EPI Philadelphia May Chapter Event

On May 11th, the EPI Greater Philadelphia Chapter heard from Dr. Tom Deans, Author of *Willing Wisdom* and *Every Family's Business,* listed by the New York Times as one of the top ten books business owners should read.

His presentation was titled, **"Business Risk: How Geopolitical Wars, Pandemics, and Inflation are Changing Exit Planning Forever."** The following key messages and call to actions were shared:

1. Aging demographic of business owners means that there is urgency in preparing exit plans.
2. Even business Owners in their 30's and 40's will be affected by other business owners in their supply chain (suppliers and customers) who exit their firms. When exit planning goes well, it goes well for everyone, including employees and family.
3. Business owners who re-invest their profits in their operating business and keep the majority of their wealth in a business without any exit plan run the risk of destroying wealth. Unforeseen macro events like pandemics and geo-political wars can quickly and permanently alter demand for products and services. Unforeseen risks will always be a feature of the modern ceremony.
4. Business owners moving into their 50's and 60's and certainly their 7-'s should be diligent in removing equity out of their business and begin to build durable investment plans that spread risk across sectors and currencies.
5. Risk on a balance sheet is important because it reminds the owner that even the most financially successful businesses can suffer rapid declines in valuations because of unforeseen risk to the business, and risks to the business owner's own health.
6. Sadly, half of all business owners do not even have a legal will, meaning that should the business owner become incapacitated or die prior to monetizing their largest asset, the state will divide their business asset according to the laws of intestacy. In most states this will spread ownership into the hands of multiple family members regardless of whether they are involved in the business or not. Litigation is common in this scenario.
7. Business owners who do not have a legal will almost certainly do not have a Financial Power of Attorney, meaning that should the business owner for any reason become incapacitated (physically or mentally), family will need to apply to the courts for a public trustee to administer the business. Business owners need to begin with the end in mind and draft wills, Financial Power of Attorney and Health Care Directive (sometimes called a Living Will).
8. The most successful business owners rely on advisors (investment, accounting, legal) to help organize and facilitate family meeting to arrive at business ownership and wealth transitions that meet the needs of multiple generations. Approaching the subject of business exit planning and estate planning as a collaborative family under-taking, is precisely how new family money becomes old family money.
9. Preparing heirs through facilitated family meetings can reveal whether the next generation is prepared to risk their capital to purchase the business at full market value, based on a third-party valuation. Next generation business owners should transition small amounts of cash to the succeeding generation and ask if the recipient wants to use that money to purchase stock in the family business. Business owners need to "follow the money." If the next generation does not want to risk their capital – pay attention. They may see risks to the business where founders of the business have blind spots.
10. A family that can talk openly about finances can build a culture that prepares the next generation to take measured risks. Concentrating wealth in a business is an important strategy for creating personal and multi-generational wealth. However, equally important is knowing when to exit a firm or sector in advance of major disruptive wealth destroying events.

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