

## Chapter II: Preparing for life after being CFO

*"Wall Street thinks we're going to sit in our jobs until we die."*

Inevitably, the time comes when—as a sitting CFO—you will likely ask yourself, what's next? And, if you are of a certain age, the answer may be retirement or at least semi-retirement. The question then becomes, what will the next chapter of my life look like?

It's a question many CFOs seem to be asking themselves lately. In 2017, for example, 98 of the Fortune 1000 CFOs

rotated out of their roles, according to statistics provided by Heidrick & Struggles, noting an average retirement age of 61.58.<sup>1</sup> Since the beginning of 2018, that number has risen to 107 of the Fortune 1000 CFOs, with an average retirement age of 60.11.<sup>2</sup> Little wonder then, that many CFOs are starting to lay the groundwork for life beyond being a finance chief.

Truthfully, an abundance of choices likely awaits CFOs who step down—with no one-size-fits-all answer. Armed with their generous salaries and benefits, many do

not worry about living comfortably, and can instead focus on finding new sources of fulfillment. Others want to stay engaged, though maybe not at the same pace. And in this issue of *CFO Insights*, we will look at how some CFOs have made the move into retirement, weighed their options, and found gratification outside of the C-suite. ➤



**Laying the groundwork**

*“My process started about four years before my retirement with a lot of internal conversations with my boss and then conversations with some CFO friends who had retired. It wasn’t a rash decision.”*

Making the decision to retire or step aside is different for every CFO. For one CFO, it was simply a matter of wanting to do something different. For another, it seemed like the right time to give back. For others, circumstances arose—such as their company being acquired or a new CEO taking over—that made the decision easier and more pressing.

Whatever the situation, it can be important to make a plan that weighs a range of factors: How busy do I want to be? Where will I live? How will I divide my time?

The answers can help customize retirement for an individual CFO. The groundwork, though, should start early—sometimes years in advance. And as part of the blueprint, CFOs should consider potential different scenarios, such as illness, loss of a partner, and unexpected job separation. In addition, the plan should be consistent with financial resources, such as compensation, taxes, and insurance.

One other critical factor, however, is often lifestyle. As CFOs, the never-ending demands of the job may have kept you from fully enjoying both the people and the activities that truly matter to you. Still, letting go of the hard-charging schedule,

the ability to contribute, and the respect that goes with being CFO is difficult for many finance chiefs. That is why having a plan for how you will spend your time can be so important. One CFO we spoke to envisioned spending one-third of his time staying engaged, another one-third giving back, and the final one-third on personal activities. As another former CFO put it, “Deciding how you will spend your time is an important soul-searching exercise.”

**Pulling the trigger**

*“When I was 55ish, I started thinking about retirement, particularly about how much more energy I wanted to give this job. Loved it, but there’s only so much time in your life and you probably want to try some other things.”*

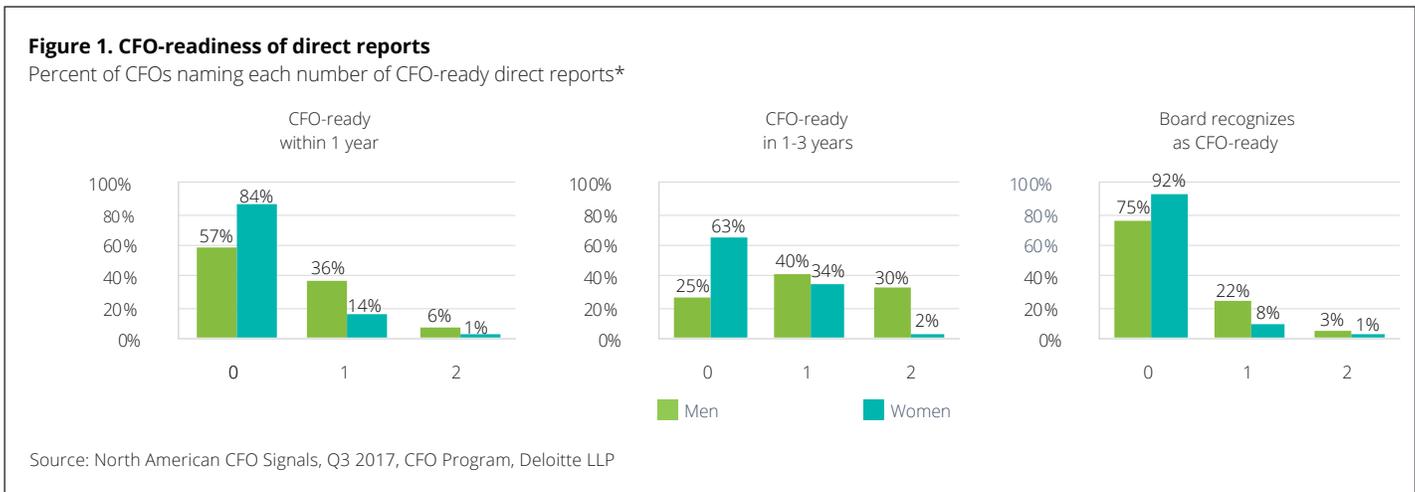
For the CFOs we spoke to, the actual process of retiring often started with a conversation with the CEO. Together, the retirement date or time to transition were set, taking into consideration the current company condition and readiness of a successor. At a public company, setting a leave date also typically triggers a Form 8-K filing and/or a press release to make such intentions known.

From the perspective of the board and other major stakeholders, the priority then commonly became ensuring a smooth transition—and this is where having a solid succession plan can help. Luckily, 90% of CFOs reported in the Q3 2017 CFO Signals™ survey (see Figure 1) that they have at least one report who will be ready within the next three years,

and half said that at least one will be ready within one year. Moreover, about 30% say they have at least one direct-report already identified as CFO-ready by their board.<sup>3</sup>

In making the exit public, which often begins with the press release, it may make the transition easier (particularly if a successor has not been named) if the departure can be framed as a celebration of the CFO’s achievements—rather than the byproduct of some corporate mistake or transformation. For example, if the release states that the current CFO has made the decision to retire and that the company is working on a transition plan, that can give management plenty of time to recruit a successor and provide the internal team with time to digest the news. More important, the exit may not be viewed negatively on the stock or the strategy.

Finally, in the run up to retirement, many CFOs advise continued exposure for your top candidate(s), especially in areas where he/she may benefit from additional experience. That may involve presentations to the board and CEO, as well as one-on-one settings where the individuals have some quality time with the CEO and key board members. In addition, a CFO looking to exit needs to leave behind a strong team that can cover all aspects of finance during a transitional period. Lastly, a retiring CFO should be available during a reasonable transition period, to help with the transfer of institutional knowledge. The key, says one CFO, is flexibility. ➔



### A portfolio of choices

*“As CFO, you are kind of wound like a race horse, and you’re going to want to get out there and run. But you need to be disciplined about what you are doing or you’ll be doing way too much too soon.”*

For those CFOs who do pull the trigger, there can be plenty of options to consider. Here are just a few:

- **Boards of directors**—For many CFOs, joining a corporate board makes a lot of sense. Board service can represent a valuable opportunity to continue your learning curve beyond your own company and industry. Further, such service may be a logical capstone to a long career. The compensation isn’t bad, either, with the median pay for independent directors at the 200 largest US companies topping more than \$280,000 annually.<sup>4</sup> But board service also takes time, often hundreds of hours per year. In addition, by accepting a board position, you are accountable both ethically and legally to fulfill your responsibilities, particularly your fiduciary duties. One word of advice: If a trusted member of your network currently sits on a board, leverage his or her knowledge. Such insights can help determine if this is a path you want to take.
- **Private equity (PE)**—Many private equity firms need experienced CFO help, too. These firms are also places where an experienced CFO can make an immediate impact given your line of sight into value-creation. For example,

as PE firms grow, many of their leaders are realizing that a seasoned CFO may be helpful in identifying and guiding new investments. In addition, given their very scarce portfolio resources, bringing on an experienced CFO to execute management reporting and back-office operations may be a logical next step.

- **Volunteering**—Retirement can be an ideal time to give back to the community, whether that be the business community or your local community. Many retired CFOs tell us that their business acumen is sought in several areas, including local government, and their finance acumen is often valued at start-ups and other ventures.
- **Passion**—CFOs often have this ideal view of retirement as the time when they can follow their passions, whether that be playing golf daily or traveling to some exotic location. The demands of the CFO role, however, often do not leave time to fully commit to a passion project. And for CFOs who are used to having a portfolio of activities, following one passion may not be the ideal solution. As with other possible uses of your time in retirement, choose with moderation in mind.

Whatever path you take, the relationships you have made as finance chief may come in handy. As CFO, for example, your relationships with investment bankers could be key to landing a position with a PE firm. Your own board members could open doors to future board

opportunities. In other words, consider leveraging your network while you are still in the job to create relationships that could one day present post-CFO employment opportunities.

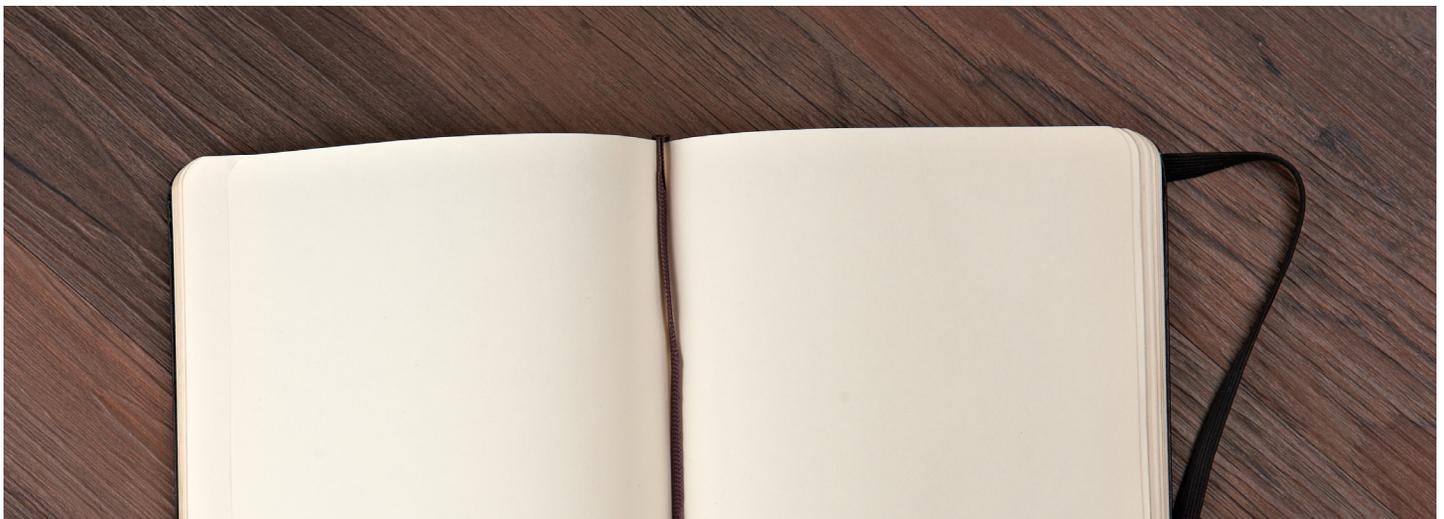
### Preparing for transformational change

*“You’re used to going 150 miles an hour and suddenly you’re not. For me, it took a month or two to find my own cadence.”*

Before making final choices, however, you should prepare for one eventual reality: the first day of retirement. Many CFOs who have experienced it advise going against your best instincts and taking time deciding what to do next.

In fact, several former CFOs estimate that six months is an appropriate yardstick. That span of time can allow you to break from the corporate rhythms, clear your head, spend time with your family, and maybe take a vacation or two. Moreover, having the luxury of time can allow you to be more selective when new opportunities present themselves.

As many CFOs well know, change occurs constantly in the corporate world. Retirement is just one more transformation—only this time it’s personal. That is why it can be not only important to create a financial plan for retirement, but also to decide how to best populate the satisfaction side of the ledger. ➤



### What was the most difficult part of retiring?

Once CFOs decide to retire or step aside, they have to deal with the realities of the transition. The following obstacles can prove challenging:

- **Letting go.** Transforming from finance chief to everyday citizen is not always cut and dry. Depending on the circumstances of your departure and the experience of your successor, you may find that your institutional knowledge is still in constant demand. Take the case of the CFO who exited after a corporate buyout and was subsequently deluged with calls from former employees. Despite his loyalty toward those former employees, the new owners could obviously take the business in any direction they wanted. While former coworkers could still approach the former CFO for wisdom and

leadership, helping solve their problems was simply not his responsibility anymore.

- **Saying no.** As a CFO, you may have the ability to reject a business decision that you do not agree with—especially if data shows that the company cannot feasibly, financially or otherwise, accomplish the goal. But saying no to something you do want to do may be quite agonizing. Many retired CFOs face this dilemma. If you truly open yourself up to different possibilities in retirement, you may be surprised at how many are tempting. To some degree, the process of finding out what “gives you the most oxygen” is iterative, as one CFO told us, adding that it is also ironic, given that CFOs have the reputation of being in-house naysayers. Applying that professional discipline into your personal, post-CFO life can be crucial, however.

- Serving as your own administrative assistant. As CFO, you often have an assistant who schedules your meetings, your travel, and your time, enabling you to focus on higher-level items. That assistant disappears when you retire, however, leaving you to take care of the details—and not let any tasks fall through the cracks.
- **Avoiding “CFO creep.”** Finance chiefs who transition into retirement, no matter how seamlessly, are typically not immune to CFO creep. Given the number of great opportunities and growing demand for sophisticated financial acumen, it can be important to establish and maintain firm boundaries. Otherwise, you may find yourself in an all too familiar position—living the life of a CFO. ◀

## Endnotes

1. Fortune 1000 research, Heidrick & Struggles, October 2018.
2. Ibid.
3. North American CFO Signals, Q3 2017, Deloitte CFO Program, Deloitte LLP.
4. National Association of Corporate Directors, 2017-2018 *Director Compensation Report*.

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