

## Transcribed Podcast -Vandenack Weaver LLC-S1-E25 -Rob Wellendorf and Mike Weaver - Legacy Planning Aspect of Business Exits

Speaker 1: [\(00:03\)](#)

Welcome to the Vandenack Weaver legal visionaries podcast brought to you by interactive legal here's your host Mary Vandenack

Speaker 2: [\(00:12\)](#)

Welcome to today's episode of Vandenack Weaver, legal visionaries, a weekly podcast discussing updated legal news, evolving methods of providing legal service and law practice issues. My name is Mary Vandenack founder and managing partner at Vandenack Weaver, LLC. I'll be your host. As we talk to experts from around the country about closely held business tax trust and estates, legal technology, law firm, leadership and wellbeing. Before we start today's episode, I want to thank our sponsor. Here's a message from interactive legal.

Speaker 3: [\(00:51\)](#)

There's always a resistance to change, particularly with attorneys, attorneys like to look back at what's worked in the past, and that makes a lot of sense. But when you realize that with a good automated drafting system, you can do a better job for your clients. Deliver documents on a more timely fashion in a more consistent and a more costly manner. If you are not a subscriber to interactive legal, I urge you to go to [interactivelegal.com](http://interactivelegal.com) and click on requested demo. And you'll be contacted about having a demo of interactive legal for you, which can be done right over the internet. Don't have to leave your office. No salesperson will call. We can arrange it at a time and convenient for you. So please go to [interactivelegal.com](http://interactivelegal.com) and click on request

Speaker 2: [\(01:39\)](#)

And demo. On today's episode. I have raw Rob Wellendorf and Mike Weaver as my guest, and we will discuss the legacy planning aspect of business exits. Rob is a business exit planning expert and president at executive wealth strategies. Mike Weaver is a partner of mine at Vandenack Weaver and is actively involved in assisting clients with business exits over last couple years, it's been a really active area. So it's a topic we thought might be useful to discuss. Thanks for being here today, Rob,

Speaker 4: [\(02:12\)](#)

Thank you. It's a privilege and I look forward to the conversation

Speaker 2: [\(02:16\)](#)

And Mike, thanks for joining us today. Yep. Thanks for having me, Mary well, Rob, when a business approach, when business owner approaches you about selling a business, what is the process involved with respect to what you do?

Speaker 4: [\(02:31\)](#)

Sure. Yeah, initially I think we need to be and should be very encouraging for the business owner and I'm not talking in a way that's rah cheerleader, I'm talking professional and encouraging because clearly this is a space that we work in all the time. However we want to recognize for the business owner, perhaps it

may be their one and only time to organize their exit. So to be encouraging and confident with them and for them, I think it's a great stepping off point.

Speaker 2: [\(03:01\)](#)

So I do just have to ask you one question on that. There's some business owners that are serial business owners. Is it a different strategy? If you have a serial business owner who's selling their 22nd business? It

Speaker 4: [\(03:12\)](#)

Absolutely is. Yes. For that 22nd business, we move right into the time line timeframe details. And oftentimes that business owner will even express very specifically when they want to get out and what they expect for their strike price.

Speaker 2: [\(03:28\)](#)

So, Mike, what type of options do you discuss with the business owner? And we'll go back to think on this. We're really focusing a little on somebody who's selling maybe the first time, but I just thought, I point out that we do have the serial business selling owners as well. Right. And it's kind of fun when we have somebody that does that. It's also, but it's really rewarding to be part of bringing somebody through that first business sale. They've spent a good chunk of their life, you know, growing and building a business. And then they're looking at an exit it's a rather significant moment. So what do you about first with a client who's looking at doing that?

Speaker 5: [\(04:03\)](#)

Well, it, it is obviously it is a, it is a process that you go through with them. And you know, one of the things that we talk about and we talked about this in some other episodes of the podcast is, you know, what are your options for selling? And it may, again, it may not be the discussion that you have with the business owner when they approach it, but it's certainly something that has to be on the table fairly quickly and that you need to start talking about, but you know, options to sell could include, you know, whether you're selling to family members, you could be selling to your partners or your, other investors that you have in the business you might want to sell to employees or you might just, your goal might just be to sell to a third party. So those are all the types of you know, just broadly speaking, those are the various types of options that a, that a business owner's gonna have.

Speaker 2: [\(04:57\)](#)

And sometimes Mike and I think this is where Rob really comes into play and collaborating with us is that sometimes there's what the business owner wants to do and what is actually realistic to have happen and finding a way to kind of navigate them through that. And I've heard Rob talk about how some business owners will hesitate or even become paralyzed when it comes to planning that succession and making an exit. So what factors do you think are involved in that? Rob? Sure.

Speaker 4: [\(05:31\)](#)

I would say several and, and as I list them or go through them, if you think about the business owner's life, maybe in the previous, even 5, 6, 7 months, he or she has had input and guidance from their CPA, oftentimes from their business attorney, there may be some interaction with their estate planning attorney. They're hearing some things from their financial advisor and from a business owner's lens. When you're getting that information from six or seven different professionals, it's really hard to coordinate it. It's hard to fully understand, uh, what to do first, what to do next. So that's indeed where working with that business owner initially, I'll ask him or her to look through the windshield and, and

look out and they can decide the timeframe, whether it's a year or 5, 7, 15, but look through the windshield and start to share with me how you see your work, how you see your family, how you see your lifestyle now and forward, and in that timeframe. And that helps better understand what are the wishes, what are the timeline, what are the expectations of that owner? And then with that information, and of course, we need to go broader and deeper, but with that information, then we can pull in the other advisors

Speaker 2: [\(06:50\)](#)

And having that the advisors together really does make a difference. Right? I have to tell you is like working with one gentleman recently, he's in his late seventies and everybody's telling him, you should retire. You should retire. But he, you know, his wife passed away. His kids are all busy with their lives. And his conversation was with me going well, I really like running my business. And right now, you know, the Mark's been pretty paying real, really good money for a lot of businesses and he's in a business where he has somebody call and just make him an offer every week and we were at a meeting talking about it with some other advisors in kind of a collaborative fashion and the question just came up, you know, if you really don't want to sell, you know, there's this assumption that there's a time that you should sell and retire, is it ever does? The owner is to, is not really ready to sell and maybe should just keep running the business.

Speaker 4: [\(07:43\)](#)

Absolutely. Yes. I think it's, it's an art and a science. When we look at business succession and being able to line up the financial and the emotional to get those aligned for that owner. And in this case, I would suggest financially, he does not need to in you to work, but emotionally it's what he needs for impact and purpose and routine. So you, you make a great point. If I could go back to something Mike said on those options that business owners have thinking about that business owner, looking through the windshield more than likely he or she has heard from a employee, maybe has a family member in the business more than likely has opened the mail and had a third party suitor letter or several or one per week. And all of those options, perhaps in the owner's mind are on the table initially. And to Mike's point to really sort that out and to help narrow is significant at this time in the process.

Speaker 2: [\(08:42\)](#)

And Mike, you have one of the things I really like watching in your practice is you have uniquely close and personal relationships with this, your business owner, clients, they seem to talk to you about anything and everything, not just calling you about legal issues. And so I know you've had some of these conversations with clients in terms of readiness to sell. What are your thoughts on that?

Speaker 5: [\(09:04\)](#)

Yeah, it's, going back to something that Rob mentioned, the financial and the emotional and, and lining that up, but you know, that that really is important you know, I just, what I just advising or talking to somebody who was in there later in life and, and they were, they're at a point where they're deciding whether they wanted to continue with continue on with their business and financially it probably, they were leaving a little bit of money on the table if they wanted to, to kind of go through the exit now, but emotionally, if they wanted to continue, they were gonna have to make a commitment for another five or seven years and you know, he was really struggling with the decision and, and, and just going back and forth. But what, what, what finally won out was just the emotions.

Speaker 5: [\(09:51\)](#)

I just don't want to be committed to this for another five to seven years. So I reckon that I might be

leaving a little bit money on the table, but it's just time for me to, it's just time for me to end it. So you know, so those are the discussions that you have, but it's, it's getting into the business owners mind or helping them think through, okay, just, you know, here's the impact of this decision. Here's the impact of this decision? And, you know, just making sure that they're aware of, the different options that are out there. And in this case, you know, it's not always the financial that wins in this case.

Speaker 2: ([10:27](#))

It was the emotional, and sometimes frankly I've suggested a business owner cuz you know, I don't have a psychological background, right. But emotions come into play in almost everything that we do. So a lot of times, you know, we have relationships with coaching coaches or other professionals who sometimes it's like, you know, maybe this is a conversation you should have instead of just going to the legal aspects and what they can do is, you know, bring into our collaborative team, some kind of coach or professional who helps with transitions. And there's a lot, we do lot in the estate planning arena. There are family transition co you know, transition coaches that are really well trained in that. And that's a resource I like to add to the team. We are going to take a brief break from our episode for a word from one of our sponsors, Carson, private client

Speaker 6: ([11:12](#))

Wealth planning focuses on liquidity management and charges you a fee based on a percentage of your assets. But entrepreneurs typically invest in their business resulting in light liquidity. That requires a unique strategy at Carson private client. We provide a proactive and holistic strategy for building and protecting your wealth. Our mission is to alleviate the stress and the burdens of coordinating all of those financial strategies. Carson, private client will work with your current team of advisors to customize a strategy that manages all aspects of your life and wealth, giving you back the time to focus on what matters most complex needs require sophisticated solutions. Reach out to our office at 4 0 2 7 7 9 8 9 8 9 to schedule your consultation. Investment advisory services offered through CWM, L L C an S E registered investment.

Speaker 2: ([12:13](#))

Okay, let's continue our episode. Rob, you talk a lot about use the term legacy and I really like the way you use that term when you're talking about the business exit planner plan for the owner. Can you elaborate on that? Just a little

Speaker 4: ([12:28](#))

Absolutely. Typically we default, when we think about legacy, we default to fine. What's my legacy. What am I going to leave to my children, grandchildren, et cetera. However, in working with business owners, I'm encouraging them and walking them through thoughts around legacy that are non-financial, you know, what kind of impact, morals, ethics, work at ethic. A lot of those aspects of what's important to them and what they want to be remembered by, in addition to the money and I've facilitated family discussions on this topic with the owner and their children I've helped discuss generating letter or letters to, to memorialize at and I also know there are video services where business owners can tape a seven or nine minute video to talk about where they're at, what's important to them and perhaps a great-grandchild might have the privilege or opportunity to review that sometime and say, aha, I I'm getting income from great grandpa's trust and now I kind of know him. So those are the areas of legacy that I think get overlooked.

Speaker 2: ([13:43](#))

I think that's really important. You know, I came into a family business, I turned on a lot of different

offers out of law school but originally joined a firm that involved my dad and two brothers and it sort of like, you know, there's, I don't know what greater gift that you can leave your kid than the ability to earn an income and a stream of income that goes with that. Mike, do you have any different thoughts on just the legacy concept?

Speaker 5: [\(14:06\)](#)

No, I, I think what Rob is saying about it, it, it goes beyond just maybe the legal and the economic options that the owner has. There's a lot more to legacy E than just, you know, those two pieces and, you know, it is, it is part of the process. I mean, we've talked another podcast about getting the business ready for the sale, you know, what do you need to do to position it? What's your structure like all the different things that you need to have in place in order for the sale to go smoothly. But the, but a big part of that process is also the legacy piece and it's, you know, what impact do you want to have whether that's on your employees what impact do you want to have on the community? What impact do you want to have on your family? And a lot of times it's just, you know what impact do you want to have on the people that helped you build this business? I mean, do you want them to be able to continue and, and benefit from all of your hard work and their hard work in the future? So it's a, it's a big piece.

Speaker 2: [\(15:03\)](#)

I think it's a hugely important question for us to raise as advisors. We might not be the right person to facilitate the follow up conversation all the time. But I was with a friend last evening who said to me several years ago about my practice, you know, and what I do and well, what is the legacy that you want to leave? You do this, you do that, you do this and I like, well, I've been just trying to keep a roof over my son's head. Like I legacy, what are you talking about? Right. Right. And then there's a gentleman who has become, has been one of my mentors and a great guy who, and he said it differently. He didn't say, what legacy do you want to leave? He said, well, what do you actually want to do when you grow up? And that really, but it really got me thinking is what direction do we want to take the firm? What do we want to do? How do we want to be out there? Right. And I think that's an important part of the facilitate as was to just saying, here's your legal options to get out. But with that said, and I, and that's the reason I think that's really important is Rob. You talk about how small, the number of people who actually have any kind of plan for business succession is it's a really small number. Can you shut some light on that perhaps?

Speaker 4: [\(16:09\)](#)

I I'm smiling somewhat painfully because I think back 25 years, when I got into this space, I used to follow this family business study by Kennesaw State University and the studies from 25 years ago and the studies from 2019 continue to show approximately two thirds of baby boomers. That own businesses do not have a succession plan. So that's not changed over this period of time. We mentioned earlier about what to do first and what to do next. I do think those are obstacles. I also believe what I've heard both of you say when the lens of the attorney is on when the lens of the CPA is on when the lens of the financial planner is on the lens of the banker is on those lenses are all very specialized and very important, however, without some sort of coordination or collaboration and the ability to help the business owner understand you know, what's really going to be in this trust language and why to stand how they all fit together.

Speaker 4: [\(17:16\)](#)

That's challenging, so said differently. You ask a business owner and I'll use that, look through the windshield. Again, you ask a business owner to do that, share what they see, how they see their exit,

how they see their legacy, how they see their family, how they see their other wealth, how they see their lake home, how they see all of that into the future and sharing with you really intimately areas of perhaps there's a daughter-in-law or a marriage that, that they're concerned about with their children or addiction issues to ask a business owner to be that detailed, that specific, and that intimate with six different advisors, I think is nearly impossible and that may speak to why one of the reasons why they just do not have a succession plan.

Speaker 2: [\(18:03\)](#)

I think that's, we're gonna do an episode that's on collaborative planning and one of the things I really a joy appreciate about you is the fact that you're an advocate for the concept of collaborative planning, which is something we try and focus on because we know it's way too easy. Like the way you said it is we each see things through our own lens. But when you take a group of people who each know that business owner and from a different per perspective, and then you ask those questions, you may get them to be thinking about something differently than they did otherwise. I know that's definitely those that have asked me, what's your legacy when I was just thinking about, well, I'm just trying to pay the bills right now. So what do you mean legacy? Right? And they may have spent their time trying to build their business and not really thought about it and so asking that question might actually drive their succession plan and then bringing their advisors together, I think is super important. Mike, do you have anything you want to add on that?

Speaker 5: [\(19:01\)](#)

You know, it is, certainly difficult to get a business owner to think about those things, because you're right. Typically they're just running their business and trying to keep it going and it is just hard to get them to focus just like it's hard to get people to focus on finishing in a estate plan even, but, uh, you know, you can't run your business forever. Something is gonna happen where you're no longer gonna be able to do it. Whether you've decided to retire, you get an offer, you can't reviews or what, you know, whatever it might be, but you know, so you have to start asking yourself those questions and maybe that's how you get people motivated is you're not gonna be able to run your business forever. Would you rather it end in a way that, or your time with the business end in a way that is well thought out and leaves you a legacy that you've thought about. Is it just gonna be sort of half hazard and maybe, maybe even a disaster.

Speaker 2: [\(19:56\)](#)

You mentioned the difficulty in estate planning, and a lot of times when we're in the estate planning context, we're dealing with call it death, family, money taxes, right? Deeply personal issues. There may be a strange family members that always like is a lot of times people have trouble on the trigger on finalizing their plan, because a variety of reasons might be there estranged from a son, but don't really want to deal with that at that time or whatever the case might be. It seems like the business exit would be more business focused, but it's not really because it's a family business. A lot of times that we're talking about, or even if it's not a family business, it business that you built, right. When you're the business owner. So it's like, you're very vested in it emotionally and while there's my owner who, Hey, the right decisions for him to stay in, there's also some guys who probably really are ready to go out. My brother's a well strategist and he said that he's never seen somebody who sold their business, who actually regretted it. Now I can tell you that I've had a different experience. So I don't think that's true for everybody, but, you know, Rob, you talk a lot about how can we, you know, facilitate that process. Some of it's collaborative planning, bringing advisors together, asking some good questions, anything else on that? Or maybe you could share an example of a situation you've worked through.

Speaker 4: [\(21:10\)](#)

Sure. So, so I think about, uh, husband and wife, they both own the business. Uh, she had the majority, he had the minority and a conversation that we had initially when I asked them to look through the windshield and they had talked very specifically about how they see themselves getting out one was two years, the other was three and the reasons why, and they talked about their family. It seemed like they had everything dialed in as far as how this was going to go and then there's always, always I should say, Mary kind of that outlier situation that is you to pause and this one was a son who was in the business, got frustrated and left, and now has shown interest in coming back in the business and buying it and that seemed to be in this particular case situation, something that they felt compelled to pursue yet also cautious because had three other children that were not in the business and their end lies a perfect example of why they hadn't moved forward and needed help.

Speaker 2: [\(22:18\)](#)

So business, exit planning's, a challenging area is super important. If each of you, I'm just gonna ask each of you to respond to this question. As our question on this episode today were to say, this is me, my vision for any business owner in terms of the best practice and what the team would look like that might facilitate that. What would that look like wrong? I know that was the question I just made up.

Speaker 4: [\(22:47\)](#)

Yeah, no, that's fantastic. That's fair. Fantastic. I know I opened with being encouraging professionally and so thinking about vision, I would encourage the business owner to really think about and express I would say utopia would be. Let's talk ideally how you would like to get out and when, and what looks like to me, that's a great starting point. The as we used to say, begin with the end in mind, I would be confident that whatever you want to see happen, we can make happen you've heard me say before the tax code is the tax code and it's always changing, you know, trust language and trust code is trust code. Those things are, are relatively constant. We understand that we're good at that collaboratively as we know. To start with the end in mind, and what's important to that owner and that family then, you know, we'll work with your advisors. We're not replacing anybody, but we'll work with your advisors collaboratively to effectuate your wishes and to Mike's point earlier I've talked to a lot of business owners and, and I say, you know, you're really, really good at making money and as you've expressed to me, you are an excellent fisherman with your grandchildren, focus on that and let us, your collaborative team get organized on how to help effectuate your wishes.

Speaker 2: [\(24:15\)](#)

Mike, any last thoughts on that question?

Speaker 5: [\(24:18\)](#)

No, Rob painted a pretty good utopia there if you can, I think it's so important to just have of those discussions at the beginning of the process with the business owner, you know, what is your vision as, as Rob is looking through the windshield? What, what do you want things to look like? Because we can get a team together. We can take your, we can take your advisors and that is the, the right way to do it, I think, is to get everybody together, You know, the accounts going to know something that the lawyer doesn't know, the lawyer's gonna know something that the accountant doesn't know, the financial advisor is going to have input on, on all these things. So just getting that team together but if you have that clear vision at the beginning, it's so much easier to just, you know, lay out alternatives and then figure out which alternative is the best way to get you to that goal.

Speaker 2: [\(25:04\)](#)

The ultimate vision can change with facts. But what we like is to ask the question, correct? What do you ultimately want your legacy to be, as opposed to just keeping that roof over your head and at least be thinking about it. And we really enjoy supporting clients in developing that vision from whatever aspect we're working in. Well, as we come to the end of our episode today, I want to thank sponsors interactive, legal, and course and private client that's all for today. Thanks for listening today's episode and stay tuned for our weekly releases,

Speaker 7: ([25:41](#))

A Hurrdat production.