

Gone Too Soon

By Mel Clemmons



I remember the ribbon-cutting ceremony for my new office like it was yesterday. I felt like my life had just begun. My wife was there watching, and my parents were so proud of me. My in-laws flew in from out of state and we even had the county commissioner there for a photo op.

Back then, in the beginning, it was just me and a single staff person running the office. I wrote 45 policies my first month, starting with one for a girl who worked at the gas station next to my office. Because I was on enhanced commissions, the money was awesome. I kept writing more and more each month, allowing me to make \$100,000 in my first three

months. From there, my agency just took off, resulting in award after award. It seemed I was traveling to new countries every other month.

Without realizing it, I had become a successful business owner. I willingly shared my success story with anyone who asked, and eventually, I was invited to speak to new agents all around the country. The company I worked for used my agency as a model for others to mimic, as my phenomenal growth from that of a scratch agency to a \$4 million agency proved what hard work could do. I was on a pretty good roll, but what did I forget?

It was also important for me to take

care of my family, so I bought life insurance and invested in real estate, both of which were very good decisions in preparing for the future. I brought other family members into the business, knowing that my success could be sweeter if the ones I loved also shared in the experience. I was riding high, but I still had a feeling I was missing something. What did I forget?

With my success, also came a level of exuberance that carried over to my personal life. I often told my family members about how I marketed my agency to gain new customers. I stressed the importance of paying your taxes and obtaining a will. Of course, I let them know that if they loved their spouses and children, they had to have life insurance. I wasn't just touting the company line, I truly believed it. But in spite of everything I said or did, I still had a strange feeling that something was left undone. What did I forget?

I went to church, and in addition to devoting time to my faith, I was fortunate enough to be able to tithe generously as well as make donations to my favorite charities. I tried to teach my kids that with hard work and a well-thought-out business plan, anything is possible. I constantly showed my wife that she was the most important thing in the world to me by focusing on her, and taking time out "just for us." I was always very busy and yet I tried to never let anything go undone. But still, there was that unanswered question: What did I forget?

Now, I am observing my wife as she looks through a stack of folders. I watch as her fingers dance across the calculator on her desk, as she tries to figure out why there is a deduction from my business account for \$8,000 every month. Next, she is asking my employees how much they make each week. She writes out a



check for my office lease, but it is not the amount I owe. I want to say something as she progresses through each task, but I cannot.

Soon, the computer guy is there, working on resetting my passwords. This doesn't seem right because I just changed them a few weeks ago, but he proceeds anyway. I see my field sales leader with a letter in his hand. I am not sure what it says, but I watch as my wife takes it and puts it in her pocket.

I can see my staff, but they don't seem to be focused on our customers. Karyn, who is practically a daughter to me, is on monster.com posting a résumé instead of working on the customer contact files on her desk.

My wife is on the phone now, speaking to my CPA. He tells her I owe \$35,000 in taxes, but she says she doesn't know which account has enough money to make the payment. He tells her not to worry, and that they can sort it out later. After this, their conversation shifts to the letter that is still in my wife's pocket.

She tells him that she has had two offers to buy the agency. She says one of them sounds good because it is for \$750,000, which is way above something called TPP. The \$750,000 purchase price will be paid over ten years; otherwise

they will pay \$650,000 cash. The second offer is for less, and the buyer is another agent from the company. My wife says she doesn't know what to do. The CPA tells her she doesn't need the money upfront because of the amount of money the agency has in the bank. Then he cautions her if she does sell, she should be prepared for a big tax bill. I just shake my head. She tells the CPA that the field sales leader says the person offering \$750,000 is a great buyer and she should take the offer, especially since time is running out. My wife says "he" had always made these decisions, and that she wished she could have a little more time. I wish I could have had more time, too.

I wish I would have told her that I wanted her to encourage my daughter to get licensed, and become the principal of the agency. I wish I had told her how to calculate the sale price for my agency. I wish I had told her who to trust in transacting the sale of the agency. I wish I had written down each employee's salary, or that I gave each of them 10% of their salary as a bonus every February. Sadly, I now realize that I never mentioned any aspect of what I wanted to happen to my agency.

So many wishes, but only one big regret. Looking down, I realize I should have done more to make this "after life"

transition a lot easier. Unfortunately, I will never be able to fix my regret or answer a single wish, because I was gone too soon.

Why do you need a Death and Transition Plan?

Overlooking a plan for the succession or transition of ownership in single proprietor businesses is more prevalent than it is for larger corporations. In large part, this is because most small business owners are the "face" of their businesses, and are usually engaged in the duteous task of operating them on a day-to-day basis. They never stop and ponder over the "what if scenarios" should they die prematurely.

For many years, I just focused on my business, not realizing that in addition to providing an immediate income, my business also had potentially important and lasting value to those I would leave behind. I knew what I did had purpose, but I completely missed the need to protect the "life" of the very thing that gave me that purpose.

My personal wakeup call was the result of asking myself a rather simple, but obvious, question: "Can I live with the fact that I have done nothing to plan for the transition of ownership for the single

largest investment of my life?” If one of your life’s goals does not also include a plan for your business to transition after you die, you may need to reassess your goals like I did.

Real life case, with real life consequences

I recently received a call from the spouse of 20-year agent. She told me her husband had passed away, and that he had been an independent agent in Dallas, Texas. She related to me that she was able to determine that he had 20 different contracts with as many different insurance carriers, all while operating as a one-man shop. She didn’t know his passwords, phone numbers or names of the representatives of the carriers he represented; she didn’t even know how much he received in commissions each month.

It had been two months since he passed away, and because her knowledge of his business operation was limited at best, she assumed that the carriers were handling the customers. By the time we compiled a list of the carriers and client information, her husband’s \$2 million agency had dwindled down to \$700,000 in premium due to customer moves, non-renewals, missed payments, and unprocessed endorsements.

The carriers had no idea the agent had died, and because he had never opted for direct deposit, his paper commission checks were just sitting in the mailbox. The outcome for this agent’s wife and family could have been markedly different if he had only recognized the need to protect the asset he worked so tirelessly to build.

Four Key elements of a death and transition plan

A death and transition plan does not need to be drawn up by an attorney or a CPA. It is a simple plan that derives much of its information from the things that you do every day – but likely haven’t thought about in this context. Its purpose is to provide initial guidance during a time that is filled with emotions and, in many cases, much confusion.

Your plan should include:

- A frequently updated business valuation;

- A plan for your family to follow in order to transition or sell your business;
- A list of key people and resources for your loved ones to utilize after you pass;
- One central location, like a file or notebook, where your survivors can find a listing of all the essential information for your business to continue until proper arrangements are made.

A much-touted statistic is that many attorneys die intestate. With all of their expertise and access to resources, you would think they would know better; yet many of us are just as ill-prepared. It is incumbent on each of us as small business owners, to protect our greatest asset and to provide our wives and families with the necessary tools to aid them at a

time when we cannot. Don’t say, “I will do it next month.” Don’t say, “The company will take care of it.” Don’t say, “My son will take it over.” And don’t say, “My spouse will just sell the business.” These are selfish, if not foolish, excuses for being lazy. Don’t allow your business to be sold at a “fire-sale” price due to your lack of planning. Your next great night’s sleep will come after you have completed your own transition plan. **Ef**

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