

Leaving a Legacy – Risk Assessment Tool

Instructions

Risk is inherent in any business, but fortunately it can be managed and often mitigated. This document is intended to help identify and quantify the potential levels of risk in your business. These risks could negatively impact your ability to leave a personal or business legacy in the future. Common risks factors can include physical, financial, strategic, operational and compliance risk.

Once you have completed the assessment, **total up your score on page 4** to determine your risk assessment.

Rating Scales

Some of the questions contained in this assessment are open-ended, requiring you to write/type a few sentences. Other questions are based on a rating scale (1 to 5) where **1 is always low and 5 is always high**. Please rate your firm within each of the categories according to the following scales (depending on the wording of the question):

1 – Poor
2 – Fair
3 – Good
4 – Very Good
5 – Excellent

1 – Never
2 – Rarely
3 – Sometimes
4 – Usually
5 – Always

1 – Extremely Unsatisfied
2 – Somewhat Unsatisfied
3 – Satisfied
4 – Very Satisfied
5 – Extremely Satisfied

1) Physical Threats

A. I have an adequate disaster recovery plan in place	1	2	3	4	5
B. I have an adequate data security plan in place	1	2	3	4	5
C. My client data/documents are secure and backed-up	1	2	3	4	5
D. My firm's data/documents are secure and backed-up	1	2	3	4	5
E. My computer hardware is current and operational	1	2	3	4	5
F. My computer software is current and operational	1	2	3	4	5
G. My office provides a safe working environment	1	2	3	4	5
H. What (if anything) keeps you up at night when it comes to physical threats to the firm? (Open Response Below):					

TOTAL:**2) Financial Threats**

A. My finances are clean, organized and easy to access	1	2	3	4	5
B. My monthly cash flow is always positive	1	2	3	4	5
C. My CPA is open, honest and effective in dealing with my taxes	1	2	3	4	5
D. I have an effective personal retirement plan in place	1	2	3	4	5
E. My business has saleable assets that one day will be attractive to a potential buyer	1	2	3	4	5
F. I am selective and strategic in providing services "on credit"	1	2	3	4	5
G. As the principal of my firm, I have enough insurance to cover all my obligations should I die or become disabled	1	2	3	4	5
H. My operating agreement covers what happens if I die or cannot work	1	2	3	4	5
I. I have adequate key employee insurance in place	1	2	3	4	5

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|--|---|---|---|---|---|
| J. I have effective professional liability coverage in place | 1 | 2 | 3 | 4 | 5 |
| K. I have effective employer liability coverage in place | 1 | 2 | 3 | 4 | 5 |
| L. My partners and I have a properly funded buy/sell agreement in place | 1 | 2 | 3 | 4 | 5 |
| M. What (if anything) keeps you up at night when it comes to financial threats to the firm? (Open Response Below): | | | | | |

TOTAL:**3) Strategic Threats**

- | | | | | | |
|--|---|---|---|---|---|
| A. My strategic plan effectively differentiates me from competitors | 1 | 2 | 3 | 4 | 5 |
| B. I am poised for sustainable growth in the future | 1 | 2 | 3 | 4 | 5 |
| C. I have a solid succession plan in place to pass my business on to the next generation | 1 | 2 | 3 | 4 | 5 |
| D. I am confident in my exit strategy – how I plan to leave the business | 1 | 2 | 3 | 4 | 5 |
| E. If a key member of my team left the business, my business would survive | 1 | 2 | 3 | 4 | 5 |
| F. My reputation in the community is strong | 1 | 2 | 3 | 4 | 5 |
| G. I regularly discuss satisfaction levels with my clients and track results | 1 | 2 | 3 | 4 | 5 |
| H. I have diversified my client mix and do not rely on a small handful to support my business | 1 | 2 | 3 | 4 | 5 |
| I. What (if anything) keeps you up at night when it comes to strategic threats to the firm? (Open Response Below): | | | | | |

TOTAL:

4) Operational Threats

- | | | | | | |
|---|---|---|---|---|---|
| A. I have processes in place that protect valuable information and systems should a member of my team leave the firm | 1 | 2 | 3 | 4 | 5 |
| B. Important passwords are documented and secure | 1 | 2 | 3 | 4 | 5 |
| C. My team is trustworthy | 1 | 2 | 3 | 4 | 5 |
| D. My overhead is manageable and within budget | 1 | 2 | 3 | 4 | 5 |
| E. What (if anything) keeps you up at night when it comes to operational threats to the firm?? (Open Response Below): | | | | | |

TOTAL:**5) Compliance Threats**

- | | | | | | |
|--|---|---|---|---|---|
| A. There is a low risk that I will be sued for malpractice | 1 | 2 | 3 | 4 | 5 |
| B. I am compliant with all Bar regulations/requirement | 1 | 2 | 3 | 4 | 5 |
| C. I am compliant with all specialty regulations that affect my practice area(s) | 1 | 2 | 3 | 4 | 5 |
| D. I am compliant with all relevant state and federal government regulations for businesses | 1 | 2 | 3 | 4 | 5 |
| E. What (if anything) keeps you up at night when it comes to compliance threats to the firm?? (Open Response Below): | | | | | |

TOTAL:**YOUR RISK ASSESSMENT:**

TOTAL SCORE FROM ALL SECTIONS ABOVE: _____

LOW RISK

141-175

MODERATE RISK

106-140

MEDIUM RISK

71-105

HIGH RISK

35-70

7) General Legacy Questions

- | | | | | | |
|--|---|---|---|---|---|
| A. How important is it for you to leave a legacy? | 1 | 2 | 3 | 4 | 5 |
| B. How important is it for you to be able to sell the firm as part of your retirement? | 1 | 2 | 3 | 4 | 5 |
| C. How satisfied are you with the level/amount of risk protection in place? (e.g., insurance) | 1 | 2 | 3 | 4 | 5 |
| D. How well do you plan for a rainy day? (e.g., saving money, mitigating risk, disaster plans) | 1 | 2 | 3 | 4 | 5 |
| E. How satisfied are you with your current succession plans? | 1 | 2 | 3 | 4 | 5 |
| F. What (if anything) keeps you up at night when it comes to leaving your legacy? (Open Response Below): | | | | | |