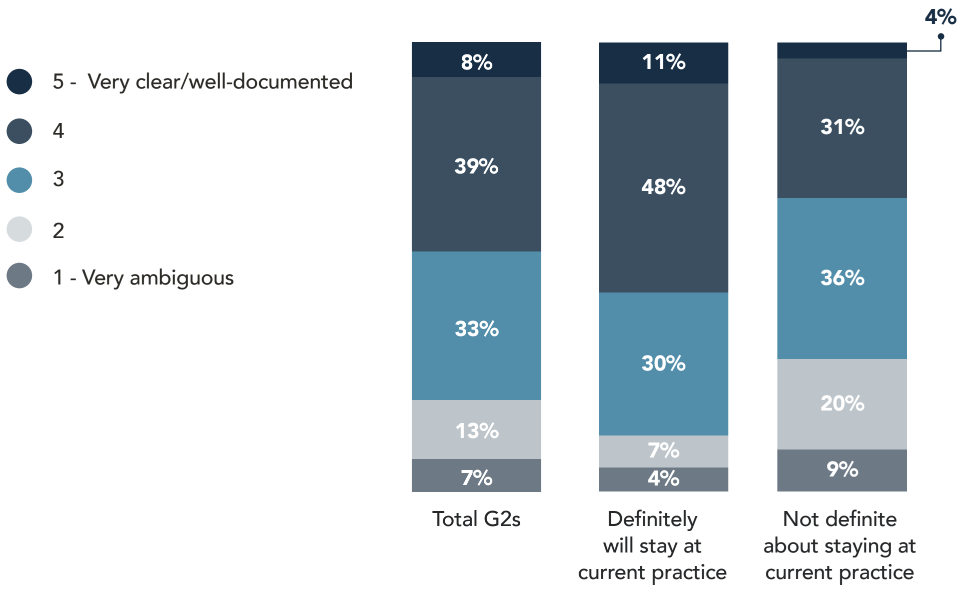
G2 Perspective: Ready to Lead But Stuck in Limbo

Lack of Clarity

Fewer than half of G2s say their G1s' succession plan is clear and well-documented. The biggest gaps in clarity are owners' retirement timelines, G2 compensation structure and opportunity, and plans for equity transfer. Even G2s who rate their G1s' plans highly on clarity would still value additional insight.

G2s' RATING OF PRACTICE OWNERS' SUCCESSION/LEADERSHIP TRANSITION PLANS

by G2s' Likelihood to Stay at Their Current Practice vs. Considering Other Options to Achieve Career Goals

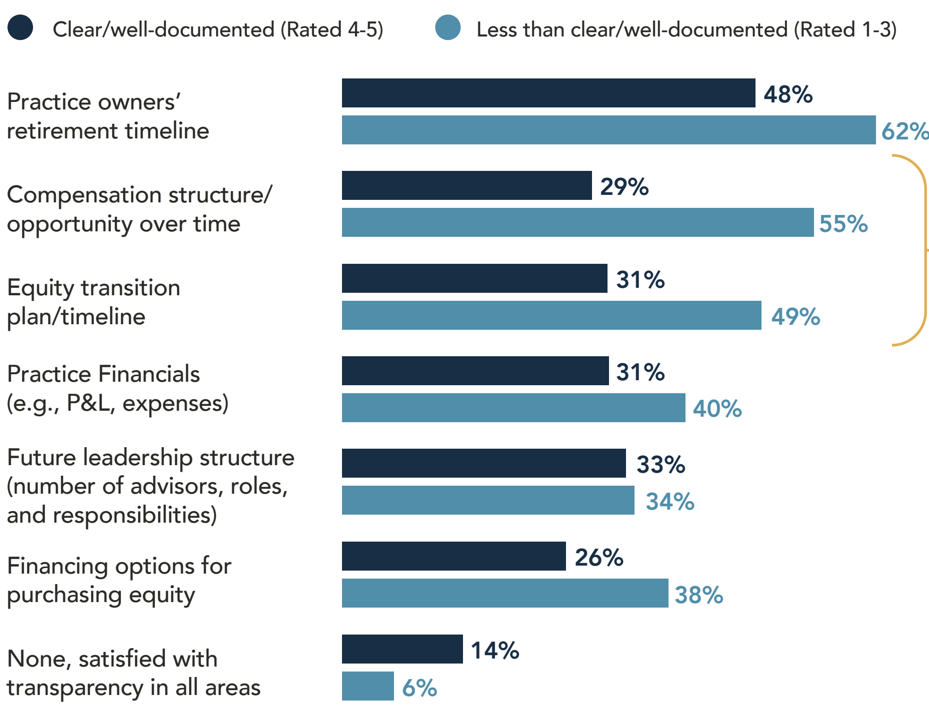


Why does this matter?

A spelled-out plan correlates with G2s' commitment to stay with their firm.

AREAS IN WHICH G2s WOULD LIKE MORE VISIBILITY/CLARITY FROM THEIR G1s

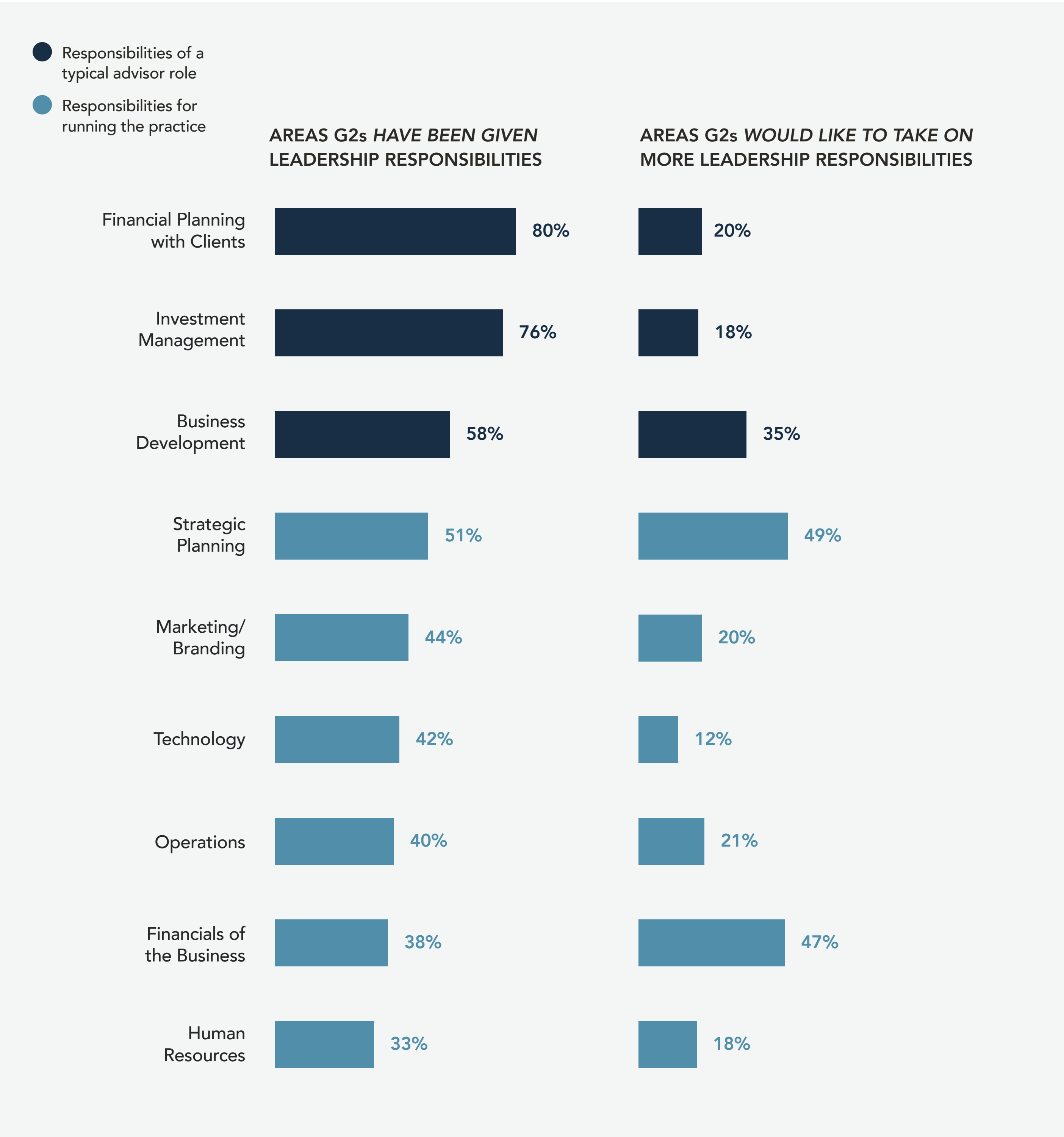
G2s' rating of G1s' succession plans.



Compensation and equity are areas of biggest gap between G2s who feel they have overall clarity and those who don't

Insufficient Leadership Development

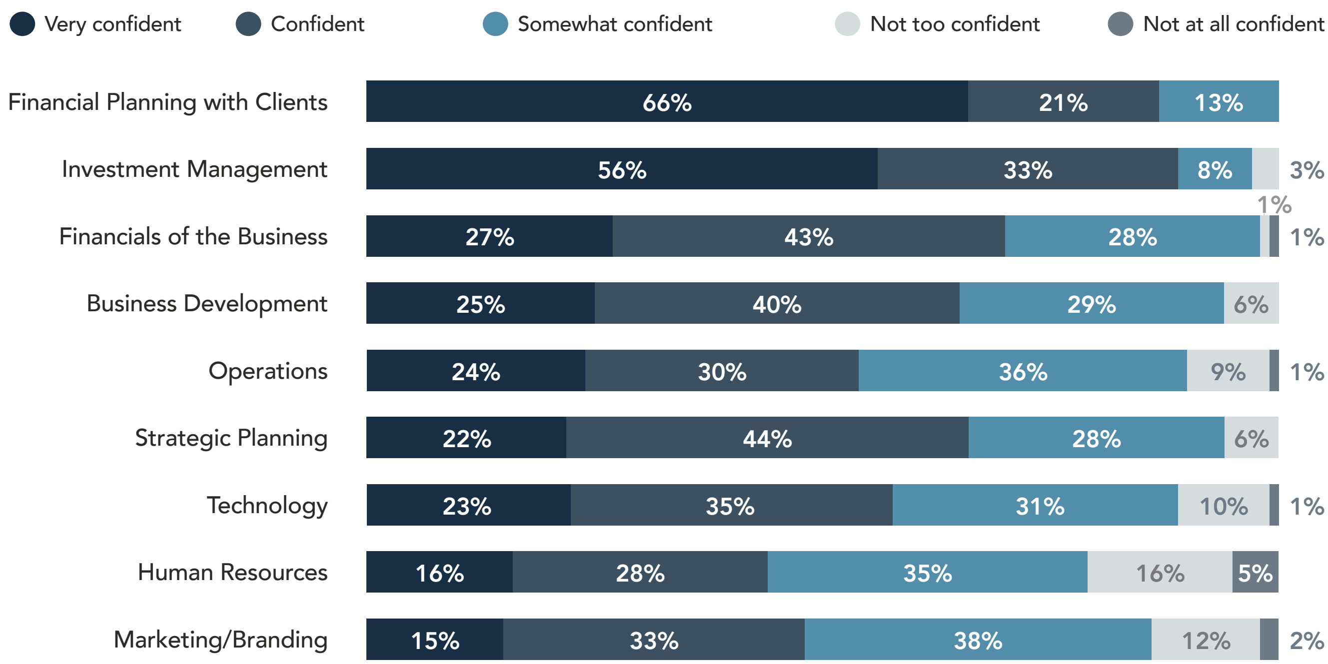
G2s are often given leadership responsibilities in areas already within a typical advisor role, such as financial planning, investment management, and business development. But they most want opportunities to take on firm-level leadership, especially in strategic planning and business financials—the very skills they need to step into ownership confidently.



Why It Matters

Absent these leadership opportunities, many G2s do not feel fully prepared to take the reins in areas related to running the business. Only 35% of G2s strongly agree they feel fully prepared to assume leadership in their practice. In addition, G2s who have been given strategic planning responsibilities are almost two times as likely to be committed to their practice.

HOW CONFIDENT G2s FEEL TO TAKE THE REINS LEADING SPECIFIC PRACTICE AREAS



68% of those who definitely will stay at current practice have been given strategic planning responsibilities

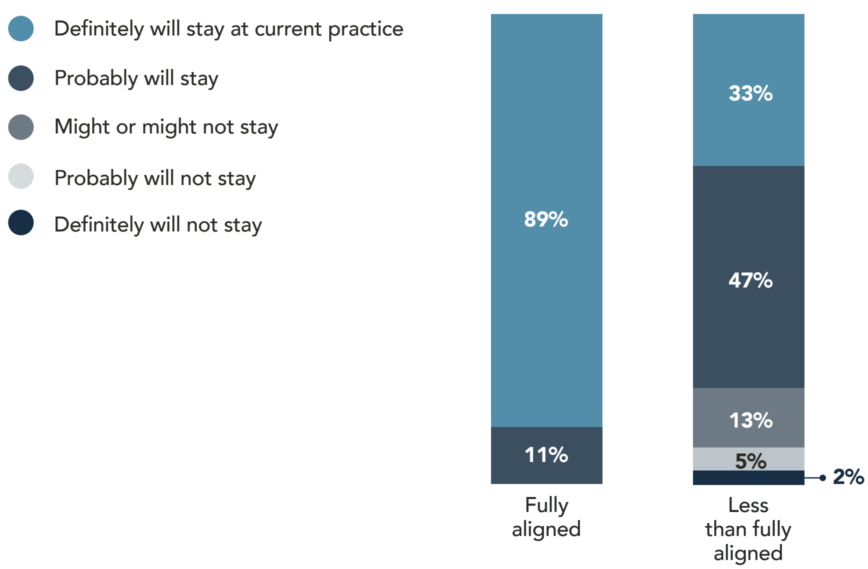
36% of those who are not definite about staying at current practice have been given strategic planning responsibilities

> *I could start to assume more management responsibilities any time now.*
> - G2 Advisor

WARNING SIGNS: GAPS IN ALIGNMENT THAT PUSH G2s AWAY

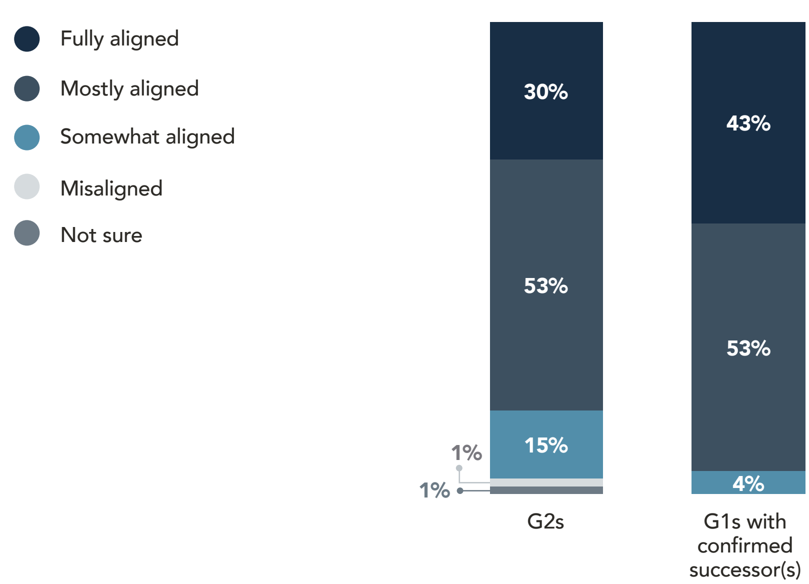
One of the strongest predictors of G2 loyalty is feeling aligned with practice owners on the direction of the practice. Research analysis shows that feeling “fully aligned” can be a two and a half times multiplier of G2s’ commitment to stay with their current practice rather than considering other career options.

G2 LIKELIHOOD TO STAY AT CURRENT PRACTICE BY DEGREE OF ALIGNMENT WITH G1



However, **only 30% of G2s say they are fully aligned with their G1s**, and 43% of G1s who have a confirmed successor(s) feel the same, indicating significant room for improvement.

HOW ALIGNED ADVISORS FEEL ON THE DIRECTION OF THE PRACTICE



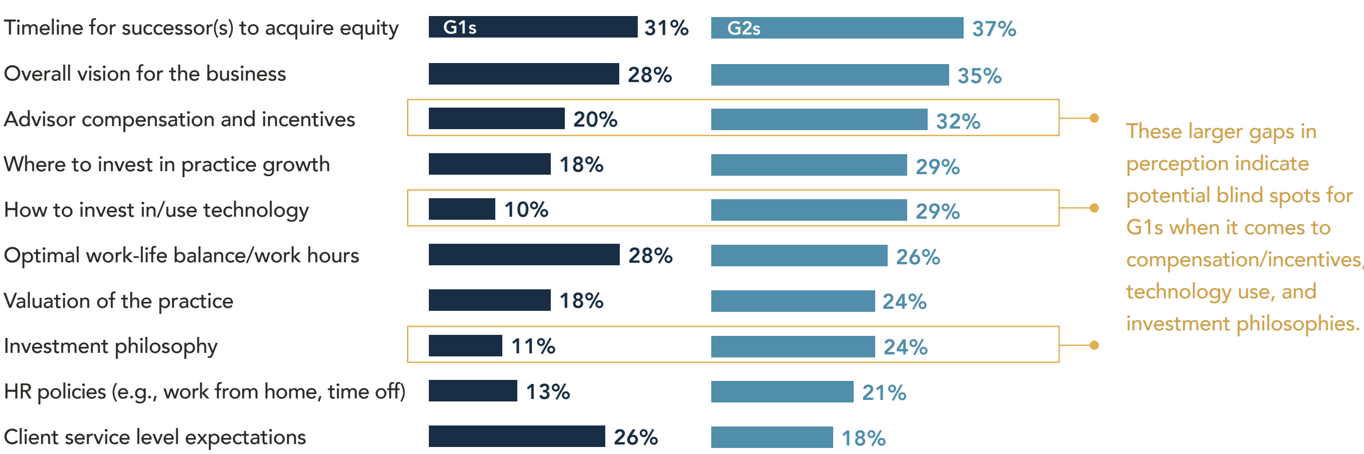
What are key opportunities to increase alignment across the leadership generations? The most common areas in which both sides agree they don't see eye to eye are 1) the timeline for successors to acquire equity and 2) the overall vision for the business.

In addition, G1s may have some blind spots when it comes to issues that matter to G2s. Advisor compensation, how to invest in technology, and investment philosophy are areas where G2s feel significantly more misaligned than G1s, indicating potential need for improved communication on these topics.

AREAS OF PERCEIVED MISALIGNMENT

% of G1s and G2s selecting each

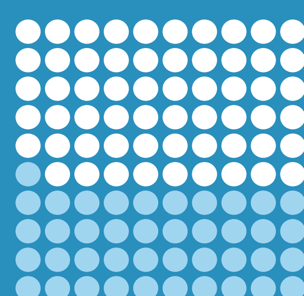
Data for G1s comprises those who have hired at least one successor/potential successor



Equity Transfer–A Point of Tension and *Opportunity*

The timeline for equity transfer is the number one area of misalignment between G1s and G2s and a top area in which G2s desire additional clarity from their practice owners. What's more, 25% of G2s say they would consider leaving in the absence of receiving equity or a timeline for receiving equity.

Yet, fewer than half (41%) of G1s planning to retire within ten years have transferred any equity to successors. And as shown on page 8, equity transfer is a succession plan component for which 78% of G1s do not have a concrete game plan in place.



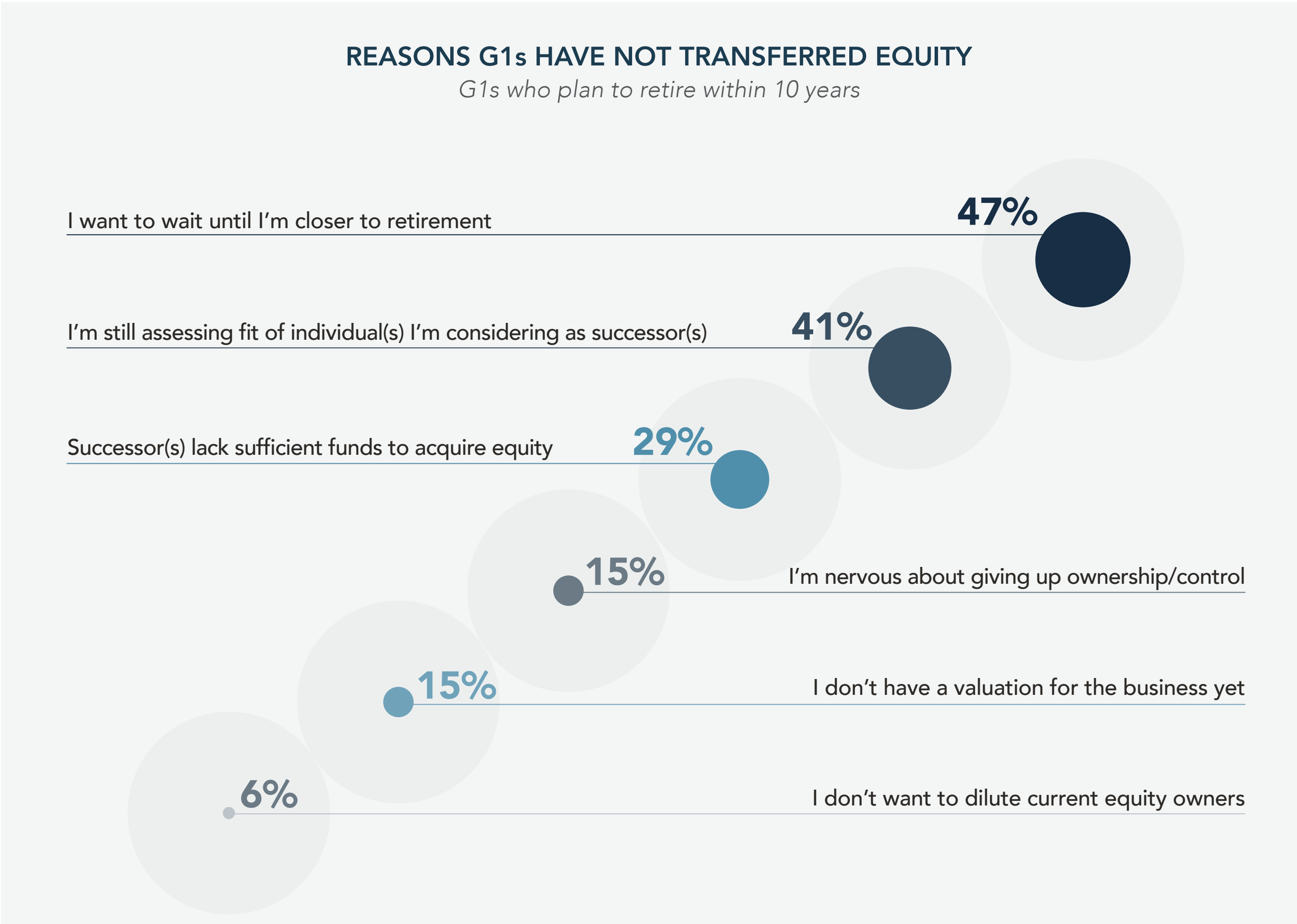
41%

Have Transferred Equity to Successor(s)

G1s who plan to retire within 10 years

G1s' Rationale for Delay in Equity Transfer

The primary reason G1s give for not transferring equity is the desire to wait until they are closer to retirement.



But waiting can backfire. Equity, thoughtfully structured and timed, can be one of the most powerful tools for retention, development, and alignment. It sends a clear message: *You belong here*.

G1s should carefully consider the potential advantages of giving successors equity earlier:

Increased commitment and retention (protecting client relationships and business value)

- Successors feel more invested—literally and emotionally
- Strong signal of trust and long-term intent
- Reduces flight risk in a competitive talent market

Accelerates leadership development

- Equity creates a mindset shift from employees to owners
- G2s are more likely to step up to leadership when they feel ownership
- Gradual transfer enables time for mentoring and phased transfer of responsibility

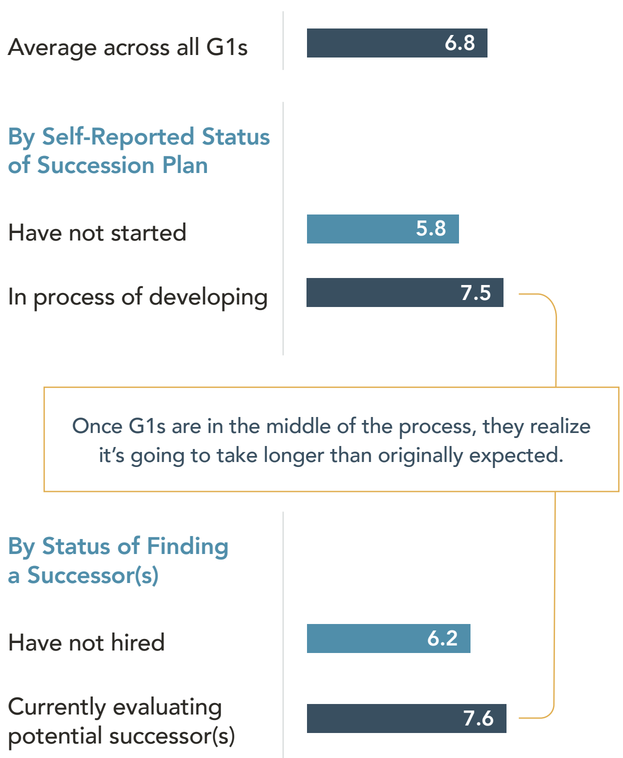
Improves transparency in succession planning

- Forces structured conversations around valuation, timelines, and expectations
- Gives clarity to both sides on the path forward
- Demonstrates to clients and team members that the firm has a thoughtful, stable succession plan in place

THE IMPORTANCE OF TAKING ACTION NOW: WHY URGENCY MATTERS

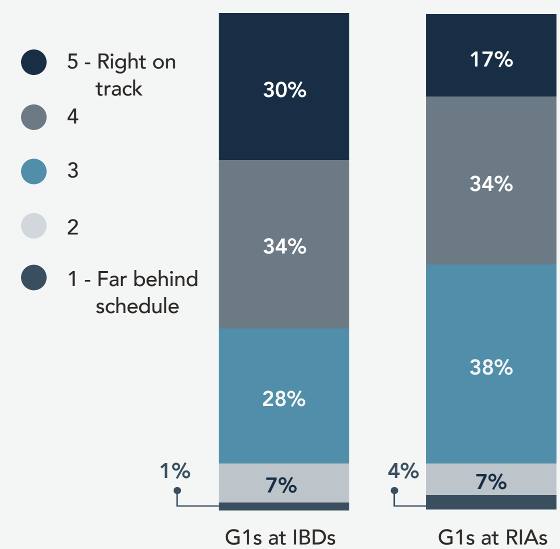
G1s often underestimate how long effective succession planning really takes. And once they begin, they realize they need more time than they thought.

IDEAL NUMBER OF YEARS BEFORE RETIREMENT THAT AN ADVISOR SHOULD BEGIN PLANNING
As cited by G1s



Overall, G1s at RIAs are more likely to feel behind schedule than those at IBDs, potentially because they don't have the succession planning support resources of a broker-dealer to rely on. (Broker-dealer support was the most cited valuable resource G1s have used to help plan and execute their leadership transitions. RIAs instead are primarily relying on conversations with peers.)

G1s' ASSESSMENT OF SUCCESSION PLANNING PROGRESS

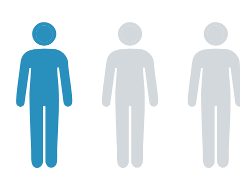


The longer G1s wait, the more they risk. Delays can put owners significantly off course with risks including:

- Losing scarce G2 talent—they *do* have options elsewhere, and 34% of G2s say they would consider leaving their current practice in the absence of a clear succession timeline.
- Insufficient time to find and train ideal G2s (especially if one doesn't work out and the G1 needs to start over).
- Decreased ability to structure longer payout timeframes often needed to make ownership affordable for G2s.
- Compromised client experience due to lack of time for G1s to train successors and for G2s to build rapport with clients.

1 IN 3

G2s SAY THEY WOULD CONSIDER LEAVING IN THE ABSENCE OF A CLEAR SUCCESSION TIMELINE



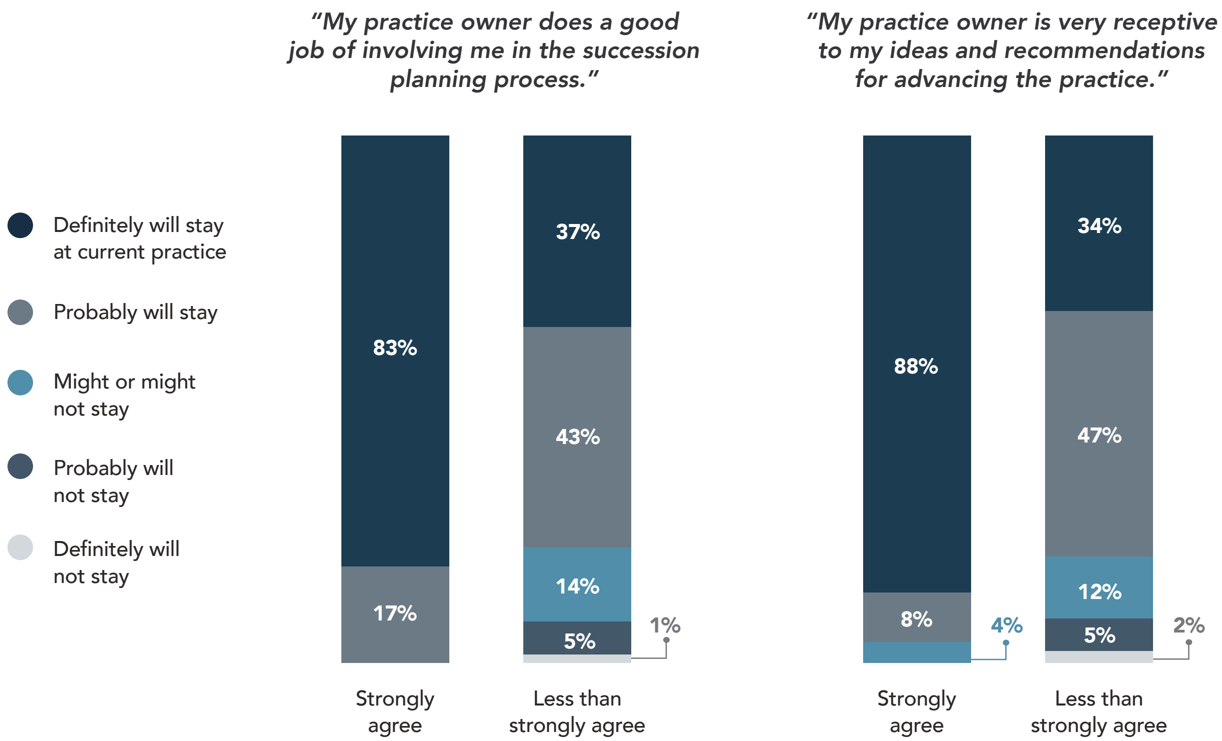
TURN YOUR VISION INTO REALITY: THE FOUR PILLARS OF SUCCESSION SUCCESS

TRANSPARENCY	TRAINING	TANGIBILITY	TAILORING

1. TRANSPARENCY

Trust is the foundation of any successful transition. For G2s, that trust is built through transparency and engagement in running the business and in the succession planning process. When G1s invite successors "behind the curtain," commitment grows on both sides.

G2 LIKELIHOOD TO STAY AT CURRENT PRACTICE BY EXTENT TO WHICH G2s AGREE WITH THE STATEMENTS BELOW

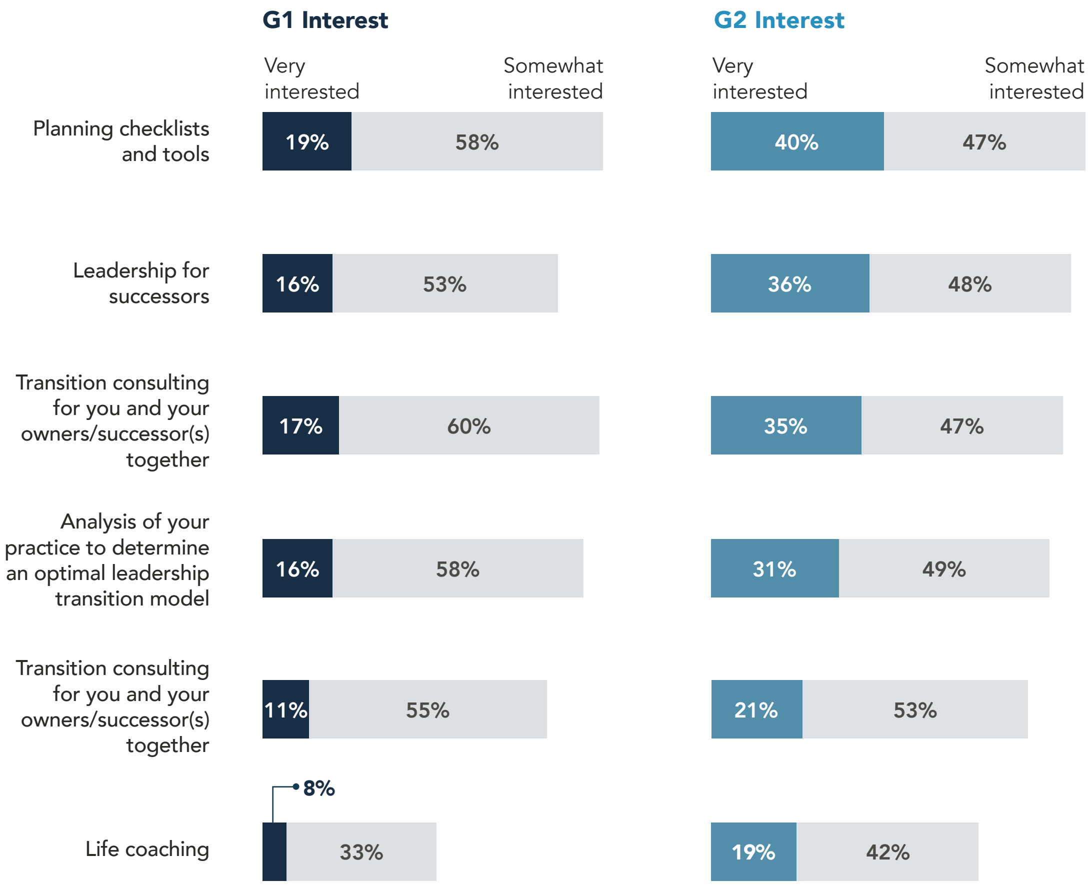


> *Sharing more info and responsibilities for the overall practice would be a big gesture demonstrating trust.*
>
> \- G2 Advisor

2. TRAINING

G2s want to lead—but they need preparation to succeed. Our research shows they're more eager than G1s realize to receive structured support. They are about twice as likely to be very interested in a range of succession planning resources as G1s are, indicating G1s may not recognize G2s' desire and need for guidance.

INTEREST IN RESOURCES TO SUPPORT THE SUCCESSION PLANNING AND LEADERSHIP TRANSITION JOURNEY



3. TANGIBILITY

Handshakes don't inspire confidence—documents do. When expectations, timelines, and agreements are clearly spelled out, G2s feel more secure. And our research shows G1s who have formal documentation in place feel significantly less stressed about the succession planning process.

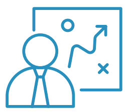
> *Our goals were aligned, but there was no structure. And it was very challenging. There were multiple points where I even considered leaving.*
> - G2 Advisor

4. TAILORING

No two transitions look the same. The best succession plans are customized to each firm's goals, structure, and people—and they evolve as circumstances change. For example, most G1s plan a gradual transition away from the business, and indicate a variety of ways they may stay involved that benefit both G1 and G2.

Options for Ongoing Involvement

Meet with Top Clients



Remain in a Strategic Role

Continue as a Rainmaker

Be Available to G2 as a Sounding Board

Stay Involved Socially

> *He is in no rush to push me out the door so he can continue to leverage my institutional knowledge, but he would be ready if I stepped away.*
>
> \- G1 Advisor

Pillar	What It Means	Suggested Action Items
TRANSPARENCY	Communication and engagement build loyalty	• Share firm financials and strategic plans with G2s and invite their perspective • Initiate regular check-ins to discuss long-term goals and concerns
TRAINING	Successors need structured support and mentoring to succeed	• Give G2s leadership responsibilities in areas related to managing the business • Create a development roadmap tailored to G2s' skill gaps • Consider external leadership training or coaching
TANGIBILITY	Clear timelines and documentation reduce ambiguity and stress	• Draft a written succession plan with key milestones • Ensure plan includes all key components, e.g., equity terms, leadership transition, client relationship transition • Set a target retirement or transition timeline—even if tentative
TAILORING	No one-size-fits-all plan; succession must reflect the firm's unique DNA	• Ensure succession plan and timeline align with firm goals, culture, and client relationship model • Decide together what legacy should be preserved and what can evolve • Revisit the plan annually to adjust for business or life changes

DEFINING A SUCCESSFUL TRANSITION: WHAT IT LOOKS LIKE

True succession planning is far more intentional and transformational than just a business continuity plan. It's not just about protecting the business G1s have built; it's about preparing it to thrive as it moves to the next generation of leadership. The table below highlights some of the critical strategy and mindset shifts that define a successful transition.

From	To
Business continuity plan	Leadership transition plan
Transaction at/near retirement	Multi-year, phased journey
G1s lead everything	Shared leadership structure
Ambiguity	Clear, documented agreements
Waiting until "ready"	Starting while G1 is still active
G2s with an employee mindset	G2s with an owner mindset
Reactive	Proactive
Protecting the past	Empowering the future

SECURE YOUR LEGACY: PLAN FOR SUCCESSION WITH CONFIDENCE

Effective succession planning solutions support both the owner(s) transitioning their business to the next generation AND the successors preparing to take the reins.

The Kestra Holdings ecosystem helps bridge that gap. As a network of companies that power the financial independence of wealth management professionals and firms, Kestra equips its advisors with expert consulting, resources, technology, and support so they can create scalable growth and provide deeper value to their end clients.

Kestra has helped many advisors on both the G1 and G2 side of a transition navigate succession with greater clarity, structure, and confidence, giving us a front row seat to the hopes, hurdles, and hard choices faced by these advisors.

Succession planning is always going to be a process. But with additional perspective and support from partners like Kestra, the way forward can be more clearly defined for all.

Learn More About
Working With Us

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Get in Touch

Find Out Your Succession
Readiness Score
With Our Self-Assessment

Take the Assessment