

John Brown:

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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 get into this episode's conversation right after this.

Speaker 4:

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Elizabeth Mower:

Welcome back everyone. We're here today to talk some more about our experiences in planning with business owner clients and the kinds of interesting scenarios and maybe sometimes difficult situations that they might put us in. As advisors to the business owner community, it's really important, I think that a good advisor be kind of ready for anything. And it was my experience in private practice that clients come into your office or call you on a Thursday with all kinds of scenarios that don't necessarily start with, "I'd like to plan for..." I'm not sure I ever, maybe very rarely got that call. "I'd like to start planning for this or that." So what I was I think a lot more likely to get and what advisors that I talk to now are more likely to get, are owners who have made it to a certain point in their process of accomplishing something or getting ready for something or even doing something and they've gotten a little bit stuck and they've decided to reach out and ask for help.

Elizabeth Mower:

And that's fine too. I think as advisors it's not our place to say how our clients should come to us. It's our place to help them when they do. And of course we've talked about many times it's important for advisors to be proactive and try to have these conversations earlier so that they can have a greater impact. But I'll give you an example, John, of the kind of thing that I thought was pretty common and I hear about it still all the time. I have a lot of advisors, especially CPAs, also business lawyers and okay, all the professions, financial planning, nevermind. All the professions tell me that they're still getting longterm clients that they have a great relationship with, coming in, calling in, emailing in and saying

things like, "I have an offer to buy my business, I plan to accept it. Can you please help me with this one thing?" And that's pretty common. And I assume that also happened to you, John, when you were working directly with clients.

John Brown:

It would happen to me more with new clients than existing clients. Because with existing clients we did have a planning process. So we'd be asking those questions and we would meet at least annually. And that's something I'm sure we'll talk about on a future podcast. But I think for most of the time, our clients can surprise us.

Elizabeth Mower:

They can even our best clients, and I agree, if you're doing a lot of planning, it's less likely to happen. But there are clients who just resist planning and then show up with straight to implementation. And so I've had conversations in the last, six, nine, 12 months with advisors who say, "Despite my best efforts to say, let's sit down, let's talk." They're still getting clients coming in the door with this, for example, "I've decided to sell my business. Someone has approached me, I'd like to sell it to them. The purchase price will be X. I'd like to sell my business for \$20 million. And so as far as I can tell, I think I need a lawyer, a transaction lawyer. Can you give me a name?"

Elizabeth Mower:

And that's a pretty common scenario for advisors across the country. And then I think the question is, okay, how do they respond to that? And maybe you and I, I think it might be helpful to really back up and say, okay, what are the things that we could have done to potentially avoid this last minute or midstream situation? So give me the very short version of this sort of sitting down annually thing you just mentioned. Give me the like sort of brief version of what does that look like?

John Brown:

Well, it's very simple. If you have a relationship with business owners now, I think it behooves us to just ask them questions about how they think about the future of their business, their future in the business and just some very general questions that might be a starting point. As you move into that, then what we tended to do and what our members I think tend to do is to start to work with the other advisors for that client. So let's say I'm the attorney or I'm the CPA or I'm the insurance advisor with the client. You start to ask them those questions. It's going to be pretty obvious they're going to have some other planning needs from other professions. So I try to draw them in and eventually have a meeting of the owner or the owners with the lead advisor and maybe with one of the other supporting advisors to start to develop a plan of what really needs to be done this year.

John Brown:

It might not be because I want to exit in five years. It may be because I want to grow the business, I'm going to need more space or we need more employees. So it's just more of a planning scenario that we're trying to create. So that's one thing I think that's important to do. But to Elizabeth's point, most of our clients are going to say, "Hey John, I have this letter of intent that I just signed. Can you look it over and get me in front of a good attorney because I'm ready to sell." So there's really no planning at that point. And they're expecting it for me to say, "Okay, here's the names of three really good business attorneys in our city or our state. I can get you in touch with them and go at it, go have at it. And that's not what we do.

Elizabeth Mower:

No, it does occur to me that in this sort of I think you and I might encourage people to do is have kind of a starter checklist or agenda. That's kind of what you're talking about in these annual meetings. And maybe one of the items should be, if you get an offer from someone to buy your business in the next 12 months, what are you going to do?

John Brown:

That's a good idea.

Elizabeth Mower:

Like why would you not just add that question to the agenda? Or maybe we can say, "Is there a price at which you'd be willing, willing to sell your business in the next 12 months?" Sort of between the meeting we're in today in the meeting that we're going to have a year from now. And that would be a good way, instead of saying, "Well, let's make sure that we're prepared for a third party sale opportunity." Which is kind of advisors speak instead to say, "What are you going to do if you get an offer? Is there no chance that you'll sell in the next 12 months or is there some chance? Maybe there's a situation in which you can foresee that you would agree. And if so, should we maybe kind of take a couple of steps? Do some basic things in order to make sure we're ready for that?"

Elizabeth Mower:

And then you can get it out on the table. "What's the point at which I need you to give me a call so I can give you good advice?" And if the business owner is saying, "I am pretty tired and if I got a good offer, I think it's going to take me five more years to get out of my business, but if I've got a good offer in the next 12 months, I would seriously consider it." That's a different set of recommendations or advice that you give them than if they say, "I am having so much fun, I love this business so much, I have so much more I want to do, there's no chance I would sell." Then you give them different advice. Do you agree?

John Brown:

Well, yeah, that certainly would be different advice. I think from an advisor standpoint, you always want to talk to your owner clients and have them be aware of the fact that you can help them if some type of opportunity to sell their business suddenly arises. Because it does suddenly arise. I mean owners are being contacted all the time by private equity firms and other would-be buyers who are coming in and making a seemingly very nice attractive offer at first glance. And the tendency is, especially for your clients who are thinking about leaving and if the right offer came along, they would leave. It would be important for us as advisors to have those conversations to say, "If that happens, before you sign anything, let's just sit down and talk."

Elizabeth Mower:

Right. Even before he knew, a lot of owners will sign an NDA and hand over-

John Brown:

Information.

Elizabeth Mower:

Information, financial statements and things like that and they don't realize that that can be just as damaging as agreeing to or signing a letter of intent. That your private or confidential information is now out there. You didn't have somebody maybe even look at the NDA. So there's a lot of things to do and for advisors who work with business clients, I still think it's just very, very important to try and emphasize that always 100% of the time, being ready for a potential offer coming through the door. Having your company be sale ready, even if you plan to keep it forever. Even if you plan to transition that business to the next generation within your family.

Elizabeth Mower:

A business that is sale ready is a more valuable business. It's a more stable business. It's a stronger, healthier business than one that is kind of being operated as if, "Oh, we're all behind closed doors and nobody's ever going to see what we're doing here. So it doesn't really make any difference." So the businesses that are operating as if an outsider is going to come in and look around, tend to do a little better. And for business owners who are thinking, "It doesn't make any difference to me. I'm not planning on selling my business. I'm too young, my business is too small, my business isn't sellable." All of those people too, those owners should be really saying to their advisors, "What's one thing I could do in the next 12 months? Just one, that would make my business more sellable?"

Elizabeth Mower:

Because it has all of these ripple effect benefits and I know you and I talked about that. I think it would be for owners and their most trusted advisors to have that conversation in these annual meetings that you're talking about.

John Brown:

And I agree with all that. The problem is owners are seldom going to do that on their own, very seldom. It's really the advisor community-

Elizabeth Mower:

They might be listening now and they can call up their advisor when they've finished listening here and say, "What's one thing I could do?" It's such an easy question. "What's one thing I could do in the next 12 months that would make my business more sellable?" Yeah. [crosstalk 00:12:25].

John Brown:

I would this though, having said that, most owners don't have a relationship with their advisors that is deep enough where that advisor could answer that question or make that suggestion. They don't know enough about the owner or the owner's business. They don't know about the owner's goals, the key employees in the company. So to me, a couple of things. One, we know from our past business owner surveys that about three quarters of all owners in this country would sell their business today if they were assured of financial security. So why are most owners not selling today? Because they know they don't have financial security.

Elizabeth Mower:

They don't have it.

John Brown:

They don't have it. So it's a huge opportunity for us to help them. The second thing I would say that is really helpful because if you're a financial advisor for example, or maybe a CPA or an estate planning attorney and your client says, "Hey, I think I'm selling my business. I've got this offer. I needed an M&A attorney."

John Brown:

I would suggest that if you're going to be working with business owners and helping them plan for the future, that you start to assemble that team of advisors right now, because most of us haven't done that. So if somebody wants to sell the business to a third party, you should have vetted, I would suggest you consider vetting some investment banking firms, some high end business brokerage firms, some merger and acquisition attorneys, maybe an audit CPA firm or two, just so that you can answer that question. To say, "Boy, if you're thinking of selling your business, definitely I can help you find the right team of advisors to work with. But I do have a few questions first."

John Brown:

And I think that's really a great way to establish that relationship and have your clients understand that's what you do, that you can help them transfer the business. And likewise, the question may be, "Boy, my two children who are active in the business have approached me and they're really interested in buying my business. Can you help me with that?" And so all of those unexpected questions, if you have some planning background, you have a team of advisors who can help you with that planning, will really position you as an advisor, as the lead advisor.

Elizabeth Mower:

So I know I'm getting two or three things out of this. One is that advisors are completely capable of being ready to respond to these kind of last minute or midstream questions that clients bring to them. There's no reason for a good professional advisor who operates in the business space to be caught unprepared to respond to these kinds of questions.

Elizabeth Mower:

So advisors everywhere should be working on their skillset and their tool kits so that they can respond. Then sort of the flip side of that, is that an even higher level of advisor to business clients should be having these kind of what if conversations with clients every year. What if, "Well last year we said that if you got an offer or this would happen, this year we're sitting down again today. Has your answer changed? Have you thought about it at all since the last time that we talked about it?"

Elizabeth Mower:

So advisors should be able to react quickly. That's having those contacts that you mentioned. Having awareness, being able to sort of understand the situations and the scenarios that that business owners are likely to encounter and respond to them. Then instead of having to be reactive, get proactive and just ask questions. It's not that hard to do. If a client says, "Every year it gets more and more likely that I am going to accept the next offer that comes through the door." Maybe that's the time to say, "Okay, you know what, let's just go ahead and have lunch with an M&A attorney that I know so that you can kind of understand what you would expect. Maybe it makes you more likely to sell. Maybe it makes you less likely to sell." And then in addition, so advisors being ready to react of advisors being ready to be proactive and then owners really, if they're listening or watching this podcast, the take away for them is get ready to sell.

Elizabeth Mower:

Don't do nothing, don't figure that if you're not going to sell your business, you don't have an active plan in place to sell your business, you don't need to be doing anything. I think they do need to be preparing their business, preparing themselves, preparing their situation for a possible sale, even if there's not one on the horizon. I think those are good lessons to take away. And did I miss any?

John Brown:

I'm sure we've missed a lot because there's a lot to talk about in this whole planning world. But I guess the final maybe addition, I would have to all of that, and we've talked about it, is in the world of planning for the future of the owner and the future of the business and so on. All that work, why we plan, I think it's really important for advisors who are interested in helping their clients in this area to think broadly beyond their profession.

John Brown:

So it could be, "I'm a CPA, I do tax returns, I do financial statements, my client wants to sell her business. I don't do that." And so if the client knows that they're probably never going to ask you. And it's not as though you suddenly have to become an M&A expert. You just need to have other advisors you work with in these other professions and that you can work together as a team in effect to help your business owners move forward. And then there's a lot you can talk about. You can go beyond just the tax planning that a CPA might do. You can talk more generally about what the whole transfer process looks like in general terms.

John Brown:

And as knowledge becomes more important. You bring in the advisors you've already vetted. I think that's really a great way to establish an exit planning type practice.

Elizabeth Mower:

Right, and then you can help more clients get through more situations and do more good.

John Brown:

And it may be that a client approaches you with an issue, a planning issue, where your profession can't help them for whatever reason. It happens all the time. But if you could move them or suggest other people that you have a relationship with, you've kept a client, you've made the other relationships more eager and willing to work with you in the future, and you've done good for your client.

Elizabeth Mower:

Right. Excellent. Well, that is why we plan. We're trying to create good outcomes and better prepared clients and be better informed and better able to serve advisors. That's why we plan.

John Brown:

That is exactly why we plan.

Elizabeth Mower:

All right.

This transcript was exported on Aug 26, 2020 - view latest version [here](#).

John Brown:

Thank you.

Elizabeth Mower:

Thanks John for being here. We'll see everybody next time.

Elizabeth Mower:

Thanks for listening. Join us for our next episode. For more content like this, please visit [exit planning.com](#).