

John Brown:

What I tell people now is exit planning is really just business planning. What are your goals? What are your resources? How do you obtain enough resources to achieve your goals? It's just following down a path like that. It is. It's very straightforward.

Elizabeth Mower:

Hello, this is Elizabeth Mower president of BEI.

John Brown:

And I'm John Brown, the founder of BEI.

Elizabeth Mower:

Each episode we take you into the world of exit planning. Sharing the stories, struggles, and opportunities of business owners and their advisors. We'll get into this episode's conversation right after this.

Jared Johnson:

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Elizabeth Mower:

John, you said that you brought a topic today and I don't know what it is, so you're going to surprise me a little bit I think. So tell me what we want to talk about.

John Brown:

So this is going to be a little interesting today because I want you to talk about, or us to talk about, exit planning. I mean this is what we do as a company as we train advisors and support advisors in exit planning for their clients. So I thought maybe we should talk about exit planning.

Elizabeth Mower:

All right, we can do that for a minute.

John Brown:

So let me kick it off by saying a lot of advisors come to our training sessions, our boot camps, and we go around at the very beginning and say, well, what brought you here? Why are you here? And very often they're saying, well, because I've done some planning for my business owner members, but I feel as though it's incomplete. It feels like I'm recreating the wheel every time I meet with a new client and talk to them about planning. And what I need is a process. So as really the person who has refined the exit planning process over the last 15 or 20 years, tell me first, what is the exit planning process and then secondly, why is it important?

Elizabeth Mower:

Sure, I'll try to give the most common kind of description of the planning process because if there are business owners listening today, it's my view that they should insist that the advisors that they work with, use a process that is sort of definable and clear and preferably something that has been used before by others that works. But ultimately, I'm not going to say anything to describe our process that's particularly different or even proprietary or anything like that.

John Brown:

Well, it's not.

Elizabeth Mower:

Yeah, we just do what we think works best for business owners given the fact that they have some complexity in their situations, that there are moving parts and that everything that we do for a business client affects everything else that we do. So that's really important. I was talking to some advisors yesterday about that, you can't really separate work for business clients into silos or departments or isolated areas because everything connects to everything else.

John Brown:

Can I interject?

Elizabeth Mower:

Yes, of course.

John Brown:

Thank you. So what I tell people now is exit planning is really just business planning. What are your goals, what are your resources, how do you obtain enough resources to achieve your goals? It's just following down a path like that, it's very straightforward. It's been around forever. We just apply it to owners who are thinking of leaving the business someday.

Elizabeth Mower:

This is true, and our surveys say that 80% of business owners, give or take a couple of percentage points, at any given time are thinking of themselves on a 10 year time horizon.

John Brown:

Or less.

Elizabeth Mower:

Or less. But no more than 10 years. So 80% of the business owners out there are thinking, okay, how do I see my ownership, my business, my company kind of evolving and transitioning from what it is today to something else over the next 10 years? So it's our job as advisors to support that. And I think it's the job of business owners to acknowledge that that's what they're thinking about. Not just in a survey but to the people who they go to for help and then say, okay, how are you going to help me? So if you're a business owner and you come to me today and you say, tell me how your process works, Elizabeth, tell me what you would do.

Elizabeth Mower:

Then I would basically give these kinds of milestones or I sometimes call them pegs in the board. These are the things that I know are going to happen and this is the order that they're going to happen in. And everything else is going to modify a little bit based on the unique situation of each client. So from the minute that I start doing planning, I'm going to need to know things. So I will get phone calls today saying, I have a client, do you think I should recommend this to them? And I say, I have no idea. I don't have enough information. So I'm very reluctant to give any kind of planning advice when a business owner asks me, when another advisor asks me. No business advice from me until I know enough to really be useful to somebody.

Elizabeth Mower:

And I just think that's pretty basic, but we say it out loud because that's what business owners should expect from their advisors. Advisors who come in with a solution first, I would be a little bit suspicious that they don't know enough about me and my business to really understand whether that works or not. So a lot of information gathering, data collection, information gathering. Some people will call it discovery, I don't really care what you call it, but I need to know a lot of things. And that's going to include goals, facts about the company, the family, the owner, the personal situation and the business situation, the employees, the industry, all kinds of things. Lots and lots of different things are going to get included in that. And from that I'm going to be able to start to sort of identify things that I think we might be able to do. Because again, during that gathering portion of my process, I learned a lot about the business owner's goals that was included in there. Now I'm trying to match those things up.

John Brown:

So one thing about the planning process too, as I listened to you talk about that, is if I was just an estate planning attorney, which I was at one point, it would be impossible for me to do what you're talking about because my frame of reference would be so narrow. The questions I could ask based upon my profession would be very narrow. So part of what I think a process allows you to do is one, to go along a track, so you're not going to be diverting into different channels that may not be relevant. But you're also going to be in a track that brings in all of the information and all the skill sets of other advisors that are necessary to create a plan that really works well. Because as a professional you can't do that. You can do an exit plan from the perspective of an insurance advisor or a financial planner or a lawyer or a CPA. But that's going to be too confining.

Elizabeth Mower:

I agree and that's going to come up again a little bit later in my process.

John Brown:

It is?

Elizabeth Mower:

Yes it is.

John Brown:

Do I know about this yet?

Elizabeth Mower:

I'm going to tell you about it in a second here. So my first part of my process is to learn things. Learn about the particular client that I'm working with. And like I said, that's both goals and objectives, priorities and preferences, concerns, challenges, and also lots of facts. Just data. So take all of that stuff. And I start to sort out, okay well we're trying to accomplish these goals and I have these facts to work with and what are the tools that I have in my planning toolbox that might be worth considering? And I'm going to err on the side of identifying more and I'm going to work through my process for saying, okay, well if I'm trying to achieve these goals and I have this information to work with, what are some ways that that happens?

Elizabeth Mower:

Now every advisor can do that. So I might do it using our Epic planning software, but you don't have that software. You might have a different method that you do it. But I think the process of starting to just identify tools or solutions or strategies that might take these facts applied to these goals and help us achieve them is important to do. Because I'm going to work with my client at that point to understand, okay, I'm thinking that we might need to work on this area and maybe we can use these kinds of solutions.

Elizabeth Mower:

Business owner, John, how does that make you feel? What do you think about that? Have you done that before? Here would be some pros and cons. So I want to get you involved as my client in my planning process and if you and I are feeling like, okay, we've understood the situation and the possible solutions or action steps that might be beneficial, the next thing I'm going to do is I'm going to bring in those other advisors that you were talking about. I want them to bring all of their ideas to the table. I am not pretending to be the person who knows everything. I wanted to start the process, but I need all of those advisors, everyone who's got subject matter expertise that is not my own and I want them to put all of their ideas, good, bad, weak, strong, crazy, traditional, all on the table.

John Brown:

And that's the way they do it because what you're doing as the exit planning advisor at the beginning, is not providing advice. You're not providing expertise. You're trying to understand where the client is and what the client has and where the client wants to be. And once you understand that, then you can efficiently bring in the appropriate advisors to give tax advice to talk about different ways of incenting the management team, all these different other specialties of which we're a special. I mean you were an attorney, I was an attorney, so we were all specialists, but we realized that that's way too confining for an owner who's thinking of leaving his business. And then there's one other things I wanted to say when you're talking about that and when you're gathering in all of these goals for the owner and facts. Is that owners are wrong all of the time about the value of their company, the amount of money they want to live on, the likely return on their investments, the growth rate of the business, how long they're going to live.

Elizabeth Mower:

Right, they're wrong about pretty much all those things. And we all are because none of us are specialists in all those different things you just named.

John Brown:

And so I can say that as a lawyer I know that, because we've done thousands of exit plans. But I can also tell that to a client and the clients going to say, well you're just a punky lawyer. What do you know about a good rate of return on investments and they're right. [crosstalk 00:12:02].

Elizabeth Mower:

To get somebody to the table you can talk about that.

John Brown:

You bring him in. The advisor team is so critical.

Elizabeth Mower:

So we have all of these people. I think collaboration is really important. Almost all successful businesses and almost all businesses are just complicated enough that there won't be one advisor who can help them. I would be a little nervous about an advisor who says they only work alone or they can pretty much take care of everything, I'd be a little bit concerned. Maybe a very, very simple situation that would work. And then if I'm a business owner, I'm thinking you just brought a bunch of people to the table and had them all contribute to this process. So I think you just cost me a lot of money. The reality is that it's really not that expensive. And so we probably don't have to get into the details of how much because it's very-

John Brown:

That would be another podcast.

Elizabeth Mower:

-yeah, it's going to vary quite a lot based on who you're talking to and where you are in the country, things like that. But I would say my experience is that in the scheme of things, this collaboration at the beginning is... The value of it far exceeds the cost of getting it done. You might be paying a couple of people who are hourly at a meeting that's maybe if it's long, it's going to take three hours. Just that expense and the cost of getting everybody to participate in the process is not going to be a problem when you compare it to the overall success of any a handful of the planning solutions that get brought to the table.

John Brown:

Yeah and so I think that's another point to talk about. I want to get back to the exit plan process.

Elizabeth Mower:

Yeah, we're not finished with the process yet.

John Brown:

We're going to have to get back to that. But owners are concerned about that. I would be concerned about that. You're going to bring in three or four different professions and you're going to talk about my situation, that's going to be so expensive. But it doesn't really come off that way. The first thing you're going to do is you're going to gather the information.

Elizabeth Mower:

And we're only just going to do that at once-

John Brown:

One time and just you are going to do that initially.

Elizabeth Mower:

-and then we share it with everyone at the table.

John Brown:

We might bring in somebody to help value or give us an idea of the value of the business. We might bring in a financial planner to make sure that we're clear on what the financial needs are going to be of the owner. And those would be one-offs, but by the time the advisors are going to start looking at it. Again, the planning advisors are going to bring those advisors in as needed and they're going to have the roadmap so they're not starting all over again. That's what the process does is develops this roadmap.

Elizabeth Mower:

And then we're all working from the same set of information. We all have the benefit and especially if the person leading the process does not have a significant ego, it's extremely helpful to the client.

John Brown:

Well, you're talking about me then.

Elizabeth Mower:

I can't say one way or the other. But what I can say is I know of advisers, and I won't name them, who want to be perceived as being the best, the top, the smartest, have the most knowledge or expertise or awareness of planning solutions. And I really had the opposite view of working with clients, which is that what they're going to appreciate about me is that I'm not going to pretend to know all the answers. And so, in our training programs, lots of stories that I tell where I'm working with a business client and I have an idea or I might be about to make an assumption and another advisor who works for that client brings up an issue or a reason why something won't work, happened pretty frequently.

Elizabeth Mower:

What if we do this? Oh, someone else at the table says you can't actually do that. Because of this thing in the business and here's what it is and I know that, but you maybe didn't, Elizabeth. And I would say, well thank God I brought everybody to the table. So that I could find this out, because I'm very concerned that I might have an idea that's a terrible idea for the client. I need somebody to point that out to me, because ultimately I'm not trying to look like anybody's hero. I'm just trying to get the best outcome. So if I have to be wrong early on in the planning process in order to get good outcome for the client, then that's what I'm going to do.

John Brown:

So now we've met with the client, we know what their goals are, we know what their resources really are. We know accurately what they need in order to be able to leave the business on their terms. Where does the process take us now? Now we've met, we're meeting with, we're collaborating with advisors-

Elizabeth Mower:

Collaborating with other advisors.

John Brown:

-using the road map. What's the next part?

Elizabeth Mower:

So in the next phase it goes from working with this team of advisors, after you put every idea, including the kitchen sink ideas out on the table. We start pulling things off the table to say, okay, neat idea but not going to work for this reason. Great idea, but too expensive. Good idea, but probably needs to be more analysis before we can decide. So we have lots of different things. We're talking about personal solutions, business, internal business solutions, planning solutions. We're talking about all different kinds of things and we start to get rid of the stuff that really is just going to turn out to not be as good. But I think that's much easier to do than starting with a blank piece of paper and telling myself, I got to write a plan now.

John Brown:

And most of what we're getting to at this point, I would call design issues. It's not, this is the product that solves everything for this client. It's not so much a product discussion, although we could talk about that.

Elizabeth Mower:

There are particular products that we're going to want to evaluate, so in any little aspect I might be looking at two or three different kinds of things that I think might work and the advisor team is kind of talking them over and weighing the pros and cons and trying to present the business client with an explanation and the benefits and risks. Because my experience is that business owners are good at making decisions when presented with that kind of information.

Elizabeth Mower:

Here's the goal, here's a solution that we've identified, here are the upsides and here are the downsides. Compare it to these other one or two or whatever it is, and I find business owners to be very capable of making a good decision when presented with that amount of information.

John Brown:

When does the owner make that decision with you.

Elizabeth Mower:

Kind of as the advisor team is working through these ideas and has narrowed them down to the ones that they think are effective and best. But they might have a couple of different ways to accomplish some of the goals that the owner has articulated and if there are multiple ways to get a thing done. To motivate the top employees. There's maybe, in my case there's a couple of different ways we could transition some ownership to a child who's working in the business. I got it down to two different things I think would work for your purposes, business owner. Let me explain both to you so that you can make an informed decision.

Elizabeth Mower:

So I'm trying to narrow it all down to things that owners can really feel good about making a decision if I'm going to put them in that situation.

John Brown:

You're going to take, in the process, you're going to take basically the joint decisions or thoughts of the different advisors. You're going to go back, you're going to meet with the client and say, here's what we've come up with?

Elizabeth Mower:

Yes.

John Brown:

Because the client's not going to want to meet with five advisors at their hourly rate. To hear what they're saying.

Elizabeth Mower:

Not really. And business owners have short attention spans. We want them to get the information that they need and not have to listen to five of us explaining or... The idea of my process is to collect all of the advice in one place that is very consistent and very structured so that all of the different voices and temperaments and opinions of the advisor team are pushed out, and just solutions are there for a business owner to make decisions about. And they're probably also going to work one on one with some of those advisors on things that are highly technical or very specific to that advisor's expertise.

Elizabeth Mower:

So nobody's putting up a wall between a client and the individual advisors. I think there's a lot of working one on one with the client talking to their business coach about this and to their CPA about that and to their estate planning lawyer about another. I think some of those conversations are best had if they are a direct line of communication and then once we've narrowed down the solutions that are to be presented to the client and the client, in cases where it's necessary, has made a decision. That creates, for me it's a final written set of action steps for other advisors.

Elizabeth Mower:

They don't do a final set of written action steps. They immediately start just doing the things that the client decided. I'm okay with both ways because the client has gotten good information, has made the decisions they need to make and now we're going to go. There's a little step there at the end, where whatever we did decide I need to get people who are going to be affected by these planning solutions on board.

John Brown:

Meaning advisors or employees?

Elizabeth Mower:

Might be employees. It's really stakeholders in the plan implementation. So this could be employees, could be my co-owners, could be family members, could be a spouse, could be-



John Brown:

A bank.

Elizabeth Mower:

-could be the bank, yes. It could be any number of parties that are going to be affected by the things we came up with. Because if we just go in our bubble and make a bunch of planning decisions and then come out and start implementing, we've left a little step out.

Elizabeth Mower:

So at the end of the process, and I like it at the end I don't try to bring it into soon. I want to get people involved and there's probably an entire episode on how to do that. But once I've done that, then I think we're going to move on towards implementing over a schedule that might take years. And so with that, that's where my process would end.

John Brown:

And so maybe that's where we should end this podcast.

Elizabeth Mower:

Right, and why do we have this process? Because it helps our clients and gets better outcomes. And in the end, that's why we plan.

John Brown:

That's why we plan, thank you.

Elizabeth Mower:

Thank you.

Elizabeth Mower:

Thanks for listening. Join us for our next episode. For more content like this, please visit [exitplanning.com](https://exitplanning.com).