

Checklist for Avoiding Partnership Fights and Eventual Partnership Divorce

Step 1: Thrivers versus Survivors

Determine whether the partners are Thrivers or Survivors. Have every partner take the “Thriving Inventory” test in the book, *The Eagle’s Secret*, by David McNally. Compile the results.

- If some partners are Thrivers and some are Survivors, the probability of a partnership split is higher than normal. Immediately:
 1. Have the Buy/Sell Agreement reviewed by a qualified third-party.
 2. Have the firm valued by a qualified third-party.
 3. Determine if the Thrivers and Survivors can develop a plan to continue to work together very successfully. This is usually very difficult to do, but it may be possible or sometimes a person’s Thriver/Survivor status can change.
 4. If the partnership cannot be saved, contact an outside third-party to help you develop a plan to split the agency while all parties are amicable.
- If all partners are in the same Thriver/Survivor category:
 1. Have the Buy/Sell Agreement reviewed by a qualified third-party.
 2. Have the firm valued by a qualified third-party.

Repeat this test every three years because a person’s Thriver/Survivor status can change.

Step 2: Executive Compensation

Do all the partners feel they and their partners are compensated appropriately?

- Yes. Now is a good time to hire an outside third-party to review your partner compensation and develop an executive compensation plan while everyone is getting along.
- No.
 1. Determine if the situation is temporary or permanent:
 - If it is a temporary imbalance, live with it.
 - If it is a permanent imbalance, try to identify the cause:
 - Is the person being paid as if they are a Thriver versus a Survivor?
 - Are the agency’s compensation mechanics designed poorly?

- Is the agency's compensation based on tax minimization rather than agency accountability?
- 2. Will all the partners agree to a formal compensation plan based on their results?
 - Yes. Hire an outside party to help you design this plan.
 - No. The partnership likely needs to be dissolved.

Step 3: Job Descriptions

Do all partners have formal job descriptions?

- Yes. Congratulations!
- No. Create formal job descriptions immediately.
 - Without job descriptions, how can the partners be held accountable?
 - Without job descriptions, how can anyone make a case against a partner not doing his or her job?
 - Without job descriptions, how can a partner make a case he or she is doing his or her job?

Step 4: Partnership Agreements

Does your agency have a Partnership Agreement?

- Yes.
 1. Determine if your Partnership Agreement has a proper Buy/Sell Agreement:
 - a. Is the attorney who wrote your Buy/Sell Agreement an agency valuation expert?
 - Yes. You are a lucky person, because very few attorneys are agency valuation experts.
 - No. This may possibly be your most important contract, so why have someone that has no knowledge of how to value an insurance agency write it?
 - b. Have you had a valuation expert review your Buy/Sell Agreement to determine:
 - The correctness of the definition of value used (FYI, there are at least eight definitions of value potentially applicable)?
 - The applicability of that definition to your situation?
 - The feasibility of triggering the Buy/Sell and actually receiving the money due?
 2. If you have any doubts about the quality of your agreements, hire a qualified valuation expert to review them.
- No. Immediately hire a qualified attorney and a valuation expert to develop a Partnership Agreement with a Proper Buy/Sell Agreement for your agency.