Checklist: Avoid 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 strong Thrivers and some are strong 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 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 a structured executive compensation plan while everyone is getting along.
- ☐ No.
  1. Determine if the situation is temporary or permanent:
     - o If it is a temporary imbalance, live with it.
     - o 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 owner job descriptions?

- ☐ Yes. Congratulations! Are all partners doing their jobs per their job description?
- ☐ 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 doesn't it make sense to hire an agency valuation expert to guide your attorney to write a proper valuation clause?

     b. Have you had a valuation expert review your Buy/Sell Agreement to determine:
        - The correctness of the definition of value used? (At least eight definitions of value are potentially applicable and choosing the correct definition is critical.)
        - 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.