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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'll get into this episode's conversation right after this.

Jared Johnson:

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Elizabeth Mower:

Thanks for joining us. Today, we thought we would spend a little bit of time talking about some things that we've learned over the course of our practices, and some data collection that we've done on the subject of what business owners are thinking, and what they're doing, and how they're planning or maybe how they're not planning. John, you wanted to bring up some things from the most recent BEI Business Owner Survey. Am I right?

John Brown:

Right, right. I want to talk about three results from our latest survey. One is that more than half of all owners, not just baby boomers, but all owners, would like to exit their businesses within five years. Fact number one or survey result number one. Number two, 80% of all owners realize that they will need to plan and act in order to exit the business on their terms. Number three is, a little more than 15% of the owners have actually created some type of a written plan related to their exit planning. So we have this scenario, owners know they need to plan and act, they plan on leaving within five years, but very few of them have done anything about it. In fact, another survey result is only about a quarter of owners have done even a single thing like deciding how much money they need, or training employees. We have a sea of owners wanting to exit, but they've done very little exiting. My first question to you is, what gives? Why is that? Why can't we get owners to plan? What's not happening that needs to happen?

Elizabeth Mower:

Right. It would have been nice if our survey had been able to uncover exactly the answer to that question. We did try to get at it a little bit, and we've spent a lot of time trying to really understand the

mindset of an owner of a privately-held or closely-held business. And it's a difficult thing to do, although there are some people working on more detailed studies. It comes down to a variety of factors, and any of these we can talk more about, but we see some evidence that people procrastinate in terms of dealing with things that they don't understand or that give them anxiety.

Elizabeth Mower:

So, I feel very comfortable with my business. I know what I'm doing, I know what's expected of me. I have a purpose every day when I get up while I own my business. And the idea of sort of breaking that connection is really ultimately just too scary. And so while I know intellectually that I need to plan for the future, I'm not actually doing anything, because that would mean that I've acknowledged that there would be a time when I'm not as connected to my business as I am today. So I don't think that business owners experience their lack of planning as fear or anxiety. I don't think that they're feeling it that way. My clients really never have said, "Well, I'm just afraid." That's not how they're experiencing it.

Elizabeth Mower:

But I think the uncertainty of what it would be like to go through a transition, and then fundamentally change the relationship between me and my business is something that since I can't imagine it, and since I don't have any way of visualizing it, I can't plan for it, right? I also can't visualize myself, I don't know, being an astronaut. So I can't take any steps towards being an astronaut because I have no idea what that would be. And maybe that's a lot of what's going on. That's one of the things that I have seen and we've talked about with business owners. And so, what others have you seen or discussed?

John Brown:

Well, I think a whole mishmash of reasons owners have.

Elizabeth Mower:

I agree.

John Brown:

It would be... One would be, "I'm too busy to plan." Another one would be, "When I'm ready to exit my business, I'll do some planning." So responses like that lead me to think maybe a little bit differently than what you're thinking. I believe that most owners don't know what exit planning is.

Elizabeth Mower:

I think you're absolutely right that, actually.

John Brown:

And the corollary to that is that advisors may not really have a great grasp of what exit planning can be. And the other corollary is that advisors are not talking to their owner clients or prospects about how they can help owners exit from their businesses on their terms, and then explain what that process looks like. So that really comes back to what you're saying, is that the owners may have a fear or a concern with the unknown. They don't know what they don't know, so it's easier not to do anything at all. And so I think it's our job as advisors to be able to have a conversation with owners about what that planning process looks like, what it does, who's involved, how long is it going to take, how much is it going to cost. We just aren't having, by and large, those conversations in the exit planning community.

Elizabeth Mower:

Right. And one of the things that I talk about a lot with other advisors is that we all sort of experience business owners as people who, for the good, they want to control their situation, their opportunities, their decisions and choices. And so we can jokingly refer to business owners as control freaks. Those [inaudible 00:07:29] work with a lot of them. That they know what they want, and they've decided to do it, and everyone needs to get onboard and go in the direction that they're going. And that's what the entrepreneurial mindset is, "I see where we're going, and we're going to do it." And so that's something that we all see.

Elizabeth Mower:

And I think you're right, other than the business owners who have some anxiety about what it would be like to separate from their business, which is one group. I think there is this group that just doesn't know. And if they did realize that not planning is essentially relinquishing control of their future, and limiting their options instead of increasing their options, then I think business owners would really embrace the idea of setting up planning for the future. Not to lock themselves into a path, but instead to give themselves more options.

John Brown:

That's really a good point. I think it might be a good approach for you advisors listening and watching in, is exit planning for owners can be a way where they can control their future. And if they don't do any planning, then circumstances known and unknown, will control their exit at some point. So you can be of great help in helping owners understand that, and providing a pathway for them to go down, where they can maintain control through understanding what that process looks like and making the important decisions at every step along the way.

John Brown:

And that conversation isn't occurring. Or it's occurring rarely. It's only occurring with advisors really who have been trained, and have the knowledge and the skills, the tools and the resources to do that. That by and large excludes most of the advisors.

Elizabeth Mower:

Right. And I also think that the sort of benefit, or the peace of mind or the sense of control that a business owner could get from planning for their own future will extend also to their family, to their spouse, as most families are dependent to some extent, maybe to a large extent on the business and the income and the support that it creates. And I mean, I also... I don't have any data on it, but I sort of suspect that the spouses of successful business owners are a little bit more attuned to the risks and consequences of a lack of planning, because the spouses are even less in control than the business owner is, and so they're feeling that, "Okay, there..." But they also just don't know what the opportunity is or how can they manage it, so they just live with this sort of uncertainty.

Elizabeth Mower:

But the spouses are just one level removed again, from the business. And they also don't have the information that planning could really do something about the risk that they face, or the vulnerability that they have. And I think it would be helpful, as business owners get educated about the benefits of

planning, that they're not locking themselves down, that they're really increasing their options that are available, that their spouses and their families will benefit as well.

John Brown:

Yeah. And another group of people that are sort of in the dark is the management.

Elizabeth Mower:

True.

John Brown:

If the management... We know the management is thinking about what's going to happen to the owner who is 68 years old. What's going to happen? Is he going to sell the business to an outside third party, and we might be out of a job? Is he going to give the business to little Billy Jr who we know has all kinds of personal issues? Do we have an opportunity to do maybe some acquisition of the company? So it's really this lack of planning that can cause all sorts of issues. The owner's not going to be able to exit on his or her terms. The family doesn't really know what's going on. The management doesn't know what's going on. Perhaps some major customers may be concerned about business continuity of a big supplier of theirs who is your client.

John Brown:

So the bottom line is, we need to start to our owners about the inevitability of their exit, and how we can help them as advisors control the future of their business and their future without the business.

Elizabeth Mower:

That's right. There's another statistic that's in that, this is in our survey report that you were mentioning, and it is a 100% statistic. And it says 100% of those who own businesses will stop owning their business at some point.

John Brown:

How do you figure that?

Elizabeth Mower:

We're very smart, and our research team is really good.

John Brown:

Wow. So everybody's going to leave their business.

Elizabeth Mower:

100%.

John Brown:

100%.

Elizabeth Mower:

It is guaranteed that a person who owns a business today will stop owning it in the future. And that statistic is in many ways the statistic that drives exit planning and business planning overall, and future oriented planning. So they're guaranteed to stop owning their business. And to get back to this sort of natural inclination of business owners to be in control, and to really be in the driver's seat, is that when we confront a business owner with that statistic, "You are 100% guaranteed to stop owning your business at a future date." Then I think the question that follows is, do you want to have something to do with how that happens and what the consequences are, or do you want it to happen to you? Because those are the only two choices. You can either do something about it, or you can not, and you can let it happen. But it's coming either way.

John Brown:

Right.

Elizabeth Mower:

So that statistic, I think is really critical as well.

John Brown:

Well, and in the back of their minds, owners know that, but they don't think they have to do anything right now.

Elizabeth Mower:

Or maybe they don't think that there is anything that can be done.

John Brown:

That could be, because they just don't know enough about exit planning. So the only way they're really going to learn about the benefits of exit planning is through the advisor community. It's the advisors that are going to have to do that, because the owners don't even know where to look to learn more about it, other than maybe Google it, and who knows what they're going to be reading on that. Maybe some of our stuff. So be sure, advisors, that you talk to them first.

Elizabeth Mower:

Right. And I can remember years and years ago, although this conversation was repeated many times since, the first time an advisor said to me, "Oh well, I was meeting with a business client and I just happened to ask them some questions about their planning for the future of their business. And I just thought it was a normal part of how I would learn about and understand, and try to get to know this business owner. And the business owner said, 'You're the first person who's ever asked me these questions.'"

John Brown:

That would be typical.

Elizabeth Mower:

Right? And so this was probably 15 or 20 years ago, that I'm having this conversation with an advisor. And then it has come up it has been repeated to me many, many, many times over the years. And so I'm consistently hearing the same response from business owners. I do think our statistics show a little bit of

increased awareness among business owners. From one business owner survey to the next, we think we're seeing a little bit of increase in awareness. But awareness is not translating into any kind of action in any significant way. It's a very, very small percentage of business owners are taking steps to grab the reins and do something about their own future.

Elizabeth Mower:

So I agree, it's up to the advisors to ask questions so the business owners can take the first step, which is to even know what they want. If they haven't been presented with those kinds of questions, then possibly business owners are so busy doing what they do every day that they really haven't thought about what they want for the future. And as the advisors start to bring up these questions, and owners start to identify what they want for the future, then the work can begin. Don't you think?

John Brown:

I think so, but also realize that Elizabeth is known as the queen of questioning.

Elizabeth Mower:

Right.

John Brown:

A lot of the way we've developed the exit planning process and so on through the years has been based around questions we or advisors ask owners. And from those responses, we then start to formulate, draft a plan for them to be able to exit the business when they want, for the money they need, to the person they choose, and so on. And then the last, final thing I'd say on the whole questioning end is that, A. You have to do this if the owner's going to be exiting, because the owner has no one else who's going to ask them questions about this. And secondly, the responses to the answers to the questions we ask aren't very important, in one sense. In the sense that whatever the answer is, we will endeavor to execute what has to be executed to make the owner's wishes reality.

John Brown:

So if their response is, "I want to give the business to a little Susie, I want to sell the business to a Fortune 500 company, I'm going to keep the business forever, I want to make \$1 million a year after I leave the business," those are responses that we'll work with. We won't say that they're silly or they're crazy. We'll work with those responses. And that's what exit planners do. That's how we achieve the owner's goals and aspirations.

Elizabeth Mower:

That's right. And that's why we plan.

John Brown:

Thank you.

Elizabeth Mower:

So I appreciate you bringing this up, because it's important to sort of... This is sort of the canvas on which all of the planning work that we do, and the members of the BEI advisor community are doing all the time. And so, I think it's important to occasionally look back and say, "Why are we doing this kind of

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work? Why are we having these conversations?" And I think we've covered that again today in a way that's different from our other conversations, and it's helpful to kind of reset and refocus a lot of professional advisors. And if business owners are listening, then they know now what to expect from their advisors, and what questions advisors should be asking. And if their advisors are not asking those questions, business owners should go find somebody who will, that will help them.

Elizabeth Mower:

So, all right. That's why we plan. Thank you very much, John, for being here.

John Brown:

Thank you, Elizabeth.

Elizabeth Mower:

We'll see you soon. Thank you.

Elizabeth Mower:

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