

Overcome Succession Plan Hesitation

Almost every article and brochure about the transition of farms and ranches to the next generation laments the absence of succession plans among family business owners. They cite statistics documenting the lack of succession plans. They quantify the costs of unplanned transitions. They remind us of the consequences of not having a plan. The message is clear: Failing to plan for the transition of your business will result in serious financial and relationship problems for your family.

Despite these warnings, completed succession plans are elusive. Part of the challenge is that you are never totally done with succession planning. Births, deaths, marriages, divorces, family conflict, changes in business strategy, acres lost or gained, and economic or natural disasters can require ongoing changes to how you think about the transition. But, even taking unforeseen changes into account, people still hesitate. Why? Consider several common reasons:

Stumped. Sometimes you simply don't know what to do. Maybe you don't know how to divide an asset between children or whether you should divide your assets equally. Perhaps you don't know how to reward family members who took care of parents or helped around the farm while others moved away. Perhaps no one is returning to the farm or ranch, and you simply don't know how to plan. There is no clear decision, so avoidance prevails.

Conflict. In some cases, conflict among family members causes hesitation. Maybe you can't agree with your spouse on a plan. Maybe a lack of good relationships between your adult children causes uncertainty about their inheritance. Perhaps you are frustrated with an in-law or disappointed with a family member's lifestyle or political choices. The point is that when relationships are not in a good place, it clouds your ability to envision a successful transition.

Unrealized Goals. Many family business owners dream of growing then passing on a business to a competent younger generation. But, your goals for the business or

your hopes for individual family members have not come to fruition. Family involvement hasn't worked as you planned, or the viability of the business is in question. Planning for the transition is a painful reminder of your unrealized dream.

Overwhelmed by Complexity. Between Farm Service Agency regulations, business entity options, different kinds of trusts and multiple gifting strategies, coordinating the ownership and management transition can be complicated. Add family drama to the equation, and some people say, "They can just figure it out when I'm gone."

Your Own Mortality. And, speaking of being gone, the act of succession planning causes a person to realize his or her own mortality, and some people simply don't want to contemplate the end of their life. So, they don't, and the plan remains incomplete.

OVERCOMING HESITATION

The answer to overcoming hesitation is relatively straightforward: You must mentally and verbally process the options. Talk it through. Brainstorm. Write it down. Debate the pros and cons. View it on paper. In short, spend time visualizing how things might look before making the actual decision.

You can do that with your spouse, with friends, with certain family members, with other family business owners, with your current advisers or with new advisers. I talked with someone recently who described his succession dilemma to a stranger who owns a family business in a different industry just to get a fresh perspective. Talking to others, especially people you respect, creates a level of accountability and momentum.

Then, plan the next step. Don't try to implement an entire plan, just put one foot in front of the other. Set another meeting. Research a strategy. Have another conversation. If you keep taking the next step, your plan will start coming together. Overcoming hesitation is not easy, but understanding its sources, talking to others and making continual steps forward will lead you to a better transition. ///

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