O'NEILCANNON
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TAX AND WEALTH ADVISOR ALERT: SUCCESSION PLANNINGTHE SIXTH SIN — "FAILURE TO COMMUNICATE"

Keen observers of human behavior know a couple of things to be true.

1. In the absence of information, people assume the worst
2. People flee uncertainty

My clients are smart, successful people that have built enviable businesses. Intuitively, they know these "truths." But to their detriment, they forget them. Instead, if they actually do engage in strategic succession planning, they tend to keep the plan to themselves. Why? A common reason is to maintain familial peace; fearing a combative Christmas dinner "conversation" between involved and uninvolved children over the differences between fair and equal. Or maybe it is the fear of facing an uninvolved child to explain why he or she is not included in the succession plan (and is treated fairly, but maybe not equally in the estate plan). But I try to help my clients understand that giving into these fears is a selfish act. And I also remind my clients of the two truths laid out above. All of their children have normal, human reactions that lead them to (1) assume the absence of information and guidance from their parents is because there is only bad news, and (2) maybe flee the family business to avoid whatever that unknown bad news is.

What's interesting is that after we communicate with the children, I get the benefit of asking them what they thought would happen. Inevitably, these "truths" play themselves out. The involved children assume Mom and Dad, being guided by the parental need to be equal, will put them in a position to be outvoted by their uninvolved (and typically, in their opinion, uninformed) siblings. Of course the uninvolved children tend to feel lingering guilt about shunning the family business and assume they will get nothing. When both sets of children learn that the plan is to have the business run by the right people and fairly get everybody what they want, there is almost always relief and happiness.

But the children are not the only people coming to problematic, often incorrect, conclusions in the absence of knowing the succession plan. Vendors, customers, suppliers, banks, and employees are also making assumptions. I have gotten a growing number of succession planning clients in the last two years not because the client has decided the time is right to

engage in planning, but because banks and customers are requiring a copy of a written succession plan to continue to do business. Remember, the more critical the relationship, typically the more that person has at risk with the business owner's failure to properly plan. Powerful stakeholders will want to mitigate that risk by knowing what the owner's plans are.

So if you are a business owner, what assumptions are people making about your plans?