

Heron House Succession Plan

We have celebrated 25 years, now it's time to plan for the next 25 years and beyond!

History of HHFM

Saran set up Heron House in 1994 with the goal of offering financial planning at a sensible cost, and Chris bought into HHFM in 2001 as an equal partner.

The team has grown from 1 administrator and a dog (!) to 18 members. Staff turnover has always been very low, which has allowed us to develop and maintain long-term client relationships.

HHFM today is an award-winning company with a strong client team that is responsible for investments in excess of £320m.

Our aims

Having worked very hard to build the business, Saran and Chris do not want to sell, take profits and run off. They do, however, want to start slowing down and not work forever; as is the aim for all HHFM clients.

We want to ensure that the purpose and aims of HHFM do not change. We also want to ensure that HHFM can continue to thrive and extend the same continuity of service to our clients. To enable this, we have implemented a gradual succession plan for the next 10 years, and becoming employee owned is the start of a very exciting future.

Our Options

We have seen many similar firms proceed with a trade sale or merge with another financial planning company. These routes often maximise profits for the business owners, however there are many downsides including losing the heart and soul of the team and company, increased costs for the business and clients, a strong focus on profits rather than people, an implementation of discretionary or model portfolios and overall not placing the client's best interests at the forefront of all decisions.

We are very proud of what we do at HHFM and we work hard to be able to provide all of our services in-house at a low cost. We carry out all investment research ourselves which enables us to create bespoke investment portfolios which are suited to each individual client.

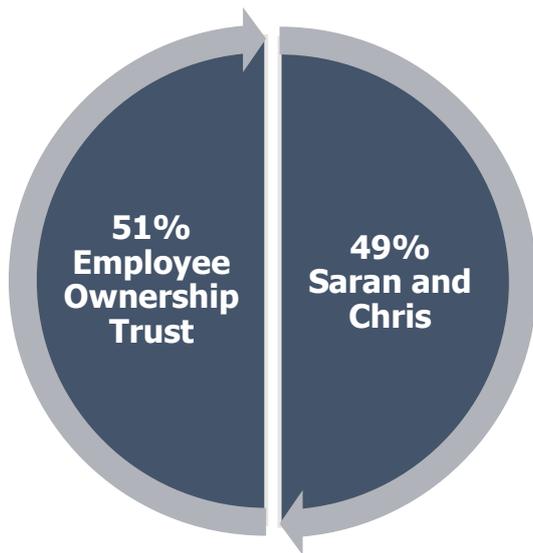
Overall, we believe other succession planning options would result in a loss of our personalised service and our clients and team would pay the price of that.

After much research, Saran and Chris decided to sell part of the company to our own in-house Employee Ownership Trust, also known as an 'EOT).

What is an EOT?

An Employee Ownership Trust is 'a company that is employee controlled and indirectly owned, using a trust, for the benefit of employees'. Maybe the most well-known example of this is John Lewis & Partners, but many other companies are also fully or partly employee owned. Some other recent examples are Aardman Animations (Wallace and Gromit creators) and Riverford Organics.

Heron House will employ a hybrid Employee Ownership Trust (EOT) model



51% Employee Ownership Trust – controlling share is being sold to the Trust which will be held collectively on behalf of employees.

49% Saran and Chris – residual shares will be directly held by Saran and Chris and will over time grant share options to the future management team.

The trust is essentially a shareholder, and the beneficiaries will be the employees. Despite the term 'employee owned', the business will continue to be run by the board of directors.

This model allows for long-term development, sustainability and flexibility.

Why did we choose EOT?

We feel that this is the best route to ensure that the company values and ethos can continue in the long-term, sustaining and nurturing our ongoing client relationships.

We are confident that this is the right route for Heron House, our clients and our staff.

Key advantages of an EOT

- The best way to preserve current staff and their ongoing client relationships;
- Protects HHFM's values and ensures its independence because its employees are the best people to continue the good work;
- Maintains culture, legacy, values and the future of the business;
- Allows continuity and stability for our clients;
- Provides certainty of the future with a long-term focus;
- The team 'have a voice' with a Trust Board to represent them;
- Allows for collective leadership and decision-making, and a diverse company perspective.

EOT is gathering momentum. Employee owned companies have seen growth of approximately 60% since 2010, and as of June 2020 there are nearly 500 employee owned businesses in the UK. Also luckily for us, new legislation came in 2014 to simplify the transition to EO.

Further Information

You can find further information and resources about Employee Ownership Trusts at the following websites:

- The Employee Ownership Association www.employeeownership.co.uk
- Wales Co-Operative Centre www.wales.coop
- UK Government website www.gov.uk

Please do feel free to get in touch with us if you have any queries by emailing mail@hhfm.co.uk or calling the office on 01633 258200.

