How To Talk To Your Family About Succession Planning

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## Estate Plan vs. Succession Plan

<table>
<thead>
<tr>
<th><strong>Estate Plan</strong></th>
<th><strong>Succession Plan</strong></th>
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<tbody>
<tr>
<td>The process of determining a plan to transition financial wealth from one generation to the next.</td>
<td>The process of “co-creating” psychological ownership of the vision, strategy, goals, roles, decisions, performance and results of the business enterprise between two or more generations.</td>
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<tr>
<td>Often parents determining how to get X assets to Y people.</td>
<td>Often all family members in business determining where you are headed, how best to get there, who will do what, and how that should be rewarded.</td>
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<td><strong>What you have – Assets</strong></td>
<td><strong>What you do – Skills, Activities, Decisions</strong></td>
</tr>
<tr>
<td>Easy to identify (balance sheet)</td>
<td>Hard to clearly describe...lots of hats</td>
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<tr>
<td>Solved by an expert</td>
<td>Solved by you, assisted by advisors</td>
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<tr>
<td>Responds to compliance/gov’t regulations</td>
<td>Involves business environment, strategy</td>
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<tr>
<td>Solutions implemented quickly</td>
<td>Solutions evolve over time</td>
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<tr>
<td>Involves financial ownership</td>
<td>Requires psychological ownership</td>
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<tr>
<td>Determined by senior generation</td>
<td>Collaborative between generations</td>
</tr>
<tr>
<td>Activities occur at set times</td>
<td>Takes place daily in the business</td>
</tr>
<tr>
<td>Major transition often occurs at death</td>
<td>Major transition occurs during lifetime</td>
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<tr>
<td>Opportunity for conflict limited time</td>
<td>Opportunity for conflict every day</td>
</tr>
<tr>
<td>In-laws generally “passive” recipients</td>
<td>In-laws often “active” voices</td>
</tr>
<tr>
<td>Strategy tends to be clear</td>
<td>Strategy can be very messy</td>
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Components of a Comprehensive BCSP

1. Business Plan and Management System
2. Business Continuity Plan
   – What will happen when something “bad” happens to one of the owners
3. Business Succession Plan – what you want to happen
   – Management
   – Ownership
   – Governance
4. Personal Financial Planning
5. Estate Planning
6. Annual Business Review

Need collaborative advisor team
- Business/Family Advisor
- Attorney
- CPA/Tax Advisor
- Insurance Advisor
- Certified Financial Planner™
- Banker
What Are The Challenges?

- Can I afford to Transition?
- Timeline is unclear (I don’t want to RETIRE!)
- I waited too long
- My heirs aren’t ready or don’t have the skills I think they need
- We can’t talk about it without getting upset
- I don’t know what they want (fear of the unknown)
- Fair vs. Equal
- Family disruption or disharmony
Steps

• First – be clear about what you want and what you need
• Identify what you believe the barriers are
• Determine a plan of action for opening up the conversation
• Who should be involved?
  • How many times do you want to have the conversation?
  • Minimize the spin
• Stay focused on the end game...
Transition Planning Is A *PROCESS* Not A *PRODUCT*
Clarifying Expectations…

• Interviews or Questionnaires
• Exercise: What is Your Vision For the Farm?
  • What role do you see for yourself in making the future a reality?
  • How will you provide value or contribute to that future?
  • What are your unique talents or leadership abilities?
  • Are heirs willing to take on risk (debt)?
Dealing With (Perceived) Disagreements or Disharmony

• Make sure all parties understand the transitioning owners' wishes and dreams for the operation and family
  • Do your heirs know their history?
• Time is everything: Find the time and place where people feel safe and comfortable
• Ask clarifying questions: Make sure you REALLY understand what people are saying and feeling
• Find common ground (there is ALWAYS common ground)
• When agreement or consensus is reached – make sure you repeat it and put it in writing if necessary
Top Tip....

If you feel like you cannot walk your family through it – get outside help!

Don’t make things worse by handling it poorly!

TRANSITION POINT
BUSINESS ADVISORS
Maintaining Momentum

• Once you begin – set a schedule for completing tasks
• Top Tip: Do your work in the slow times so your professional team can be working when you are busy
• Remember it’s a PROCESS – transition plans take approximately 8-12 months to create and up to 2 years to implement (more if it is complex!)
• Do not avoid the tough stuff – no matter how bad it is now it will be worse later!
• Find professionals to work with who have successfully completed transition plans (NOT just documents!)
Final Thoughts…

• The key to a successful transition is a GROWING and well run operation. You need to make sure you spend as much time if not more on the management and governance aspects of transition.

• Ownership won’t matter if the farm gets ripped apart because of poor management, lack of growth or disharmony.