

# How To Talk To Your Family About Succession Planning



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# Estate Plan vs. Succession Plan

## Estate Plan

The process of determining a plan to transition financial wealth from one generation to the next.

Often parents determining how to get X assets to Y people.

## Succession Plan

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.

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.

# Estate Plan vs. Succession Plan

## Estate Plan

What you have – Assets

Easy to identify (balance sheet)

Solved by an expert

Responds to compliance/gov't regulations

Solutions implemented quickly

Involves financial ownership

Determined by senior generation

Activities occur at set times

Major transition often occurs at death

Opportunity for conflict limited time

In-laws generally “passive” recipients

Strategy tends to be clear

## Succession Plan

What you do – Skills, Activities, Decisions

Hard to clearly describe...lots of hats

Solved by you, assisted by advisors

Involves business environment, strategy

Solutions evolve over time

Requires psychological ownership

Collaborative between generations

Takes place daily in the business

Major transition occurs during lifetime

Opportunity for conflict every day

In-laws often “active” voices

Strategy can be very messy

# 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

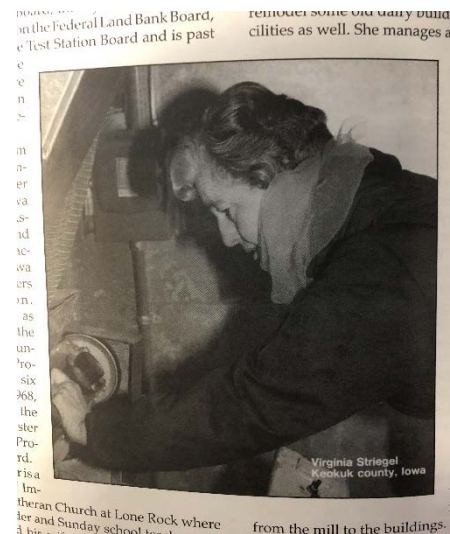
## Need collaborative advisor team

- 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

**TRANSITION POINT**  
BUSINESS ADVISORS



# 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...



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# 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

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- 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.....

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

**Don't make things worse by handling it poorly!**



# Maintaining Momentum

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- 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...

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- 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.



# Let's Connect!



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