

# Business

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# Plotting Your Future

More succinct than the Wikipedia definition, succession planning is a strategy for replacement or an exit strategy. We at American Funeral Consultants like to define the process in funeral service terms as a way to help funeral directors prepare for “when the music stops.” The process involves determining the steps to accomplish the transition out of ownership and into retirement.

Succession planning in advance of necessity is critical for your protection, as well as that of your family, your employees and your business, against a potentially devastating illness, severe disability or death. It is most effective when carried out through a progression of strategically plotted events planned to occur within some predetermined time frame.

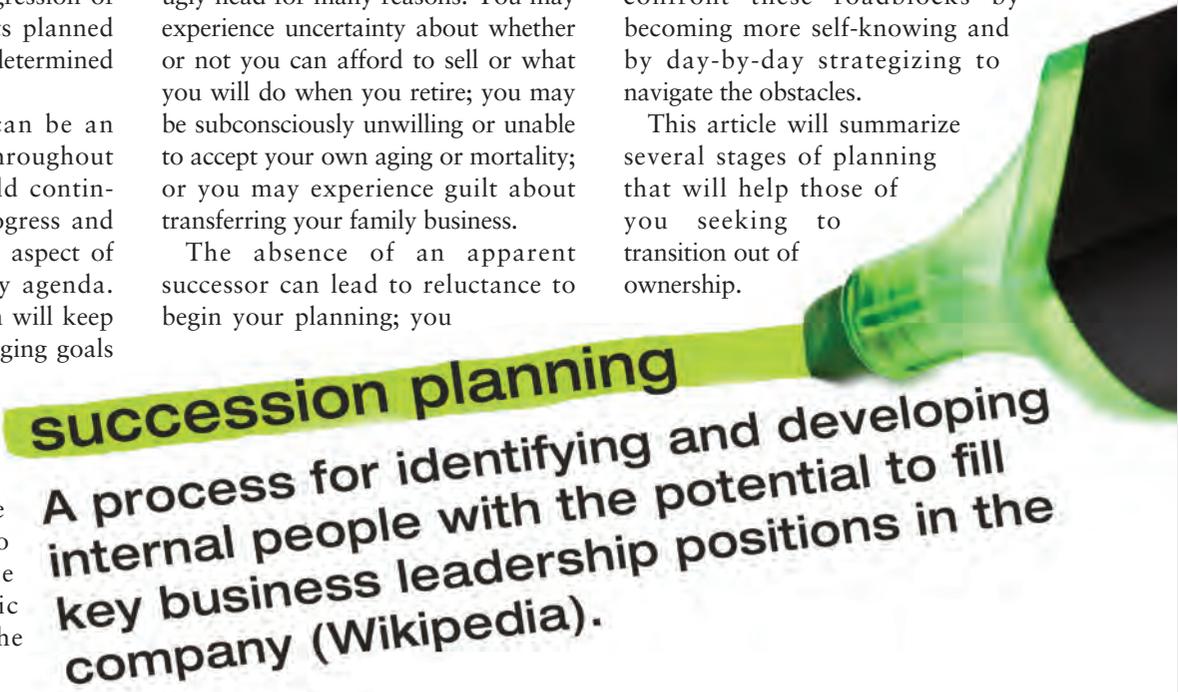
Succession planning can be an intricate process; thus, throughout the procedure, you should continually re-evaluate your progress and strive to incorporate some aspect of your plan into your daily agenda. This continuous evaluation will keep you cognizant of any changing goals that you may experience and can alert you to the necessity of revamping your plans. Remember, a key issue is to be proactive – don’t allow your fate to be dictated by some unexpected catastrophic event that can change the entire playing field.

While you are running your business and tending to the day-to-day operational elements, it is easy for your succession plan to get derailed. Procrastination is perhaps the No. 1 enemy of effective succession planning and can rear its ugly head for many reasons. You may experience uncertainty about whether or not you can afford to sell or what you will do when you retire; you may be subconsciously unwilling or unable to accept your own aging or mortality; or you may experience guilt about transferring your family business.

The absence of an apparent successor can lead to reluctance to begin your planning; you

may fear that your business will not be run successfully under new ownership; paradoxically, you may fear that the business can run successfully under new ownership. All of these issues and a dozen more can crop up, and you must be prepared to confront these roadblocks by becoming more self-knowing and by day-by-day strategizing to navigate the obstacles.

This article will summarize several stages of planning that will help those of you seeking to transition out of ownership.



**succession planning**  
A process for identifying and developing internal people with the potential to fill key business leadership positions in the company (Wikipedia).

## Formulating Your Plan: 5 Stages You Need To Consider

**1** Set your goals, both personal and business, for your transition out of ownership. Establishing your personal goals can pave the way to setting your business goals. What are your plans after a sale or transition of your business? Do you want to travel? Spend more time with your family? Begin a second career? Relocate? Your plans can determine the answer to the next three questions: “How much money will I need?” What can I do to maximize the value of my funeral home?” and “When can I afford to sell?” At this point, it is crucial to involve a funeral industry appraiser to derive a reasonable purchase price that could be expected for your firm if it is put out on the open market. This can be the determining factor in your decision “to sell or not to sell.”

**2** Set a realistic time frame for accomplishing your goals, and take into consideration how long the process can take. Once you have set a desired time frame for your retirement, we suggest

working from that point backward to the present to address and accomplish all the steps and the work necessary to reach your ultimate goal. Remember that the succession planning process can be complicated and lengthy, so allow enough time for it. This is especially important for those of you who are prone to procrastination – don’t wait until the eleventh hour, for there are bound to be bumps and roadblocks along the way. With enough time allotted, you can proactively groom your business to make it more desirable to a buyer. With time on your side, you can carefully consider your options for a successor. And, with adequate time, you can overcome any roadblocks or obstacles along the way.

**3** Find a suitable successor. Once you have determined your goals and your desired time frame, you should begin the search for a suitable successor. If you have options available to you, start by putting together a “wish list” of those you deem appropriate to carry on your legacy. At the top of your list will probably be your offspring or other family member(s) already involved in the business. Or perhaps you have a

business partner or longtime employee that would be suitable. If your successor does, in fact, turn out to be someone from within your firm, you can actually begin to groom this person for the transition.

Unfortunately, there is a deficiency in most definitions of “succession planning” in that there is an inherent assumption that someone already involved in the funeral home business is the one who is best suited to assume the leadership of the firm. In reality, there is not always an heir apparent within the firm, and in many cases, there may be a presumed successor, but he or she may be unwilling to or incapable of assuming that ownership role.

About 90 percent of United States businesses are family-owned – yet only 30 percent succeed into the second generation, and only about 15 percent pass to the third generation. This especially rings true in funeral service today primarily because generations X and Y coming into the work force typically seek a profession and lifestyle different from those of their parents and grandparents.

The result has been that the driving forces of money and ownership have been replaced with a higher demand for time off and a better balance of work and personal life. As all funeral directors are aware, funeral service is at odds with such desires given the strenuous daily demands of the profession, and this often serves as an impediment to those considering a career in funeral service and/or to those contemplating ownership of a funeral home. As we discuss succession planning, we must be cognizant that every situation is unique, and that sometimes it is necessary to look outside of the company for a successor.

So, if there is no such person from within your company, would you consider selling to a competitor? Are you open to selling to an outside independent buyer? What about an acquisition company? There are myriad options, so it is important not to let this element obstruct your planning process. As you consider your options for a successor, evaluate

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each of them based on criteria you have set forth, including their competency, commitment, compatibility, motivation, morals and ethics, and philosophy.

While having only one prospective successor can limit your options, the predicament of having multiple potential successors (offspring, other family members, business partners or employees) can present its own challenges, not the least of which is maintaining harmony between all involved parties. For a transition involving more than one successor, they should be compatible with each other, they should share similar philosophies and goals for the business, and they should have the same level of financial investment in and time commitment to the business.

Furthermore, there should be an equal level of competency and motivation among them. It is important to point out, however, that “equal” does not necessarily mean “the same,” for each of them may offer their own individual strengths, skill sets, talents and qualities, and these can compliment those of the others. For instance, one potential successor may be an excellent embalmer, while another may be more gifted at interacting face-to-face with families to make arrangements.

If you are fortunate enough to have someone (or more than one) within your organization that you deem to be a suitable successor, whether a family member, partner, or employee, you will need to approach them when the time is right to determine their interest level.

**4** Assemble your “A-Team” – trusted professionals who should work collaboratively to advocate on your behalf and to serve your best interests. Your A-Team should consist of your advocates – including your attorney, your accountant and your appraiser. At the onset, your attorney will deal with all of the legal issues involved in the preparation for executing your

succession planning, including updating your will, establishing durable powers of attorney, setting health care directives and health proxies, creating protective legal trusts, assessing any real estate deeds, encroachment or easement issues, and so forth. And of course, as you proceed through a transition, your attorney will be instrumental in preparing all of the agreements, legal filings and other such tasks.

Your accountant will begin by handling any financial issues that are involved, including but not limited to evaluating your books and records, assessing your financial needs, analyzing the tax implications (federal, state and gift) of the structure of your succession plan and assessing the appropriateness and effectiveness of your corporate status. During the transition process, your accountant should be an important resource in the structuring of the sale, tax planning, etc.

Initially, your appraiser’s role will be to establish the value of your funeral business based upon its historical and projected performance, a critical step in answering the question, “Can I afford to sell?” However, as you proceed through your plan, your appraiser can

serve as your representative and take an active role in facilitating the actual transition to an internal buyer or in marketing it to outside buyers.

**5** Achieve your goals. While there are many other elements to succession planning that have not been discussed here, adhering closely to the steps discussed in this article should provide a smoother and straighter path to your ultimate goals.

As you venture into your own succession plan, we urge you to set your goals, consider your options, and be proactive, but rely on trusted resources to help get you to where you want to be. Strive to leave an excellent legacy for your successor, one that will be carried on with pride and satisfaction and will be a tribute to what you have worked so diligently to build. ❖

For more information about transitioning from Melissa A. Drake and Kathy D. Williams, attend the seventh annual Funeral Service Business Plan, Nov. 8-9, in Charleston, S.C.

For more information, visit [www.katesboylston.com/bizplan](http://www.katesboylston.com/bizplan).

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