Skills That Succeed in the Untapped Business Insurance Market

Russell Collins, Dip LI

Throughout my attendance over the years at dozens of MDRT meetings, one thing I constantly observe is the lack of confidence by advisors to progress from the personal market to the untapped small and medium enterprise (SME) market.

Why this reluctance when this market is nothing more than one business owner (you, the advisor) sitting across the table from another business owner (possible future client) and asking questions? I would like to share with you the skills that succeeded for me in my 44 years as an advisor where I spent the majority of my time in this particular untapped market.

What I Will Be Covering in this Presentation

- Prospecting
- The #1 purpose of the initial meeting
- Asking penetrating questions
- Listening attentively to answers
- Recording answers in an orderly manner
- Dictating a meaningful file note to forward after the first meeting
- Strategy Paper Meeting
- Presentation Skills 101
- Penetrating questions for specific areas: business succession planning, estate planning, guarantor protection insurance

Why I Moved into the Business Owner Market

Early in my career, I realized that within the personal market there was only so much insurance that one person or family would need or for which they could afford to pay. In addition, because most wives in those days did not work outside the home, I used to work at least three nights a week, which put a lot of pressure on my wife and our four young children.

The alternative was to move into the self-employed market where I had observed from other more experienced advisors in my office that, generally speaking, business owners did not want to meet at night after a 10- to 12-hour day. These advisors also demonstrated that as a clients' businesses grew, if I had developed a good working relationship, I would grow with them. In addition, they advised that the corporate dollar for insurance premiums was more available and accessible than the personal dollar.

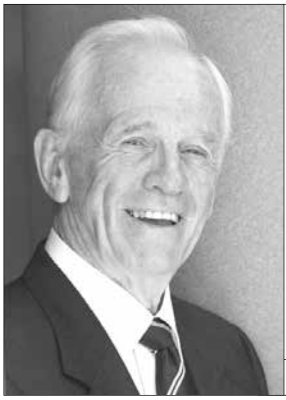
Prospecting

Activity = Productivity = Profitability

As we all know, prospecting is the key to activity; activity is the key to productivity, and productivity is the key to profitability.

In my early days in this new market, prospecting was a numbers game. In fact, the accepted formula in those days was 10-3-1. For every 10 people contacted, three would meet with you, and one would buy.

With no prospects to start with, I used a pre-approach letter. I obtained my prospects from two sources—observation as I drove around during the day and also from a Dun & Bradstreet monthly report that provided details of loan facilities extended to business owners. I would phone the businesses in question, tell them I wanted to send a letter to the owner, and obtain his or her name. I then mailed a letter along the following lines:



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Collins operated as an insurance financial advisor with a major emphasis in the business insurance market from the time he entered the financial services industry in 1971 until his retirement in 2010. Since that time, he has conducted a training/mentoring business called Risk Insurance Communications Skills within the Australian industry. A 43-year MDRT member, he recently published a book—the first of its kind within the financial services industry in Australia: *Skills That Succeed–A Communication Guide for Risk-Based Financial Advisers*.

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Dear (business owner):
Unfortunately, I do not know anybody falling into the category of a mutual friend who might be good enough to introduce us. Thus, I am taking the opportunity to contact you directly on the possibility that I could meet with you to discuss the following ideas that have been of value to other business owners:

- Key person insurance
- Partnership insurance
- Guarantor protection insurance
- Disability insurance

I will contact you shortly to see if we can arrange a mutually convenient time for a meeting.
Yours sincerely,
Russell Collins

This letter was posted in a handwritten envelope. I set up a process of sending out five of these letters each Friday and then following them up by Thursday of the following week. My biggest problem on follow-up was getting past the gatekeeper. For those of you who might experience this same problem with your prospecting generally, I'm afraid I don't have an easy answer for you; I just persevered until I reached the business owners.

With this weekly practice, I was usually able to get one appointment per mailing. Once I was able to build a clientele in this market, via my annual review process, I requested referrals using a prospect profile method for self-employed people.

Referral Process

Over the years, through trial and error and thanks to a great idea from Bruce Etherington when he toured Australia in the late 1980s, I eventually developed a referral process that worked for me. Bruce's idea is to develop prospect profiles to eliminate a mental culling process when asking for referred leads.

Then when I had completed the first annual review with new business owner clients, irrespective of whether new business opportunities had been exposed during that particular review meeting, I asked them if they had any questions of me. Usually it was a "no" response. I then told them I had a question for them. This got their attention.

I said, "Daryl, I am continually looking to expand my business, preferably with people exactly like you. I could start with the telephone book, but that would be a long and masochistic exercise. So this is my question of you: Would you have any objection or hesitation in referring me to two people who fit this specific profile?" I would then hand him this profile and remain silent:

BUSINESS OWNER
Entrepreneurial attitude
Good cash flow
Interested in wealth accumulation
Appreciation of family and the need to provide for them financially
Acceptance of own mortality
Too busy with business, etc., not to need me
Open mind on estate/financial planning ideas
Responsible, balanced individual
Ability to make a decision based on fact
Economic growth potential

Once they indicated their agreement to the two names, I said, "I don't want you to give me the names now. I'd rather you take a few days to consider the importance of the profile and then I'll call you for the names. Is that OK?" I then added these comments, "Once I have the names, I will write to them and mention that you were the source of the referral and that I am seeking the opportunity to meet with them. At the same time, I will send you a copy of the letter so you will know exactly what I have said to them. Are you comfortable with that?" Their response was always in the affirmative.

Within a few days I would ring and get the names, contact details, and as much information as I could obtain about the referral without seeming too nosy. I would then write a letter along the following lines to the referrals:

Dear Fred,
During a recent conversation with a mutual friend, Daryl LaBrooy, your name was favorably mentioned. At that time, Daryl indicated he would have no objection to my sending you this letter.

My purpose in writing is to ask for the opportunity to meet with you personally and share some ideas with you that have been of value to Daryl and other self-employed people.

I will contact you shortly to see if we can arrange a convenient time for a meeting.

> In the meantime, you might like to talk to Daryl about the type of work I have done for him.
>
> Yours sincerely,
>
> Russell Collins

In those pre-email days (I will talk about emails in a moment), I would mail the letter to the referral in a handwritten envelope, and a copy also went to the referrer with an attached note along these lines, "Daryl, I would appreciate it if you could give Fred a call before I do and give me a 'plug.'"

A few days later, I would call Daryl and ask if he had yet made contact with Fred. If he had, I would immediately call Fred. If not, I would ask him to do so because I was anxious not to delay my follow-up approach. I never contacted the referral until the referrer had first made contact and paved the way for me.

When calling the referral, my approach was along the lines suggested by the great Ben Feldman, "Get on the phone, make the appointment, and get off the phone." I adopted the following telephone script:

> Fred, my name is Russell Collins (pause). I wrote to you recently on referral from Daryl LaBrooy asking for the opportunity of a meeting with you. Did you receive my letter? (pause for response).
>
> Fred, as I mentioned in that letter, I'd like the opportunity to meet with you personally to show you the type of work I have done for Daryl and other self-employed people on the possibility that you, too, might see some areas of value so far as your particular situation is concerned.
>
> Frankly, if we could not establish an area of value to you in our first meeting, then I can assure you I wouldn't pursue the matter any further. Could I meet with you on ______ or would _____ be more convenient? [Or, if I knew they were very busy people]
>
> When would you be available to meet within the next four to six weeks?

On the strength of this referral, usually three out of five would at least meet with me.

Here are just a couple of comments on this approach. As I mentioned, I commenced this approach in the pre-email days; following the introduction of emails, I still maintained the same process because I observed that people receive dozens of emails each day and delete many if they don't know the source.

As mentioned, I always handwrote the names and addresses on the envelope, and if I was posting it to a business address, I always wrote "Personal" across the front of the envelope. Nowadays people rarely get handwritten, personal letters—nor did they back when I first initiated this process, so I always felt confident that they had read the letter and would know exactly who I was when I followed up. Therefore, there was no need for me to get into a lengthy conversation about who I was and why I was ringing them.

The Purpose of the Initial Meeting

The primary purpose of the fact-finding meeting is to establish a relationship. Based on my experience, you do this by asking penetrating questions, listening to their answers, and then recording the answers in an orderly manner. The secondary purpose of the fact-finding meeting is, of course, to obtain information.

The reason the fact-finding finding meeting is so crucial to your success in this industry is that this is where the biggest sale of all is made—the sale of you! As the late, great John Savage told us on so many occasions at these meetings, "People buy people. They buy your advice first and your product last, and there is daylight in between." From my experience, if you don't sell yourself in that first meeting, it's highly likely that there will be no second meeting.

Asking Penetrating Questions

A penetrating question is one that causes the prospect or client to think before answering as opposed to questions that simply require a yes or no answer. More importantly, these questions and their subsequent answers will often lead the prospects or clients to the point of requesting advice at that time on the particular matter under discussion, which is another opportunity for the advisor to build a relationship. I will touch on these types of questions shortly.

Unfortunately, in Australia, and I am informed this applies in other countries as well, one of the worst results of the introduction by dealer groups to meet compliance requirements has been template or boilerplate fact finders.

In my opinion, this template, one-size-fits-all mentality has been one of the greatest barriers to effective communication and relationship building between client and advisor. The questions are usually clinical in nature and devoid of any type of emotion.

I believe that one of the major disadvantages of using these standard fact finders is that it leads to a rote-type approach to asking questions which, in turn, can lead to the advisor not really concentrating on the answer.

Listening Attentively to Answers

In addition to asking penetrating questions, part of the empathy process requires advisors to become attentive listeners. There is a difference between hearing and listening. When you ask a penetrating question, you need to be listening for two answers—the first is the actual answer to the question; the second is to listen for the feelings that this person is expressing within that answer. The latter starts to tell you something about the person's feelings, which I believe are crucial in terms of your developing a working relationship with him.

Recording Answers in an Orderly Manner

What I mean by recording answers in an orderly manner is to ensure that you are recording answers in a way that you can revisit them after the meeting and understand what you have written.

When you ask penetrating questions that might have lengthy answers, you need to record something which, in your opinion, summarizes the situation satisfactorily. It doesn't hurt in such situations to say, "If I understand you correctly then, what you're saying is. . . Is that correct?"

In my case, because I was asking many questions and listening to the answers, I had my own type of shorthand abbreviations for note taking that then allowed me to move on to the next question. However, immediately after the meeting concluded, I would take a few minutes to go over my notes and rewrite those shorthand abbreviations, which I knew I probably couldn't recognize a few days later.

Using this process, within the file note I sent back to that person for confirmation of our discussion, I was often able to include some answers verbatim, which I felt confirmed that I was an attentive listener. Many times I was complimented on the accuracy of my file notes.

Dictating a Meaningful File Note to Forward After the First Meeting

If I could point to one thing that increased my closing rate with business owners to nine out of ten, it was the file note. This, in effect, acted as a pre-presentation vehicle and I believe motivated people to really look forward to our next meeting and my suggestions.

When people answered my questions, they were actually providing information for solutions to problems which, at the time, they were probably not even aware existed. In your case, I believe the key to drawing people's attention to these problems, in a subtle rather than a "salesy" manner, gives them the opportunity to review a written summary of the meeting in an uninterrupted atmosphere where they can give some further thought to your questions and their answers, especially if they had been disturbed by your questions. In fact, I often found that the reaction to my file notes was more of one looking forward to our next meeting and how I was planning to deal with their particular situation.

If you're not good at dictation or are not in the habit of sending file notes but would like to, I suggest that you develop a template that has an opening paragraph something like the following:

Meeting with (name). On (date) I met with (name) in/at (location) on referral from (name). During the meeting I asked (name) a number of questions, and these questions and his/her answers are set out below.

Then you cut and paste your questions to the file note, placing their answers under each question and leaving enough space between questions and answers. For example:

Q: In the event of your death, what would you want happen to the mortgage on your business premises?

Jim: Indicated "would definitely want it paid out!" I then asked him what provisions he had made to ensure his wishes in this regard could be met. He advised that he has some life insurance but not sure of the total sum insured. He will check this out and let me know the details.

Q: In the event of your death, would you like your family's current standard of living to continue?

Jim: Advised that he "would certainly want that to happen." That being the case, I then asked him how much income they would require had he died yesterday. After some discussion, he indicated "not less than $100,000 net per annum."

Over the years, people I have trained and mentored have found this method easy to adopt. People don't expect a literary exercise in a file note. They need just enough detail to remind them of the main points of the discussion and informal enough to allay any fear of pressure at the next meeting.

At the same time, you are giving them the opportunity to disagree if your interpretation of their comments is incorrect. From the advisor's point of view, the detail is still sufficient to form the basis of future recommendations.

Business owners were always thankful for the file notes. Generally, they never took notes, so when they got my summary, they were always most appreciative. This is another example of the importance of listening and recording.

Personally, I found that my file note process set the scene for a positive follow-up meeting, which I called a Strategy Paper Meeting.

Strategy Paper Meeting

My modus operandi at the time of confirming our next meeting was to remind the prospect that I would be using the file note as my agenda for that meeting. That way I was able to eliminate the need for a long recap or a preamble when starting that next meeting. In fact, on many occasions when people arrived at my office for that next meeting, they had the file note in their hands, still reading it. Thanks to the thorough file note, I was able to design my strategy paper with brevity.

After confirmation of the file note, I then prepared my strategy paper, which only included that information that was going to be vital to the actual sale outcome. Remember, if the prospects had already signed off on the file note, then they were unlikely to debate comments to which they had already agreed.

In dissecting the file note, my job was to identify the problems and then present them in such a manner that they became their problems, not my problems. The primary purpose of the strategy paper was to highlight a problem, get the prospects' agreement that they wanted to solve it, and then involve them in the decision-making process. That way the decision became theirs, and all I had to do was work out the numbers. I will show an example of a strategy paper shortly.

In my first year in the business, I learned a very simple method for presenting my strategies, where possible, on one sheet of paper—a practice that I maintained throughout my 40-year career. When I was not able to present my strategies on one page, I only ever gave the prospect one page at a time, even if a comprehensive strategy paper ran into four pages. That way I always had control of the presentation.

Presentation Skills 101

So, how do you present a strategy paper along the lines I have been discussing? Well the starting point is what I call Presentation Skills 101:

- Reveal the need
- Fix the problem
- Offer the solution

As an example, let's look at the area of guarantor protection insurance within a small business. Briefly, I want to share with you my concept of this type of insurance and then I want to highlight the questions that I found most pertinent to this type of sale. In this example, I am referring to small businesses where, incidentally, I sold a huge amount of this type of insurance.

Guarantor Protection Insurance

I developed this concept from a presentation at the 1980 MDRT Annual Meeting when the late David Cowper told his audience that credit, cash flow, taxation, and inflation dominate the daily thinking of most business owners. Here is my adaptation of his concept.

If I was in my office, I would demonstrate the diagram on the whiteboard; if I was in somebody else's office, I would use my notepad. First, I would draw a square and then add to each corner of the square the four words: *Credit*, *Cash Flow*, *Taxation*, and *Inflation*. I would then comment on each of the corners, getting their agreement to each of the points before moving onto the next one.

Four Corners of the Financial Square

Credit: Credit is the lifeblood of today's economy. When business owners want to set up a new business or expand an existing business, generally speaking they don't have the funds available for their particular project. Thus, they approach a lending institution for the funds. Agreed.

Cash Flow: In order to obtain a line of credit, the business owner has to present the lending institution with a stack of cash flow projections to justify the plan to repay the debt. Agreed.

Taxation (in Australia): The government assists in the lending exercise in that the interest is generally deductible to the business. Agreed.

Inflation: Inflation is a two-edged sword in that in times of inflation an asset's capital growth is enhanced. Similarly, long-term debt repayment is assisted in inflationary times. I also mentioned that while inflation can be helpful, it pays to remember that death can be much quicker than inflation. Agreed.

As an aside, in recent years, advisors I have been training who are much younger than myself have not been subjected to periods of high inflation, as was the case when I first heard this concept back in 1980. Accordingly, they have actually eliminated that word completely when discussing this particular concept. Instead they use a triangle rather than the square with headings (clockwise) Credit, Cash Flow, and Taxation.

Now, here is Cowper's explanation of this concept to business owners, which I adopted as an educational exercise rather than highlighting an existing problem.

> Mr./Mrs. Prospect, when business owners borrow money in the name of their businesses, they generally have to sign twice for the loan—first as the business owner and then as the personal guarantor, which usually includes the assignment of physical assets as collateral security. Thus, the business owner has now placed 100 percent of the corporate assets and 100 percent of his or her personal assets on the line, which in effect means that the lender has now effectively blueprinted itself into a fail-safe position, leaving the business owner (and his or her family) as hostages to fate.

This latter comment about hostages to fate usually raised a look of curiosity, so I explained it this way: Because the business owner has undertaken to repay the debt and provided guarantees if he or she defaults for some reason, for example, death, then his or her family is brought into the debt repayment exercise. In many cases, the family will probably not understand the ramifications of personal guarantees or collateral security. Thus, the business owner has inadvertently placed them in a difficult situation.

I then continued. In the absence of repayment by the business, the lender simply exercises the personal guarantees or collateral security pledged by the deceased business owner. In effect, once personal guarantee signatures are on the line, the lender effectively becomes first heir to the estate.

Whenever I mentioned this last point about the lending institution becoming first heir to the estate, it seemed that for the first time they realized the danger inherent in the overall exercise. As a consequence, there immediately came a desire for the party to whom I was talking to resolve the issue. They would say something like, "What do you suggest I do?"

In situations like this, the advisor's job is crystal clear. You have to ensure that, in the event of the business owner's death, this type of situation is resolved in favor of the deceased's family.

Now let me share with you Cowper's brilliant statement to draw this type of explanation to a positive conclusion. "Mr./Mrs. Prospect, in situations like this, my philosophy is that the debt should last no longer than the person who created it."

Let me repeat that statement. "The debt should last no longer than the person who created it." Without exception, whenever I made that statement to business owners, they always silently nodded in agreement. I believe that because the preceding discussion was based on logic, not one person ever asked "why" in relation to this statement.

So, at the next meeting when I produced my strategy paper, and I summarized the business owner's debt position (plus personal guarantees and collateral security undertakings) and then repeated that statement to them—"the debt should last no longer than the person who created it"—they actually welcomed my solution as to how their family could be restored to its rightful position as first heir to the estate.

In other words, the debt is insured by the company proposing a policy on the life of the business owner who had given the guarantees. If the business owner dies, the life insurance proceeds are paid to the company, which in turn are used to repay the debt. The lender releases the personal guarantees and collateral security, and the family is reinstated to its rightful position as first heir to the estate.

Now let's go to the questions that will help you to introduce this particular concept.

- What would be the maximum amount of corporate liabilities in your business at any one time in the year?
- Have you/your spouse/partners had to back these liabilities with personal guarantees and/or collateral security?
- Are the guarantees joint and several?
- Are you aware of the ramifications of joint and several personal guarantees if one of the guarantors dies or is disabled long term?

With the first question, I found that most small business owners can tell you off the top of their heads what their liabilities are and when they are at their maximum in any one year. The second question was always answered in the affirmative, but I asked that question to set the scene for the eventual recommendation. In relation to the third question, with a husband-wife type business, most assets were jointly owned anyway, so the answer was always in the affirmative. With arm's-length ownership the answer, too, was always in the affirmative.

With the last question, interestingly the response was usually that all parties had a basic understanding, but if there was anything more they should know about, then they were happy to hear my comments.

With arm's-length owners, I had the opportunity to point out that because the guarantees were joint and several, in the event of the death of one of the owners and the business subsequently collapsing, under the joint and several arrangement, the lender could then go after the shareholder with the most assets. As a consequence, one of the shareholders (i.e. the one with the most assets) ultimately could be responsible for 100 percent of the debt, even though he or she might own only 40 percent equity. Their response to my comments, in most cases, highlighted how little thought had been given to this type of personal guarantee exposure.

For simplicity's sake let's quickly look at how I prepared a strategy paper for a husband-wife type business using Presentation Skills 101: Reveal the need. Fix the problem. Offer the solution.

Strategy Paper Page 1: If Paul Had Died Yesterday

"The debt should last no longer than the person who created it!"

Need

Pay out bank loan $750,000	$750,000
Have	
Life insurance	$200,000
Shortfall	$550,000

Where will the shortfall come from, bearing in mind:

- Personal guarantees/collateral security given by Paul and Eleanor
- Bank first heir to estate
- Bank in fail-safe position
- Eleanor and family "hostages to fate"

I always included the opening comment about the debt not lasting longer than its creator because I had already included that in the file note. As I was to subsequently learn on numerous occasions, the inclusion of that comment in the file note highlighted the problem and acted as an incentive for the strategy paper meeting.

The purpose of the question "Where will the shortfall come from?" was to now invite them into the decision-making process. In between meetings, they would have no doubt discussed my file note. Did they have any comments to make? Any objections? Any solutions to offer? Remember, there are always two views in this sort of situation—theirs and yours. Always listen to theirs first, and without interruption.

If their immediate reaction was not to suggest an insurance increase but rather turn the solution to me with a "Well, what do you suggest?" comment, I always replied, "Let me show you what my clients in similar situations have done," and then I provided a separate one-pager as follows:

Strategy Paper Page 2: If Paul Had Died Yesterday

"The debt should last no longer than the person who created it!"

Solution

Guarantor Protection Insurance

- Bank loan paid out by insurance upon Paul's death
- Bank happy
- Personal guarantees/collateral security released by bank
- The family restored as first heir to the estate

I used to go through each of these points individually and get their nodding agreement, not just to confirm my solution, but to let them know that by initiating that action, the surviving spouse would then have an unencumbered business.

When agreement in principle was reached, all I had to do then was prepare the necessary numbers. In this particular example, because of both spouses working in the business, I would normally have recommended insuring both. Therefore, the surviving spouse would have the choice of either continuing or not continuing the business without the burden of debt.

Penetrating Questions for Specific Areas: Business Succession Planning and Estate Planning

I would now like to randomly share some of the penetrating questions that I used with business owners in specific areas. I have already gone through the questions for guarantor protection insurance, so let's start with business succession planning.

Penetrating Questions: Business Succession Planning

Generically, this terminology can relate to a family business. For example, to see what planning had been done to maintain the business within the family in the event of the death of the current family founder. Obviously, it also relates to arm's-length businesses. So let's look at some questions applicable to this specialized area of insurance.

Do you have an exit strategy for the business?

Often this question would be answered by another question, "What do you mean?" I would then state, "One of these days one of the partners is going to exit the business through death, disability, or retirement. In such situations, what strategies do you have in place?" The answer was usually "none," or if there was some planning, it was only very loose. Whatever the response, I just recorded it and moved on.

What is the current market value of the business?

Sometimes there would be an immediate answer, but this was very rare. Normal responses were along the lines of, "We are still in the early stages of our growth and haven't yet come up with any idea of what the business is worth," or, "With this type of business it is very hard to come up with a value." And so on.

Because of time constraints I can't go into great lengths about how I ran the discussion for this question, but I finally drew it to a conclusion with this comment in order to get to arrive at a fixed figure: Assume that I am a willing buyer and you are a willing seller. Walk in-walk out. Leave me your staff, plant, equipment, customer contracts—everything. What would you want for the business?

This line of questioning always gave rise to a figure. It might eventually be something like, "Well in that circumstance, we wouldn't sell for less than $XXXXXX." Whatever they told me, I recorded the figure and always included it in the file note, which I sent back to them following our meeting so that any absent partners would be aware of the discussion.

What does your buy-sell agreement provide for in the event of the death or long-term disability of a shareholder/stockholder or partner?

In almost every circumstance the response was, "What is that?" In the very few instances where the question was understood, the response was along the lines of, "Well, we do have a buy-sell agreement, and I know there is some reference to the situations that you have mentioned, but I can't tell you the details off the top of my head." In such circumstances my follow-up question was, "How is your agreement funded?

Invariably, when I examined those existing buy-sell agreements, the funding mechanism was a clause relating to a buyout figure or formula payable over a period of time (usually years) and based on a certain rate of interest applicable to an overdraft facility or line of credit with a nominated major bank.

For your information, such agreements were loaded with danger because the family of a deceased partner or a partner who had to withdraw from the business because of a long-term disability was actually held "hostage to fate" in terms of the payout. In other words, if the payout was spread over a period of years, the recipients of the payments were depending upon the continuing profitability of the business in order that the repayments could continue.

However, if the business experienced losses rather than profitability or was dissolved before the completion of the payout period, the danger was that as a consequence, the outstanding payments might be discontinued. By the way, I never disclosed that downside until I had the opportunity at the follow-up strategy paper meeting when I could discuss it with all the partners at one time.

One other point: In situations where I was informed that there was a buy-sell agreement in place and that it was, in fact, funded by life insurance, my next question was, "Does it contain a suicide clause? No one could ever answer that question, and upon examination of their agreements, I never once found such a clause. This is a good question to ask in terms of establishing your credibility to talk on this particular subject and also to explain the reasons why such a clause should be included.

In the event of the death or long-term disability of a shareholder/stockholder or partner, what options are open to the surviving owners regarding that person's equity?

It's important to mention that when I asked that question about the options, I always remained silent, thus allowing them to participate in the exercise rather than coming up with my solution. Whatever option they brought up I just responded, "Is that what you would want to do?" and then let them question their own decision.

Eventually, they would ask me for my thoughts. This gave me the opportunity to say, "Let me share with you the usual options discussed in this type of conversation."

Five Options

1. Wind up the business.
2. Take in the deceased's family as a working partner.
3. Continue to do 100 percent of the work but split profits with the deceased's family.
4. Hire a replacement, but still split profits as in 3.
5. Buy out the deceased's equity.

As an aside, I arrived at these five options over a period of time of raising this question at numerous meetings. By going through each of them individually, with examples, everyone always arrived at option 5.

Following the initial meeting, I then sent my file note back to the person or persons with whom I had met, requesting a copy be distributed to the other partners with a reminder of how important it was for all partners to be present at our next meeting—the Strategy Paper Meeting.

Penetrating Questions: Estate Planning

You will notice that the following questions have little to do with the sale of insurance but everything to do with the sale of you. People buy people!

What would you like to have happen to your estate when you die?
When I asked this question, the response was usually immediate; that is, not something that people sat there and thought about before answering. However, what I realized was that in the moment of this in-depth discussion around estate planning, the answers were based on their immediate feelings, usually surrounding their family. In other words, their priorities always included security and independence for their family (usually first priority) and then the business and other matters followed. Whatever they told me, I just recorded the answer, with them not being aware of my next question, which was:

What if you had died last night?
The purpose of this question was to now bring the discussion back to real time. In other words, there was no time for any future planning, just a review of what their planning had been to date compared to their previous answer. Usually the priorities were not as they had just outlined.

In fact, in almost every case with business owners, very little planning had been done. In those cases where there had been a conscientious effort beforehand to do some planning, most had not given thought to the fact that business owners actually have two estates—personal and business—and that specific thought had to be given to both areas. It was then appropriate to ask:

Do you have an estate equalization plan for your children?
I just want to share this question with you because it's amazing how this one particular question could turn the meeting into a separate 45-minute conversation, especially if I had been able to ascertain before or during the meeting that there were children from both an existing and previous marriage.

For example, when speaking to fathers who had actually become more financially prosperous in the second marriage, their dilemma arose from the obligation they felt toward the children of the first marriage versus their obligation toward their children from the second marriage.

As an aside, in such situations, after due discussion, I would suggest a simple solution, that they consider creating another asset called life insurance that could be left to the children of the first marriage upon the death of the life insured. Thus, their feeling of obligation toward their children from the second marriage could remain undisturbed.

If you and your spouse had died yesterday, do you have any concern about accumulated wealth falling into the wrong hands?
Here was the opportunity to raise the very delicate subject of financially irresponsible children and current or future in-law situations. Again, this was one of those questions that could segue into a 45-minute separate discussion. While the ensuing discussion is of an obviously sensitive nature, it also means that the advisor has been taken into confidence and should be aware that a trust relationship is being forged.

I think that these particular questions are a classic example of my already expressed belief that the number one purpose of the fact-finding meeting is to establish a relationship and secondarily, to gather information.

Conclusion

Here are some final comments. When considering an entry into the business owner market, you have to ask yourself whether you sell problems or solutions. If you sell solutions, then the focus is always going to be on cost. In my experience, the more the focus is on cost, the harder it is to get the sale.

However, it was also my experience that the more you can arrange things so the focus is on the problem, the easier the solution will be at a later time, irrespective of cost. Therefore, the business owner market is an opportunity for those advisors who see themselves as problem solvers, and problems are best exposed through the use of penetrating questions.

In summary, in my opinion the business owner market is where all the action is. In 1977, the late legendary John Savage visited Australia to speak at our association's first national conference. At that particular conference, he made the following comment that I wrote down and have never forgotten: "What makes this particular market both interesting and attractive is that business owners are so busy taking care of business that they don't have time to address the very things they need to until they meet with an advisor who is qualified, capable, has integrity, and cares. If you can develop a trusting relationship with business owners, price and competition will never enter the equation." That has been my experience. That is also my belief.