

Opening the Door to Business Owners

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Foundry Story

Here is a true story. I met this lady after the fact. Her husband owned a successful foundry in the northwest corner of the state. She lived the life of the wife of a prominent business owner in a small community. She drove the best car in town, she was active in social and civic affairs, and every Tuesday she played bridge at the Country Club. She had a perfect life until her husband died suddenly at work. She had never been in his office until the day after he died. She always felt the foundry was a “dirty” business.

Her husband had done no planning – no Will, no life insurance, no succession plan, and all of his assets were tied up in the business! The business that had supported her in luxury was, in reality, held together by duct tape and bailing wire. Her CPA told her she didn’t have enough money to declare bankruptcy and all of the company’s key employees were leaving like rats from a sinking ship.

Why had this man not planned? Is it possible that no advisor ever discussed the need for estate planning, business succession planning or life insurance? I think he heard a lot of advice but he failed to listen to any of it.

Today I’m going to share some ideas with you on how to talk to business owners so they will listen to you. Business owners are not suffering from a lack of advice. They hear a lot of advice from their attorney, their CPA, their financial advisor, etc., but they don’t listen to the majority of their advisors. Few advisors pose the kind of questions that compel the business owner to LISTEN . . . to listen to the ramifications of their current decision. The difference between hearing and listening is when someone listens; they act on what you say.

You can become the one advisor they DO ultimately listen to by awakening them to needs they don’t actually realize they have. To accomplish this, you need to use revealing stories and/or carefully crafted, open-ended questions.

To be able to have that conversation, you first need to make them interested in talking to you. You accomplish this by having a ready, provocative answer to the “What do you do?” question. With this combination of readiness

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and questioning skills you will be ready to interact and work with the business owners you encounter in all aspects of your life.

X – Dates

Here is a fact the foundry owner never listed to...the fact that he had an “X” date. Do you know that business owners have expiration dates?

I started in the business as a multiline agent. We spent a major portion of our days collecting “x” dates, expiration dates. When does your auto insurance expire? I know they had to make a new buying decision on that date. Business owners have three expiration dates. But unlike my auto insurance example, they can plan for only one of them. The other two are real but they cannot be foreseen. What are their “x” dates? – death, disability or retirement. One day, they will exit their business because of death, disability or retirement. The question is, do they have an exit strategy?

The answer is “No” for the vast majority of business owners. According to the Wall Street Journal only 39% of business owners have a succession plan and 55% die without a Will.

Why have the majority of business owners failed to plan? They have accumulated substantial wealth and have built large profitable companies. They have reached this stage of life without taking care of the future of the business or those who depend upon it. They have made no provisions for the distribution of their wealth.

Have they not planned because they are unaware of the problem? Not a chance! They have talked to too many advisors, attended too many seminars, read too many articles and talked to too many people to be ignorant of the seriousness of their succession planning.

Is it because they are too busy? Probably not. Successful business owners make time for what they want to do.

Do they not care? I doubt it.

Everyone is Selling Something

According to Charles Ratner, J.D. who made a great presentation at the 2003 Las Vegas meeting entitled, “Selling Big Cases in a Team Environment”, the reasons these people have not planned is that so many of their advi-

sors over the years bypassed the client’s agenda to advance their own. They have been so focused on their planning techniques or their product sales that they haven’t bothered to focus on what really motivates the client, worries the client and what their priorities are. In other words, they haven’t identified the theme of the case.

Think about it. Everyone is selling something. The attorney sells his Wills and Trusts. The CPA sells her tax returns. The financial planner sells his/her financial plans. The stockbroker sells his investments and the life insurance agent, his/her policies. The Trust Officer sells his trust services.

According to Rod Zeeb, President of The Heritage Institute, “If your only tool is a hammer, every problem begins to look like a nail.”

Here is an example of this adage. My client was the second-generation owner of a casket manufacturing company. His father had lived well into his 80’s. He was in his 50’s. The insurance sale was for key person protection. The client wanted a million dollar death benefit but his stockbroker was adamant that life insurance was a waste of money. The stockbroker said the client could do much better in the market. It was the largest premium case I had written, \$25,000. The stockbroker almost talked the client out of purchasing the policy so he could invest in some new deal. Conventional wisdom prevailed and the client purchased a \$500,000 policy. Three months later he was dead of a brain aneurysm. His Chief Financial Officer told me later that without the life insurance proceeds, the company would have collapsed. The stockbroker was only interested in turning the ticket, hammering the nail.

We must be able to engage business owners in conversations where they listen to our questions. It is through answering these questions we discover their priorities. Once the priority is identified, we can build a plan with the client to address it.

Understanding Business Owners

Before we can develop our thought provoking questions we need to understand the mentality of many business owners.

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I mentioned earlier that the reason business owners don't plan is that the advisor failed to discover the client's agenda. Let's look at some of the things that help shape the business owner's agenda.

- **Corporate Monarchies**

Business ownership provides one of the few guaranties of power, respect and influence in life. The business is their alter ego.

- **Dominate Those Around Him/Her**

Few men or women – maybe federal judges on the bench, captains of ships at sea in wartime, but few others – possess the kind of power the business owner earns and eventually takes for granted. They hold the keys to the kingdom.

They can push personal and business agendas with considerable influence. They can make decisions based on their own criteria and, generally, not have to explain those criteria or even justify them to critics or sideline quarterbacks.

This characteristic can work in our favor if we present an idea that fits with their agenda.

- **The Boss**

If there were an organizational chart it would look like a spider web with him/her in the middle. The demands on the owners never end. They control all decisions about their business and the money it generates.

- **Reports to No One**

They have advisors and sometimes a Board of Directors, but they report to no one. Thirty percent consider their CPA their single most important advisor. If you implement these ideas, you can become their most influential advisor.

Why do Most Business Owners Not Want Advisors?

1. **Preserve Independence:** "Why should I let someone tell me what to do?"
2. **Keep Control:** "Isn't that part of the attraction of being the boss?"

3. **Avoid Ill-Informed Advice:** "What do outsiders know anyway?"

4. **Maintain Confidentiality:** "Why should I let outsiders know how things are run here?"

5. **Poor Communicator/Teacher:** Their decisions are based on gut instinct. "It just felt right." They do not train people nor do they empower others, especially sons.

6. **Retirement is Death**

7. **Their Withdrawal Creates A Dangerous Vacuum:** No one knows who to follow, what to do, how to do it, or where it is.

- **Heavily Invested in Their Business**

They are heavily invested in their business instead of diversifying their wealth. For most business owners the business comprises 60-80% of their net worth. What makes it worse is the business owner concentrates all his/her wealth into a single portfolio – themselves.

The biggest threat to the business' long-term survival may be the business owner. If he/she is a conscientious owner who works hard, knows every customer and attends to every detail, he/she may be making himself/herself the indispensable man or woman. And nothing functions when an indispensable part is missing.

What do you do?

In my opening remarks I mentioned that you have to be able to make the business owner interested in talking to you. Your first test is how you answer the hardest question, "What do you do?"

According to Brian Walter of the Effectiveness Institute, how you spend the next 5, 15, or 50 seconds is critically important. You have to give a memorable response that creates a hook – a stopper that demands a follow-up question from them. Brian says the most powerful tool you need to have is a good elevator speech. This is a compelling, progressively revealed conversational answer to the question "What do you do?" that makes the person want you to keep talking.

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Brian's response formula is "Wow, How, Who, Now". The "Wow" is the hook, the stopper. It should actually make the person give you a verbal response, like "What?" or "Really?" or the nonverbal response...a head turn. If you have a great WOW, the person will turn his/her head. That is nonverbal permission to keep talking.

The "How" is the concept in a nutshell. The "Who" is letting them know who you actually work with which may include them or someone they know. Sometimes you can blend the How and Who.

And finally, the "Now" stands for "Now for example . . ." which is really an interesting story: A Train Wreck or a Movie Trailer.

Here's how it sounds with me: "Tom, what do you do?"

"I am a business exit strategist." "Really."

"I help owners of closely held or family owned businesses develop strategies for dealing with the three most likely causes of an exit."

Then I stop. Their body language or question will determine if we keep talking or not. Already I've hooked their interest and also pointed out that there's something they probably want to know. What is it? Right, the three causes are death, disability or retirement.

Now, I've got a good story for each of those causes. If the prospect I'm talking to reacts to any of the causes, I'm ready with my story. Once the prospect is hooked and a conversation has started, my real questioning starts. I first quickly frame it up for them, and then hit them with the first question.

"The day you open the doors of your business is the day you should start your exit planning. Unfortunately, that rarely happens because the business takes on a life of its own. Then, one day, the owner suddenly is facing a situation that has not been planned for – business succession. The majority of their wealth is tied up in the business and they have no way out. Out of curiosity, do you have an exit plan from your business?"

The exit plan question is the one I use most often and it is responsible for the majority of my sales to business owners from sole proprietors to individuals whose net

worth exceeds hundreds of millions of dollars. Here is the way I usually phrase it:

"Some day, because of death, disability or retirement, you will exit your business. Do you have a plan to take your money with you on a favorable basis?"

Try it. You may be surprised at where it takes you.

The Approach

My best method of prospecting is what I call "lifestyle prospecting". I just pay attention to the people I meet on a daily basis. When the setting is appropriate, I ask a leading question and let the conversation take its natural course. Here is a mental image of the method that works best for me on a consistent basis.

Every year I go to Alaska salmon fishing. We fly fish in the rivers. When you are standing in the river, you are surrounded by thousands of fish. They swim around your legs, between your legs. They even swim into your legs. All I have to do is get my fly in front of just one of those thousands of fish. If I do that, I get a strike. If I play the fish correctly, I land it.

Every day we are surrounded by and bump into business owners. They are so numerous we often fail to pay attention to them. Think about it. Where did you buy your car? Who brings the office supplies? Who does your dry cleaning? Who belongs to your service clubs? Who do you play golf with? Who serves on the same boards you do?

The approach needs to be simple. It needs to be non-intrusive, that is, the prospect is not uncomfortable with your approach. It needs to be universal, i.e., it works wherever you are – a cocktail party, a service club meeting, standing on the sidelines at a child's soccer game. The approach has to hit some stimulus that leaves nagging unanswered questions in the prospect's mind that only you can answer.

The approach I use is the "Conversational Consequence." I ask them a question and/or tell a story that illustrates the natural consequences of not acting in their situation. People are attracted to stories because they resonate with their past or their envisioned future. The story is the vehicle that attracts and compels action. Story

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telling in our business can make a personal and lasting connection with our service in a way no written plan or proposal could.

People who will respond to nothing else are often motivated to action by a story. We want to lead people into the future. The best way to get humans to venture into future terrain is to make the terrain familiar and desirable by taking them there first in their imagination through the use of a story. Future narratives sketch a vision that points in a general direction but little else. If they are effective it is because the listener put flesh on the skeleton.

Most of the questions I ask and the stories I tell are future oriented. They are designed to ignite action. The stories are true based either on my own experiences or ones I have collected from other people or from books and articles I have read about individuals. If I do it right, the prospect can see himself or herself in the same situation, facing the same problems, usually without a clue about how to fix those problems.

Here is an example of what Brian Walter calls a train wreck story followed by a question. A train wreck story describes a real, disastrous past event. We call these war stories in sales. It is from an article in Inc. Magazine, April 1986. Although the article is almost twenty years old, it still rings true today because it illustrates a classic lack of planning.

"I read an article in Inc. Magazine about a business owner who got to the point where, at age 65, he was desperate. He had done nothing to prepare for his retirement, he had no succession plan, he was vulnerable because of his age, and all his assets were in one place. Unfortunately, I see this scenario repeated day after day with the business owners I meet. Do you have an exit plan from your business?"

Here is a story about an actual client that is designed to get a prospect to review his/her current level of planning:

"I have a client who is a very successful GMC dealer. When I met him, he told me two things, 1) he already had a detailed estate and business succession plan and 2) his major concern was that his wife was financially secure after his death. My response was,

although you have a detailed plan, an objective, second opinion would either reconfirm your current planning or bring to light areas that needed to be addressed. I found that his estate plan was designed to maximize tax savings. It left his estate with virtually no tax liability. Unfortunately, the documents totally disinherited his wife. He left the business to his son, his commercial real estate to one daughter and the house in which his wife lived to his other daughter. Rather than being financially secure, she would have been left with nothing. If your Will is older than three years, it needs to be reviewed."

Guided Self-Discovery

So, now that we know we have to discover the business owner's priorities to be successful. And we know some of the things that help them form their priorities. Now we need to formulate an approach that they will listen to with interest.

The process I use is called guided self-discovery. I want to engage a business owner in a conversation that guides him/her to discover his/her own planning needs. My goal is to get them to participate in identifying their own needs. I do this by asking probing, open-ended questions that help the prospect talk about his/her goals, dreams, and even failings. Unfortunately too many advisors focus on closing the sale. According to author and researcher, Mitch Anthony, from his book "*Selling With Emotional Intelligence*", advisors don't resonate with clients 50-70% of the time.

Questions

Imagine having a casual conversation with someone who has identified himself as a business owner. All of these questions are part of a natural conversation. The questions are interchangeable. The next question is based on the answer to the previous one. If I get no response I may not pursue the questions or I might let it lay dormant for a while and come back to it.

Here are some other questions that you can lead with or work into the conversation as it develops.

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1. "Will your business survive you?"

Many business owners I have met and worked with were dynamic individuals. They were the driving force that made the business succeed, almost by sheer will power. Their hand was on every decision. You might say they were heroic leaders. But when they leave the business because of death, disability or retirement, the business fails because no one knows what to do, who to follow, or where anything is. The question is, "Will your business survive you?"

That leads to an interesting motivational question. "Are you the indispensable person in your company? How will your company function when it loses its indispensable employee?"

Here is a story using myself as an example. Several years ago I had a five-way bypass surgery. Fortunately, I got one week's notice before being out of work for three months. If I were the indispensable person, my company would have been out of business. If you couldn't go to work tomorrow for an indeterminate lengthy period of time, would your business survive your absence?

2. "What would happen to your business if you disappeared?"

Here is an example. Do you remember the Alaska Airline crash off the coast of California? Everyone was killed. After seven days the State of California issued death certificates. Had they not done so, the families would have had to wait seven years before they could access the financial assets of the deceased.

A client told me the story of her friend who was on a family vacation in Switzerland. The man told his wife he was going to hike a trail and meet her in one hour in the parking lot. He never showed up. Switzerland does not issue death certificates. She had to hire a detective to search Europe and the U.S. She could not get to the financial assets she needed to support her family. About two years ago, his body washed out of a crevasse.

"If you disappeared, who would be in charge of your business? Would your family have access to your assets? This is an easy problem to fix, but it is overlooked in most business & personal planning."

3. "In the event of your death or disability, what would happen to your lines of credit?"

This is a great question. It may be a lead question but most often it is a follow-up question. I asked this question to my biggest client whose net worth at the time exceeded \$100 million dollars. His response was that he didn't know. I advised him to check. After checking, he told me nothing would happen because the loans were callable only if there was a substantial change in ownership. My response was, "Do you think the death of a 100% shareholder in an "S" Corp with no succession plan qualifies as a substantial change in ownership?"

4. "What does retirement mean to you?"

This is a great thought provoking question that can lead to a very interesting conversation. It opens all sorts of opportunities for you.

For many business owners, retirement is death. But the answer may be varied. One is, "I plan to die in the saddle." Another may be, "I will continue to work but I will gradually decrease the time I spend in the office."

Many business owners have all their wealth tied up in their business. They can't retire because they use the business as their personal bank account. Thus, the business doesn't have the cash flow to support the owner and the successor.

Here are some great power phrases and follow-up questions to the retirement questions:

1. "How much money will you need in retirement to remain in your own world?"
2. "Retirement age now is 70 and you need to plan on living to 100. Will you be able to support yourself considering these time frames?"
3. "Will your business be able to support your lifestyle and the financial needs of the business?"

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5. **“Who can hurt you the most?”**

John Maxwell wrote a book entitled *Twelve Irrefutable Laws of Leadership*. In the book he asks the question of leaders as they survey their organizations, “Who could hurt you the most?” Which employees are key to your business success or to your transition strategy?

6. **“If you had died last night and I was your financial advisor, what would you want me to say to your spouse?”**

This is a powerful question. Once you ask it, you must stay quiet until you get an answer. This question will reveal the prospect’s personal values. I have received answers that were full of love and feeling and some that were cold as ice. I had one person break into tears, telling me no one had ever asked him that question before. It is a showstopper to even the most hard-headed business owner.

7. **“Do you have children who are active in the business as well as children outside of the business?”**

One of the biggest dilemmas business owners face is how to distribute their estate to their children when the major asset in their estate is the business. The choice they make can promote family values and relationships or irrevocably split the family forever. Let me give you an example.

My college roommate married a girl whose father owned a very successful manufacturing company. He gave 50% of the stock to his son and 50% to his daughter. The son became the president of the company, received a six figure income, a luxury company car, a country club membership and he traveled with his family on company business.

What did she get? She got 50% of the stock that paid no dividends. She had no say in management and the only person she could sell the stock to was her brother. She offered the stock to him, but he said he wasn’t interested in buying the stock. To make a long story short, he bought her out for 25 cents on the dollar.

The result – they don’t talk. Christmas and birthday presents to nieces and nephews are returned unopened. Only after almost 30 years have they begun to talk because they have to make health decisions for their aged mother.

Do you think family dissention was the prime objective of the father’s estate plan? I doubt it. The father confused equal with fairness. Children want to be treated fairly. Will your estate distribution plan split the family or will family members continue to talk after you are gone?

Conversational Questions

Sometimes you are in a situation where you’re not able to use the questions we have discussed. Maybe you just want to open the door for a later meeting. Let me encourage you to be the person who asks interesting questions. If you do, you will be the one remembered from the masses.

Here are some questions I borrowed from the Heritage Institute.

1. “How did you get started in your business?”
2. “How hard was it to get started?”
3. “What drove you to success?”
4. “When did you realize you had made it?”
5. “What made you successful while others failed?”

If you would like more information on the Heritage Institute you can contact them at www.TheHeritageInstitute.com.

One of the best conversations I ever had was with the owner of a very successful shopping mall. We were at a hospital board meeting. I asked him, “Where did you learn shopping mall management? It’s certainly not something you major in at college.” His answer was, “I learned it at the dinner table.” His answer gave me a huge opening to pursue over time.

Question Summary

As you can see there are all sorts of questions you can ask. Each question builds on the prior and leads to the next.

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Ask open-ended questions that evoke a response. You are interested in them, their goals, their values, and their priorities. Tell stories that illustrate your point. If you don't have your own stories, borrow them from someone else, from magazine articles, newspapers, or ones you hear at MDRT.

Remember, if your only tool is a hammer, every problem looks like a nail. If this is your approach, the client will quickly see through your approach. A Harvard Business Review article stated that humans categorize others in less than 150 milliseconds. Within 30 minutes, they have made lasting judgements about your character. To me, it's

better to know the question than the answer. If I lead with the answer I am putting my agenda ahead of the client's. If I ask the appropriate questions I put their agenda first.

Thousands of business owners are swimming all around you. You don't need technique or even a lot of technical knowledge. All you have to do is to get your questions in front of them. Concentrate on developing your "Wow" response. Take one of these questions. Dress it in your own style and personality and put it in front of the next business owner you meet. See if you don't start getting strikes. There is no limit to how many you can catch.