Corey Rekers (00:12)
All right, welcome back to The Accel Advantage podcast where we discuss insurance and financial services for our business leaders. I'm your host, Corey Rekers. I'm a partner and president of our property casualty division here at The Accel Group. Today, I am super excited to have one of our premier investment advisors join us on our podcast. Mr. Ryan Hervey, welcome Ryan.

Ryan Hervey (00:34)
Thank you for having me.

Corey Rekers (00:36)
Ryan and I are going to discuss today some of the obstacles that prevent our business owners from building what we would call a cohesive plan that covers their retirement, their estate plan, and their business succession plan.

So I did notice before we get started, I noticed the JD behind your name, which tells me that you may have started immediately in financial services.

Ryan Hervey (00:57)
Yeah, that is accurate. So I graduated from law school in 2004

and immediately started in a firm... love to tell the story... Started at an all-female firm. So all-female partners, all-female paralegals, they introduced me as their token whenever we went anywhere. It was actually just an incredible learning environment for me. So started doing estate planning, tax planning, some Taft-Hartley union health and welfare plan work, and really kind of cut my teeth for a couple years there. Did not like keeping track

of my time in six minute increments. That is certainly not what I'm best at. So I ended up kind of moving over towards doing some more strategic planning type of situations and ended up dealing with clients myself down the road.

Corey Rekers (01:40)
Okay, so not a usual path into financial services then.

Ryan Hervey (01:46)
Not at all. No.

Corey Rekers (01:47)
I just think it's really interesting to kind of look at that correlation. So how a law degree can really kind of help shape one's perspective and how they can maybe serve people who are looking for some answers in their long-term planning and try to maybe overcome some of the trepidations of getting started, which we both know working with business owners can be pretty daunting. So,

let's go into some detail on the succession planning piece for our business owners and maybe touch on some long-term planning for maybe some of our non-business owners as well. So let's start with some barriers.

Can you share with our audience some of the things that you see prevent a business owner from even getting started with their plan?

Ryan Hervey (02:25)
Yeah, I think it kind of

comes into two different spaces here where we have to break things in half or we'd be talking all day long. So the first side is kind of the X's and O's is strategically there are obstacles that prevent people from doing good planning. I that's probably what we should focus on today. Then the other side is kind of the people behind the planning, who we're doing the planning for also create some obstacles. You got X's and O's on one side, you got Jimmy's and Joe's on the other side.

So from an X's and O's perspective, three things stand out to me. One, it's difficult. Like there's complexity here. You know, business owners become...

business owners, executives become executives because they're really good at doing certain things. And typically that's within their business and they're very focused on it and they get things done. So we, we enter a world now where they don't understand all of the parts coming together. There's, there's tax implications. There's ... estate implications. There are, there are answers that they, you know, they don't have yet. So we're having to project some things that, that's not in their,

their strength areas. So that level of complexity makes it very hard for someone to want to start anyway. Then you mix in the fact that business owners typically don't have a lot of time to devote to doing something like this. So now we've taken something that they don't really know about, are a little bit intimidated by theoretically, and we don't really have a whole lot of time to devote to it. Certainly doesn't make someone want to go do that thing.

And then, you know, lastly, there's cost, you know, and so the, there are multiple professionals that are involved in this process. No matter, no matter how we do it, there's going to be more than just the business owner getting to do a DIY thing. And those three factors together, I think it looks like the mountain is too tall. And so if I can't get to the pinnacle, why am I even doing this at all anyway? And so we don't, we don't even get started down the road. We'll think, you know, I know I need to climb that

mountain, I'm just not going to do it today. And then it just keeps getting pushed off. It just doesn't have the urgency that, you know, your everyday business owner problems tend to have.

Corey Rekers (04:33)
Really interesting to kind of break it down that simplistically. So difficulty or complexity in starting, the amount of time they perceive it's going to take. And then obviously I would use the perception of cost and maybe having multiple professionals involved.

Okay, so let's start with number one the difficulty piece, the complexity and the topics, circumstances, personalities. I think it's very interesting that you kind of brought up with the business owner... they are very, very talented people. Otherwise they would not be responsible for the number of families they're responsible for. But as you get them out of their comfort zone, I'm sure you see some things that maybe expose them and things that they're not so great at. And so is it safe to

say that sometimes to not expose yourself, it's easy just to not to start?

Ryan Hervey (05:21)
100%. It is remarkable

how quickly the insecurity shows up. And so that's one of our first goals in those early meetings is... you shouldn't know how to do this. Unless you do this for a living, there's no reason for you to know how to do this. And I've done this for families who had people in their family that did this for a living and still couldn't do their own. So it's something that inherently you almost have to rely on subject matter experts. Maybe the very first step is just getting over that insecurity

of man, I don't want to go talk about something that I don't know anything about and so yeah that, that shows up right away and, and so once we get to the point it's... that it's okay to not know anything then it's, it moves forward so much more smoothly.

Corey Rekers (06:09)
From your experience, obviously if the business owner is the one that maybe is reluctant to do some of this planning, and it could be simply because they just don't have a clear sense in their mind exactly what they want, who have you found to maybe be the driver for most of the plans that you've set up for business owners and probably even non-business owners

Ryan Hervey (06:29)
Most of the cases that I have done, the business owner kind of theoretically understands they need to do this thing. But most of the business owners I've worked with are very much in the middle of the forest. And oftentimes they have a spouse looking at all these trees thinking, what in the world is going on here? And I have seen the spouse become the...

the instigator of getting this thing done, the constant presence that's continuing to force it to its conclusion, because they're the ones that are really the most vulnerable if something happens to the business owner spouse. And in that environment, that vulnerability becomes an urgency that they have that the business owner spouse doesn't necessarily have unless they've had an event that causes that thing, because they're seeing all the trees around them. So that business owner spouse pushing that thing

forward really can be a really helpful level of energy to getting a plan put in place.

Corey Rekers (07:28)
So let's talk about that. We've got a business owner who reluctantly is willing to sit down with you and maybe it's because their spouse kind of pushed them or her into that situation and now you're in front of them. What are some of the first steps you take to kind of break down those barriers and those walls to have a constructive conversation?

Ryan Hervey (07:48)
It's really kind of fun to see this part happen. Because one of my goals as we go through this is... let's have really efficient meetings. I want to understand completely what your goals are and what you want to get out of this. It doesn't matter what the best plan is in a succession planning environment. It's the plan that your family needs. And that involves finances. Like, what do we have to sell this thing for in order for our finances to work out?

What do our... what do our family dynamics need? All of those pieces come into this. So it's how do I... how do I get all that information extracted so that we're building the thing that they actually want to build and then simultaneously not asking them to invest any more time than necessary? How can we be ultra efficient in what we're doing? So usually the very first thing we do is a financial plan. And so this kind of grew out of a

couple that I worked with came to me. They had an idea that they were going to sell a business. They're part of a trade club or an organization of owners that they knew roughly what they were going to get paid. And he came to me. He said, I want to, I want to do this sale. I don't care if my kid's involved, mom in this situation had very specific ideas she wanted for the non-business children. You know, there's, there's one in two out and

I sat down, I said, we need to know what kind of money you need in order to even understand how to structure the sale. So we start going through this process and I get to the end, I said, you've only got a 50-50 chance of making it to a death that's out there. We had them both dying at age 88. Got a 50-50 chance of making it there with money. So while you feel like it is a big, almost eight digit number on the sale of this business,

just

setting it up for tax efficiency wasn't going to be enough because they had floated so much of their spending through the business that they didn't know what they actually spent. And so those numbers didn't add up. So we had to start there. Very simple. Hey, it's OK. This is the way business owners tend to work is they float a lot through those closely held companies. And they're, they're very used to just having money that's flowing in. When we get to a sale environment, all of sudden now we don't have

that anymore. You're fixed income. It could be very high levels of income, but you don't have a spigot that you can turn on and off anymore. So we walked through, we figured out what they needed to get in order for this thing to be successful. Through that process, then the goals kind of changed as they figured out that we weren't going to just be able to sell and walk away from this thing. And by the time we got to the end, the child that was in the business ended up keeping a chunk of the business. Another part of the business got

cut off and is basically just kind of a passive income source for the previous business owner. And we got trust work set up to make sure that the other children were taken care of.

But it's not a type of thing where you get to come in and just give an order and have it come to be. These conversations are designed to pull that information out, but it's also designed to pull desire out and goals out. And you're leaving a legacy when you do this kind of planning.

What legacy are you leaving? And why are you leaving it? And when you're in the middle of the forest, you're not thinking about those issues. So this process is really designed to make sure that the goals that we've set line up with the things that we have internally that we don't even know we have yet.

Corey Rekers (11:15)
Yeah, one of the things that I've watched you do in just working with you is do a tremendous job of

seeing everybody that's a part of that process and not just focusing on just the business owner but focusing on the spouse, the kids, the employees... all facets of the plan and I think that at times I think gets missed that human element

One of the things we'll touch on next is the time component, right? And so what you just described a few minutes ago sounds like it would take a considerable amount of time. And so can we talk about that a little bit and kind of how you work through that to make sure that things don't get lost over a period of time or lose their momentum?

Ryan Hervey (12:00)
Yeah, I think that's a really important part of this is with that same couple, when we sat down for the first time and they kind of talked through what they're wanting to get accomplished, we walked through, we do the financial plan for them. And at that point I told them, based on what I'm seeing here, this is gonna take probably about two years for you to get done. And it ended up getting done, you know, two days to the anniversary of two years.

It's not an active process though. So it's not like it was two years of the business owner and their, you know, and the family being highly involved in this. It's just in that case, they needed to do a business valuation. Had to do a formal business valuation. That took time. They had to rework all of their trusts. So they'd had some basic estate planning done that needed to be completely redone to fit what we were getting accomplished here. You had a CPA that went through, after I came back to them with their spending numbers and said, I've looked through your taxes, unless you're hiding some money that I don't know about, you're spending this much, they were shocked. So they went back and actually worked back through with their CPA to make sure that those numbers were accurate. They doubted me in that instance, I don't blame them. It was...

It was a shock to them how much money was going in a lot of different directions. And so when, when you do all those things, what that ends up being is a quarterly meeting for an hour. Let's talk through where we're at. We're going to have a status objective, but we're doing the work on the backside. Business owner wasn't doing all that. So even though it was two years to get us to the process, it was really probably six to eight hours total of their time with me. And then you throw in a couple hours with CPA and an attorney.

By the end, you know, there may be 10 hours in over a two year period to get this plan from the very first conversation to it's all executed.

Corey Rekers (13:42)
Yeah.

And I would assume that's more of a complex plan. Obviously you talked about some different parties that were involved in that. Them maybe not realizing the amount of spend, from what's going out perspective. And then, if they were going to sell that business, kind of what that fixed income was going to be. And so it probably took that owner and their spouse and the people involved probably a little bit more time to maybe comprehend some of the things that you were trying to walk them through and maybe coming to that reality.

Ryan Hervey (14:09)
It's fair in that situation they had never done anything that looked like budgeting. So part of that conversation was just an understanding of what are we going to continue to spend on?

You know, their numbers ended up coming back as the three years previous that we had used for their spending numbers. They had some big projects that went on that were personal projects that weren't going to continue to go on. So we made some adjustments there. So, yeah, theirs was a complex case, and that's why it took as long as it did. Usually, though, I would expect this to take a year.

But ultimately, because there's multiple parties, the more parties that are involved, the longer the process will take to get completed. Simpler plans. If we don't need a business valuation, we already have an idea of what we're spending. Maybe the business isn't as rich in that situation.

Those kind of things we can get that plan frequently done in about a year.

Corey Rekers (14:59)
Okay, so for our business clients, it could be upwards of a year, could be two years depending on the complexity. What about for those that maybe

don't have a business but maybe have worked most of their lives in a job and have saved a significant amount of money and now they're looking at maybe a will, setting up a trust, something that's maybe a little less complex. How long would that take?

Ryan Hervey (15:22)
Typically we can get those done in three to six months.

You know, I think it's again, we I always want to have a marriage between, you know, what we're doing in our lives and what we're doing after our life is over. And we want a cohesive blend there. All of it ends up impacting legacy. And the legacy is the thing you feel about someone. It's why a lot of trust work I've done with people came because they had to deal with a problem estate and they didn't want to leave that down the road. Right. It affected the way they remembered mom and dad because of what they had

to deal with when mom and dad died. And that's something that I've gone through personally in my life with family. And it's a pain. Of anybody... I should have the expertise to have my own family do things right, I still couldn't get them to do it. The motive didn't exist, and I couldn't get them to go there.

What gets left is a mess and as a result you've got this legacy that's broken. So the, the same procedures and structure we use for our business owners we use for, for all of our clients. We believe that you should have a financial plan to make sure you're going to have enough money to live all the way for the course of your life. We believe that you should have a plan then for what happens after you die. We think that those two things should go together and we think it should have a very realistic chance of happening.

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Because that's the other part of this is like I can, I can design things I could you know we can do great trusts, we can do all these things if, if the money and the assets don't reflect those goals it's not going to work, and it's going to become a problem the other way. So we really like to make sure that all the pieces fit the way they're supposed to because that's... that enhances legacy in the long run is doing, doing right by people by not leaving them messes whether that's employees whether that's family.

whoever it is, we want to we want a clean outcome for the people that are left when someone's gone.

Corey Rekers (17:12)
Yeah, one thing I've always felt is that you do a really nice job of looking at the entire picture knowing that it could potentially affect these other things down the road. You've always looked at things holistically, which I think that comes from your passion of, you know, being able to help somebody and help people in need because of kind of your past experience with the planning that, maybe you weren't able to get done with somebody that you loved

immensely and as a result of that this passion for this industry really kind of started to thrive.

Ryan Hervey (17:40)
It's interesting. It's a place in me. The fabric has all these different strands. We're all made up of this fabric of life experience and educational experience. And I've experienced it in my life.

My grandparents, one of them had Lewy body disorder, which is a dementia that's, you know, has catastrophic effects on someone. And, you know, a grandmother who, you know, relied on him for the financial side of everything and having to walk through this. And how do we preserve assets? How do we make sure that he gets the care he needs? All of those things. So you end up doing Miller Trust. You go down all these pathways,

and you recognize just how few people have guides available to them to help guide them through really heavy transition periods. And so that, the transition planning is the passion.

Because if I do my job well, then my legacy is reflected in the legacy of the people that I've worked with, that I care about, is they have these great outcomes. I don't care if I get credit for it, I mean, I get paid for it. It's what my job is. And I'm fortunate to have aligned my values with how I get paid in life. But it is a really big deal

to get to help people in preparation for those things and to reduce the amount of wear and tear and pain that comes from not doing this process well. So you add that in and you take my legal education, which is, know, lawyers are designed to look for risk everywhere. And so the idea of I'm just gonna plan on and address this part of my plan really leaves me open to all these risks that come from other places.

So it's our job to recognize the risk. Hey, if we don't plan for this thing, here's the things that could happen. Not every client can plan for every single thing. So it's making an intentional decision that we're going to go ahead and not worry about that thing, right? That's something we deal with on the insurance side of our business. We do it on the wealth side of our business. There are certain risks that we just absolutely have to deal with. There are other ones that we're comfortable rolling the dice on. And that exists at a human level when we do this process as well.

Corey Rekers (19:48)
That all makes a lot of sense and you know that kind of leads me into the maybe our last section here and the, the three points that you were talking through today which is the cost perspective right and so... You alluded to it earlier having multiple professionals involved. Obviously the larger and more comprehensive the case is... Can we kind of walk through

taking from maybe the more complex case all the way down to more of a simplistic case, kind of the what our listeners would expect to be some of the costs of doing this sort of planning.

Ryan Hervey (20:19)
Yeah, that's, it is a huge, huge spectrum of how much money you could spend on this thing. I think I'd start at first with a quote from the movie Lincoln that I love. I don't know if Abraham Lincoln actually said this, but it's in the movie as if he had, and he talks about the fact that you've got, a compass will take you straight north, right? Like that's what a compass does...

but it doesn't know where the marshy ground is. It doesn't know where there are faces of rock that you can't go up. That's where you need a guide. And so one of the things that I view as my role when I guide clients through this process is letting them know the dreams they have, here's the complexity that comes with it, and here's the cost that comes with that complexity. Right? ESOPs.

Very cool tool, very expensive. Doesn't mean you shouldn't use them. You just need to know that you're using them for the right reasons. They have to align. Trust work. We can do very basic trusts

Or we could do much more complex trusts. Maybe we need a special needs trust. Maybe we need, you know, trusts that are going to hold certain things in a place for someone who's got addiction problems in their family while other family members have separate terms. That kind of trust work could stretch out to $2,500 to maybe even $5,000.

We need a business valuation because we have no idea what we're doing this internally so we don't need a formal one. Well, we have options available to us that are, are free business valuations. They're informal, but they give us a discussion starting point. They're fairly accurate. In this case we had, we had tax ramifications with this family, so we had to do a formal business valuation. Well, then you're talking five to $15,000, but,

they didn't step into any of those places without someone telling them in advance, if we go this route, this is what we'll need and this is generally what that thing is going to cost. And because there are certain situations where a simplified plan is better than no plan at all. And we just recognize it's not as good as the best plan would have been.

And there... I have had clients that want the best thing and they're willing to spend the money to get there and that's fine. We'll do it that way. I have other families that want, you know, good, better, best. They just they want better,

and they want to have something in place that's going to serve most of the goals they have. And there are certain ones they're just not going to pay for right now to getting it done. Doesn't mean they can't do it in the future. I would say that 80 % of the things that we're designing are modifiable down the road. So it's not as if everything goes into an irrevocable trust, it's gone. If we're to do something that's that permanent...

You're going to have to run through like 37 warnings from me that you're going into a space where this is a permanent solution because permanent things can cause some really great planning, but they can also get us into some really weird spots. So it's disclose, disclose, disclose... Be careful when we go this far, because once we go that far, we can't come back again. And so it's it's recognizing this is modifiable. Let's get something done. Let's get something right. And then we can add these pieces in over time.

But that original structure needs to have been built to allow those other pieces to plug in down the road instead of having to rebuild that core structure again. So it's, it's again that, that time element is figuring out, hey, maybe we can do a base plan in six months. This covers us for 80 percent of the things that we could run into over the next five years. But we have our sights set on if this thing keeps growing the way we're going to go or, you know, whatever that piece is, is we can add in

these other elements to refine this plan and make it better as we go along.

Corey Rekers (23:56)
Yeah, that makes a ton of sense. One thing I was gonna ask you, and you hit on it already, but I think half the battle is getting started. So even having some sense of a plan or getting started with some sense of a plan, knowing that at some point you can change your mind, you can adapt certain things depending on what sort of plan you set up, whether it's a revocable trust or in some cases where it's an irrevocable trust. I think that's some of the things that you're talking about.

Yeah, so what would be a good initial first step for our listeners to get started in their planning if they've been looking at doing something like this for a while, didn't really know who to go to and who to trust in getting that process started. From your perspective, what's the best way to do that with you?

Ryan Hervey (24:40)
The best way to do that with me, I have found is basically a 15 minute conversation. Let's hop on a phone call, let's hop on a Zoom, however we want to do it. And let's just talk about where you are, what you're trying to get accomplished.

The big thing for me when I work with anybody is I want to set expectations and I want to make sure there's a fit. So I need to know that I have a role in this thing with them. It could be a temporary role or a permanent role. But like there's something for me to do here that I can bring value to the relationship and, and too that, that they fit me. You know that they're going to be a client that's going to listen, that's going to, to know what it is that I'm trying to get accomplished and be receptive to it. These are

labor intensive planning processes. And so there has to be a strong relationship, and it has to be two sided. So that first 15 minutes is let's figure out if we even have enough... We describe this as a dating process. That's our first date. It's a blind date. Let's find out if there's enough chemistry here to even make a second date worth it.

If the second date's worth it, then what I'm going to end up doing is sending a link. I'm going to ask for some information to be input from a financial perspective. I want to have an understanding of the businesses involved, how they're structured, are they LLCs, are they S-Corps, so I can start to understand the world that someone lives in. And in exchange for that, our next meeting's usually about an hour, maybe 90 minutes, and I'm going to give them some feedback on the things I see. And that's going to be, you know, there's

money here. There's there's not enough money here. There's those kind of those issues that exist here. Structurally, are there opportunities for us to change business entities to use trusts to do some of those things that might be CPA oriented work. But I'm going to start issue spotting on those kind of things. And then after that meeting we have a pretty good idea of yeah I want this guy to continue to work on the work that I need to get done. And if you feel like it's not a fit usually the client can leave that meeting and

know where the issues are and if they want to be their own general contractor and try to work through the thing, by all means we've set them up to do that. So it's not our goal to be the exclusive spot of all intelligence. We know that that's not realistic. Our value comes in being a guide through this process and making sure that the outcomes are what people intended. And that's something that can be evaluated as we go this entire time. And that's where I want to set the expectation of...

Let's get going, let's figure out if we're a fit, let's figure out what next steps are, let's make sure you wanna do those next steps and develop this thing. Because if it works the way it's supposed to, those become super valuable and loyal relationships that... there's a lot of trust in there. We want that for our client for the rest of their lives is that they have someone they can trust to help them deal with complex stuff.

Corey Rekers (27:22)
Yeah, one of the areas I think I've watched you really shine in Ryan is being able to kind of coordinate those multiple professionals because you are spot on.

& just really having someone in their corner that truly understands all those areas from what I've seen in my experience with business owners, it's really imperative. Before we kind of wrap up today, I know we hit on time, we hit on complexity.

We hit on cost, really kind of the X and O's of estate planning, succession planning.

Ryan, thank you again for your time. This was extremely informative. You've given our listeners a ton to think about and consider when it comes to their very own planning and setting things up for success for that next generation. So.

All right, like always, please make sure to check us out at AccelAdvantage.com or AccelWealthManagement.com and please make sure to follow us on Facebook, LinkedIn, Instagram, and YouTube. Please subscribe so you don't miss our next episode. And lastly, please share this with those you feel would benefit from these helpful insurance and financial planning tips from The Accel Group. So.

Ryan, thank you for your time today. And remember, at The Accel Group, we've been helping individuals and businesses protect what matters most for nearly 100 years. And that's Accel Advantage.