

John Brown:

Years ago, I asked her, I said, "Elizabeth, what is exit planning to you? What's the essence of exit planning to you?" And you pause for a minute and you said, "It's asking questions."

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, we've been talking lately about business owners and sort of the stories that define our work with them and the things that kind of turned us in a particular direction in our practice. And you have a story that I've heard a couple of times that I thought you might want to share about that and it's kind of this Friday story. So if you know the story that I'm talking about, maybe you can share that story with us today and we can use it to talk about some things that we see with business owners and their sort of way of dealing with planning.

John Brown:

Sounds great. So thank you Elizabeth. I thought that we'd start our very first podcast talking about my very first exit planning client, which was roughly 40 years ago, 30 or 40 years ago. That there were two brothers, they owned a large company, actually, not even in Colorado, and had done their... pretty much their estate planning for them, a little bit of business work, but it was just a lawyer/client relationship. They made it an appointment with me, sat down and they said, "John, you've done our estate plans, you've worked with our business a little bit. We're wondering if you could help us plan to leave our business?" I was a young attorney, so I thought, "Gosh, that really sounds interesting."

John Brown:

Of course, I had never done it before. So I said, "Sure, I think I can help you. When would you like to leave?" And they said, "Friday." That stunned me and it made me realize that they didn't know what to do, I didn't know how to help them. That really then led to me starting to think about how can we help owners develop a plan to perhaps leave their business, but just develop some forward thinking on the

part of owners so that they don't come to us and say, "I'd like to leave and I'd like to leave in two days." That doesn't quite give us enough time.

Elizabeth Mower:

Right, right. I was thinking about that story and remembering that in the early days of my practice when I spent a lot of time sitting in meetings with business clients and listening to them talk about their issues and their goals and what they wanted to do, my observation was that there was sort of a pattern that sort of builds on the Friday theme, which was that we had a lot of planning conversations with business owners in the sort of late summer and fall every year. And eventually, I started calling it sort of the summer vacation phenomenon, that they had gone on vacation maybe with their family or maybe with their buddies and they had taken a couple of days off or maybe even a couple of weeks and they had experienced life outside of their business or their office or wherever they were spending most of their time and they would think, "Oh, I like this. This is pretty good. What do I have to do to get more of this?"

Elizabeth Mower:

We would end up with meetings all through the fall, every year, year after year, with owners coming in and saying, "I think I would like to back away from my business. I think I would like to figure out what I can do to sell my business," and all kinds of questions along those lines. It wasn't quite as abrupt and surprising as the Friday story, but I think overall there were kind of a lot of business owners who when given a taste or some insight into what things might be like, they thought, "Maybe I could do, maybe I could do more of that." They hadn't really thought about it before, so what do you think that was going on with those clients in particular and the other clients that you worked with that made them... Why were they not doing any thinking about the future until it was upon them or until they were in sort of an urgent situation? Why were they not doing anything sooner?

John Brown:

Well, if I absolutely knew the answer to that, life would be different for business owners certainly, but I think what I learned from Friday, and then as we started to do some exit planning in our old law firm, I realized that owners, they don't know what to do. I mean, they might... The two brothers and the two Friday brothers, they were great businessmen. They had a construction firm that had 150 or 200 employees. They knew the construction business, but they had no idea of how to develop a process or a plan for them to leave the business and accomplish whatever it is they would want to accomplish when they left the business. I think a lot of it is they finally sense, in your example, a desire to maybe do something other than the business, but they don't even know how to get started, so I think that's a major issue.

John Brown:

I think another issue is that, and I blame myself for this, I didn't ask them when they were my business owner clients before the Friday meeting, "Hey, have you guys ever thought of someday leaving your business? Are you guys getting burned out? How do you feel about your relationship to the business?" I didn't ask any of those questions. I was just a nerdy lawyer.

Elizabeth Mower:

Right, and now we're talking about... we talk about estate planning and how it doesn't take into account what's going to happen with the business and it doesn't effectively address what's going to happen with

the business and you sort of were that person, that estate planning lawyer back then and that was just because you didn't know, I think, what questions to ask.

John Brown:

I didn't even know enough to know I should be asking questions. I think in the whole area of exit planning, and that's one reason why we all started BEI, was there is profound lack of knowledge on the part of owners and on the part of their advisors for the most part. Hopefully that's changing a little bit through what we and others are doing, on the need to plan, the need to think about what the future holds for you and your company and then the need to start acting on that plan. I think those are big issues that hopefully this podcast and in our involvement in the business advisory community will shed more light, more knowledge on all of that.

Elizabeth Mower:

Right. Obviously, I came into the planning practice a little bit later and was able to sort of learn from the experiences of people who had gone before me and who had done a lot of work with business clients to help them achieve their goals for the future. And yet, I still, when I was developing my own practice, I kind of made my own mistakes. One of the things I remember doing wrong that I try to teach in our educational programs now is that several times, business clients came in and said, "Can you help me do this?" I specifically remember one client came in and I met with them alone, so I was advanced enough in my practice that I could do the work alone, but I wasn't as good at really being sort of a trusted advisor.

Elizabeth Mower:

So these people come in, husband and wife, they have a business, they want to do something. It was some kind of, "We heard that you could help us create an incentive plan for our top people in the company. Can you help us do that?" I sort of went off on them and said, "Well, we don't really start there. The way we start is by trying to understand a business owner's goals. I really need to understand your goals first, I need to understand more about your company." I could sense during this meeting that I was irritating them and the problem was that they had asked for a specific thing and I was completely redirecting them into this process that worked better for me.

Elizabeth Mower:

What I ended up learning after messing that up several times in kind of the same fashion was that when a business client comes in and says, "Can you help me get out by Friday? Can you help me with this particular thing in my business?" I had another client come in and drop a stack of documents on the table and say, "This is this the stock option plan that my biggest competitor has. I got a copy of it. Can you do the same one for me?" "Well, I need to really start at step one of the process with you," and that was not the right way to do it.

Elizabeth Mower:

What I needed to say is, "Absolutely, I can help you. Absolutely, we can do something for your employees, for your management team, for risk prevention in your company," whatever it was that they came in to see me about. I needed to go to what's now more better known as improv training and say, "Yes and I can do an even better job of helping you if I know some of this underlying stuff, so let me try to understand a little bit." I think Friday clients, the ones who had went on summer vacation and the

others, if the advisors can just say, "Yes, I can help you and my help will even be a little bit more robust if we talk a little bit more about you and your company and your future."

John Brown:

Yeah. That is a major point in what we're going to try to do in all of these podcasts is to make advisors aware of what they can be doing. And one thing... Years ago, I asked you, I said, "Elizabeth, what is exit planning to you? What's the essence of exit planning to you?" You paused for a minute, maybe not that long, maybe five seconds, and you said, "It's asking questions." One thing I didn't do as an advisor, especially in my earlier years, is I didn't ask enough questions. I didn't know what questions to ask. So as a result, going back to Friday, the owners don't know really what to do. They know they're frustrated, they know they're burned up, but they don't know who to turn to because no advisor has ever asked the questions you and I and other exit planning advisors now I ask, so they were in the dark.

John Brown:

Their current advisors never ask them any questions about this and the current advisors, I suspect, didn't ask current questions because they didn't know what to ask. It's just this big area of lack of knowledge that this podcast is going to absolutely clear up.

Elizabeth Mower:

Right. So I do tell people now, "The questions that you ask will uncover the right answers and the right solutions for your clients, so you don't have to know everything, but you do have to know a lot of questions."

John Brown:

Just do that. And just coming off of that, we talk in exit planning at BEI that the answers owners give us aren't that important in a sense. In a sense, they tell us exactly what they want to do, but what's important is we ask those questions and if they say, for example, "Have you thought about selling your business someday?" "Oh yes, I want to sell the business to a third party." Okay, that's important to know that, but it's also important to be asking that question because then we can follow up with, "Well, that's really interesting. What makes you want to sell the business to a third party?"

Elizabeth Mower:

Right? And how did you come to that conclusion?

John Brown:

How'd you come to that conclusion?

Elizabeth Mower:

And have you ever tried before and how did that go? So there are 25 questions you can ask once you get the answer to the first one.

John Brown:

Right. We'll be talking about that. We'll be talking about the types of questions you should ask, how the answers, we're not trying to find a particular answer as the advisor, we're trying to make sure our clients understand what it is they want and we can define that as time goes on. The other thing I'd say that this

conversation has brought about is we're going to be talking a lot about the mistakes that I have made, that Elizabeth has made and that we've seen other exit planning advisors make over time. And hopefully we've learned from those mistakes because you can't just start out in this area of exit planning and have some knowledge of how owners think and act, but move confidently forward thinking you're never going to make some mistakes. Hopefully we will cover a lot of those mistakes so that you don't have to make them. But as time goes on, we make fewer and fewer mistakes. We'll also have stories about the successes, the things that we did do right in this whole planning process.

John Brown:

And through all of this, we hope to give the listeners a good sense of what you can do to help their owners benefit from their life's work.

Elizabeth Mower:

Absolutely. Thanks for listening. Join us for our next episode. For more content like this, please visit exitplanning.com.