

Shawn: Hi. I'm Shawn Calabrese, an associate in the Wealth Management Industry Group's wealth transfer team, and I'm happy to bring two industry experts together to share their insights on a fantastic estate planning opportunity for contractors and developers. Creating and documenting an advisory board creates opportunity to not only further develop your business, but to plan for the future, and preserve your legacy. To help us learn more about the importance and structure of an advisory board for contractors and developers, here's Sarah Wolters, a senior manager in tax who specializes in real estate, construction and service industries, and Mandy Chardoul, a senior associate in our Wealth Management Industry Group's wealth transfer team. Sarah, can you share with us why you think an advisory board is important for the business owners that you work with?

Sarah Wolters: Yeah. Thanks, Shawn. So our industry is changing. People are experiencing more transitions than ever before. We work with an array of business owners, second and third generations, and those who are building their business from the ground up. They've grown with excellent relationships with their bankers, their tenants, subcontractors, deal-makers, etc. As they age, the future of their assets and the business that they've built has become concerning to them. Building an advisory board as part of their overall estate plan and business succession plan is key. No matter what age you are, this is something you should consider, the longer timeframe you have to work with, the better.

Mandy Chardoul: Sarah, I think you said that really well. I think it is concerning to them in that a lot of our clients who are successful business owners, they've been so focused on working in the business, and they haven't necessarily been working on the business. There's typically a lot going on for us. The profile of a real estate developer, somebody in the construction industry, would be somebody who there's no size fits all. In other words, there is no true profile. All we know is that it's a very unique group of individuals, very entrepreneurial, people who have a lot going on. They want to know that they've got all their ducks in a row, but they don't necessarily want to put themselves in a situation where they've created so much structure that they lose the flexibility that has made them so successful.

Our goal in working with business owners, and Sarah, as you mentioned, these people who are in their early 40s or beginning phases, or even people in second and third generation businesses. Our goal is to get people to start thinking about short term and long term planning, and advisory board, and what we're talking about today on a more informal basis, versus a formal board. A lot of people hear about boards of directors. That's not necessarily what we're discussing today. We're talking about a less formal group that would come together is a great starting point in terms of making sure that the dots are all connecting within your business. For a lot of people who are running companies, they may not feel at this point that they have the time, or the energy, or the resources to invest in something like this, an advisory board.

But what we want to do is just help people to understand that the reality of a situation is, this advisory board concept, it does not have to be a highly complex situation that you're getting yourself into. What we're talking about, and we'll go through some of the different aspects that make up a great advisory board, but what we wanted you to start thinking about is thinking about this advisory board as a team of advisors who are providing you thoughts, kind of like an informal sounding board, are there to help deliver inside, actionable outcomes and guidance into building, protecting and preserving your business.

When we get further along here, we'll circle back and help you to understand that it really is a two way street, and many times, at least our experience has been that the advisory board gets just as much, if not more out of participating in their role. I think a lot of people would be surprised that they're already doing this in some shape or form. They have their contacts, they have people that they seek advice from, and they're one-off, asking for input. What we're talking about here is putting some process around that, formalizing it. Also maintaining flexibility, but formalizing it, and getting these contacts together, and putting them into a group setting so that you can get the dialog going, and you can have defined action steps and guidance that is provided by the group.

Shawn: That's great, Mandy. I especially like the idea that setting up an advisory board doesn't have to add multiple levels of complexity, and that a relatively simple board can have a pretty strong effect on a business, and what their eventual long-term plans are for the business. You mentioned that there are action steps, and things that business owners can do today to start to put a plan in action to have this advisory board to support them into the future. What are some of those steps that a business owner can take?

Mandy Chardoul: Well, for the purposes of making this just a very straightforward conversation, we thought we'd boil it down to six different sort of aspects, and we'll run through those, but just to set the framework, we're going to talk about size, perspective, expectation, frequency, protection and leverage. We'll go into more of that as we go through, but the first is size. As I mentioned before, when you're putting this all together, you will be surprised, if you make a list, how many people you're already seeking advice from. That would be step one, is to consider who you're already doing that with. What you don't want to do is get this group so big that it becomes hard to get the benefit out of getting people together, so our recommendation is that you need to select and define your group, and you should consider keeping your advisory board to no more than, say, five people.

If you want to do seven, you can do seven, but seven would be the max that I would go. The five people that should include yourself in that. That will allow you to focus on important issues. It allows you to keep your conversations more structured. It allows you to run your meetings efficiently, and it's almost stating the obvious, but if you select an odd number of for your board, that gives you the ability to gain a majority consensus. We've seen advisory boards with four people, and it's surprising how adding the fifth truly does make it a more

effective advisory group. I also want people to remember that this is not a paid board of directors. It's just a voluntary group of individuals who have agreed to come together and provide guidance and insight, and we'll talk about frequency a little bit later on.

The other aspect that I want to focus on is perspective, and I just want you to note that it is important, we believe, to have somebody outside of your industry providing you with a different and a broader viewpoint, as well as outside technical expertise. On your list, as you're making it, think of people who you highly respect. Let's say that they're not in an industry that you're in, so they may not know anything about real estate and construction, but they may also have similar transition issues. In other words, maybe they have family members also up and coming into their businesses, or they've got an internal management team that might have some similar aspects as yours does, or possibly even somebody who's great at dissecting financial statements, who might have different relationships that they can introduce you to.

There's lots of different aspects that you can look at. Of course, we would always be a proponent of one of the advisory board members being somebody with an accounting background. It doesn't mean that it has to be your CPA, but the CPA is going to offer a different perspective. Similarly, you may have an attorney that you work with, or somebody in your contact network may have somebody that they would recommend to you, to give you that fresh, outside perspective. But the most important point is just to make sure that you do have an outside viewpoint coming in.

Sarah Wolters: You know, Mandy, I agree. It is always good to have individuals inside your organization included so that they understand the day to day happenings on a specific level, but it is important to have that outside opinion. I think you mentioned, it's important to have someone that's either consulted on multiple transitions, or went through a transition themselves, or maybe even someone who is considering and working through the same challenges in their own business.

Shawn: Well, we all know that time is a crucial planning consideration, especially when it comes to something like starting this advisory board. This is important not just for the business owners, but also for their advisors that are going to engage with and ask to be a part of it. What steps can the contractors and developers take to plan for the time involved in having an advisory board?

Mandy Chardoul: That's a good question. I think that's where expectation comes into it, Shawn. I think that what is really helpful is to set the expectation with the people that you invite to be on your advisory board as it relates to what their role is, specific time commitment, and to the length of service as your advisor. So we would always be proponents of setting up, let's just say a three year commitment, or a two year commitment. That way, you can see how seriously they take their role and how much they contribute, and at the end of the two years you can invite

them to stay on for another two years, or at the end of the three years, invite them to stay on for another three years, but you're not locked in.

A lot of times, people who start a more formal board-like process when they want to remove somebody from the board, that becomes a much bigger deal. That's why we're saying keep it simple, set the expectations, definitely define the number of years you want them to serve, and then you can always renew that. If you don't know when we say set expectations and you're not even sure where to start, we can definitely help you with that. We can have a conversation, let you know what other people who are in your situation are doing, or you may have other advisors that you want to reach out to, to give you guidance. The point is, there are no dumb questions here. You asking somebody, "I'm not really sure how to set this expectation, or how to invite people to be on my board," that we don't want to have limit you from getting started and doing this.

We could definitely help, like I said, with just use us as a sounding board in terms of how to get started. We get asked that question all the time, and we're happy to help. The other item I think people want to know about is frequency. How often should they have these meetings? Meetings, in our opinion, should never be done, just even internally we operate this way, just to have meetings. I think that meetings should be for doing and deciding, and so with everybody's schedules, how busy everybody is, we would say that this is a little bit, obviously absurd. We would not recommend once a month. That would be something we would say no to do. But in terms of when you should do it, even quarterly can be too much. Sometimes it's annually, sometimes it's semiannually. It just depends on your specific situation. Some years you may have more meetings, some years you may have less.

For setting expectations, you want to know from your industry at what point are you the busiest? You definitely don't want to pull people together during those times. I would say it just needs to be customized to your situation, but you're going to want to decide on a range that aligns with your needs, and just make sure that you end each meeting with actionable steps and outcomes, and that you may even have to tell people that on a case-by-case basis, you may be calling people together for impromptu meetings. It will depend, and you'll get into a cadence with it as you create your own advisory board.

Shawn:

Those are great points, Mandy. I think setting expectations and frequency to control that element of time as much as possible, and set up your advisors for success is vital. So far we've talked about size, perspective, expectations and frequency of the advisory board, but I think what a lot of business owners also want to receive some guidance on is how to maintain security, and how to utilize advisors that you have in your network in the best way possible. Sarah, what aspects can we cover to make sure that's going to be a successful planning option for business owners?

Sarah Wolters: Yeah, Shawn, we get into the discussion of protection of assets all the time. I think many individuals have this fear of, if something happened to me, how would my business continue? I think maybe their worst fear is all of their assets would go through a fire sale. They take a lot of pride, as they should, in these assets that they've constructed, they've developed, they've built over time, and the last thing they'd want to see is this, as I stated, fire sale where everything gets liquidated. Having an advisory board can actually give some peace of mind in this regards. You would have a group of people who have the proper knowledge, understand your operations of your business, and have built goodwill because of their reputation, and they can ensure that your wishes and your desires are executed. That your business can live on after you're unable to facilitate it all.

Additionally, having the other members in place can also help ensure that your heirs are not taken advantage of, especially those who are outside of the day to day operations and are relying on the opinions and actions of those who have been left in charge. It's just another way to protect your business and your legacy, and as you stated, the last point is leverage. Utilize your trusted advisors. As Mandy had spoken about earlier, we get these kinds of questions all the time. We have the experience and the tools to help you build your structure and the process around your advisory board. It allows you to spend time doing what you're most effective at, and we can help provide that synergy with your board.

Mandy Chardoul: That's a good point, Sarah, that people don't have to re-create the wheel. I keep stressing how busy everybody is, but I do believe that to be the case. If you already knew that there was a framework or a recipe out there, a recipe book, if you will, for having a successful advisory board, then it would be a whole lot easier for you to ask to see a copy of the book versus trying to write it yourself. I would definitely encourage that.

Sarah Wolters: I agree. Great, Mandy. This is a two-way street. While you're asking for their input on your business, they're actually getting just as much out of it as you are. They're building their level of advisory skills, and they're helping to create a business community. They're taking things back to their own businesses, and they're able to implement it in their own plans. Their contacts are getting to know them in a different light, and this will help build their reputation and their credibility. An advisory board really allows you to do all of this in a cohesive manner, and maintaining these relationships, but you get to do it together and not on a separate basis.

Mandy Chardoul: Exactly. Just to jump in real quick, Sarah, I think that was well said, especially about helping people build the reputation and credibility that would specifically apply if you got other family members that you're trying to introduce into the business. Some of the contacts in your network, as well as some of the people in your organization still may be viewing that person in their younger days, four or five-year-old who used to visit dad or mom at the office, and now they're joining the advisory board and they got solid, decent contributions to make from a different perspective. Having them join the advisory board signals to the other

people within the organization that this is somebody who you want to bring along, and that you want to hear their insight and have them start to participate in a different way.

Shawn: Sarah, Mandy, these are all great points. As we look to wrap this up, what are some final thoughts that each of you have and would want our listeners to part with?

Mandy Chardoul: Well, when I could say as far as takeaways would be don't forget that an advisory board is part of a plan, and we'd call it the estate plan, but really it's just part of your short-term plan, and it's part of your long-term plan. The more you're connecting the dots, the better, in terms of how you're going to be able to guide your business, and the people within your organization. People have been very surprised at how much putting an advisory board together has been helpful to them, and I would say if I could give one piece of advice, it would be doing something is better than doing nothing. Including taking out your blank piece of paper, starting with size and writing down who you would even consider to be on the advisory board.

Taking that step is better than having it on your to-do list, putting together some kind of an advisory board. That is where I would leave you as far as what your next step could be.

Sarah Wolters: Mandy, I agree. It's important to do something, but again, I just want to reiterate, make sure to ask for help. You don't need to reinvent the wheel. There's many individuals, your trusted advisors as we've talked about, that have done this. Even just asking a question like, "Where should I start?" I think is a great idea.

Shawn: Okay. Well, we hope that you as business owners will continue to work with this framework, to develop your own foundation and formalize maybe a more long-standing advisory board for the future. I want to thank Sarah Wolters and Mandy Chardoul for their insights and recommendations on how to build a successful advisory board.