Cadence Bank Podcast: In Good Companies

Episode 8: Executive Functioning: The Well-Prepared Executive

An executive is a key player in a business of any size: someone who is able to balance the complexities of their industry with the needs of their company. They're someone with deep experience, who can lead a team and contribute to one. And they work tirelessly to make sure the business is positioned to succeed, both now and in the future. But who's doing that for the executive?

As an executive, you'll have access to a much wider range of compensation packages, from equity to call options to variable performance-based bonuses. Your income will be greater and more diverse than the average Joe or Jane. You need a financial plan to match, and advisors skilled enough to adapt that plan as your career evolves. In fact, you'll need a team of people: CPAs, investment bankers, tax attorneys, estate lawyers. But most of all, you'll need an expert private banker to run the show. You need Mary Katherine Franklin, EVP and Director of Private Banking, and Jamie Burns, Regional Executive of Private Banking from the Cadence Private Banking leadership team. So that's who we've brought you!

Think of it like a football team. The most important person on the field is your quarterback, who reads the defense, makes adjustments and gets their teammates the ball. That's your private banker. On this episode, Jamie and Mary Katherine talk about quarterbacking executive financial plans, how no plan is one-size fits all, and what you need to prepare to make sure you get the most out of the process. So, join our all-pro squad as we perfectly execute the executive financial plan.

Episode Transcript:

[00:00:00] **Mary Katherine Franklin:** Some folks just thought, "My stuff was simple enough. I had my 401k going and I just thought I was just going to hit 65 and retire and use my 401k. I didn't know I had to think about other stuff."

[00:00:11] **Patrick VO:** As an executive, you play a key role in helping your company thrive. But who's going to help you thrive?

[00:00:19] **Mary Katherine Franklin:** It is harder to come in at the tail end because there are things that you probably could have done better. It's hard to look at something in hindsight and not go, "Well, if you'd only done this, then you'd be better off." And nobody wants to have that conversation.

[00:00:33] **Patrick Pacheco:** I'm Patrick Pacheco and you're listening to In Good Companies from Cadence Bank, the podcast where we answer the toughest questions facing your business and guide you through the company life cycle, from start to sale and success to succession.

[00:00:54] **Patrick VO:** To reach an executive level, you've got to deliver a lot of value, and your compensation plan should reflect that. But that means you could be working with executive benefits, like deferred compensation, variable performance-based bonuses, equity, restricted stock, call options, as well as an added tax burden. And that doesn't even include other income streams you may now have access to. Leveraging all that into the optimal plan can be complex, but if you do it right, you could be in the driver's seat for retirement and beyond. So how do you prepare like an executive?

Well, your first step would be to get on the phone with a great private banker, and it just so happens we've got two of them on the podcast today.

[00:01:44] **Mary Katherine Franklin:** I'm Mary Katherine Franklin. I am the director of private banking here at Cadence. I've been with the bank for about 10 years.

[00:01:52] **Jamie Burns:** And Patrick, I'm Jamie Burns. I, too, have been with the bank for about 10 years. I manage private banking. We call it Mid-South, but I'm actually in Birmingham and we've been doing this for a long time. We're very deep in what we do in private banking and in wealth management.

[00:02:14] **Patrick VO:** Before we start, it's good to establish a working definition of private banking, and the executives it covers.

[00:02:21] **Mary Katherine Franklin:** So I would define private banking often as banking high-net-worth individuals. And it's not exactly that closed and that black and white, but that is the bread and butter of it. High-net-worth individuals often have some differing needs from a typical retail client that require a little more touch, a little more expertise, a little more interaction with other folks in collaboration with a variety of people who are advising on different topics. And so we coordinate with all those folks and hold loans and deposits on our side, like a typical banking relationship.

[00:03:05] **Jamie Burns:** Same, obviously. We're dealing with the higher net worth individuals. We're dealing with the business owners. We're dealing with doctors, lawyers, and from a banking standpoint, we're trying to develop a relationship with these folks that not only is in banking, but at some point will introduce other partners on our wealth management side, whether it's in trust, brokerage, L&W, other partners around the bank, but we're really focused on that upper high-end net worth client.

[00:03:44] **Mary Katherine Franklin:** We certainly bank a lot of folks who derive income from a variety of sources. They might have a multitude of K-1s that require a little additional analysis and understanding versus just your standard W-2 earner. But that doesn't mean that we don't take those, too, because we do run across the folks who derive their income a little more simply.

[00:04:04] **Patrick VO:** Being an executive can be tricky, since you have a lot of sway, but not the final word.

[00:04:10] **Patrick Pacheco:** I think about it as being a hybrid world where I'm an owner, but I'm not completely an owner. I have some control, but I don't have all control. And it puts me in a very interesting situation where I'm not bread or butter. I am something in between. What does executive mean to you guys?

[00:04:31] **Jamie Burns:** For me, Patrick, I'm thinking about the typical corporate executive. We really work with business owners and corporate executives alike, but when you're dealing with a corporate executive, you're really dealing with a different set of things from a private banking and wealth management standpoint. So the corporate executives, the person that's in a C-suite somewhere in a corporation, they also could be in a law firm. It could be a small partnership that really operates more like a corporate executive with executive benefit programs and those kinds of things. The business executive is that type of person; they're working from some type of organization that has executive benefits and those types of things.

[00:05:27] **Mary Katherine Franklin:** To Jamie's point, it can differ a little bit, whether you're a business owner or a corporate executive understanding stock plans, deferred comp plan, other benefit plans for the corporate executive. So there can be some differences, but realistically, we're talking to both of them pretty similarly about how they're going to use leverage, how they're going to use the proceeds, how they're going to plan, and then loop in the right people.

[00:05:56] **Patrick Pacheco:** So what else do executives need to be planning for? Any special things that come down the pike that are different than non-executives?

[00:06:06] **Mary Katherine Franklin:** I think for executives, really what we're doing is trying to consider a holistic view of their total financial position. So that includes cash management, that includes leverage, that includes looping in other partners for financial or estate planning, investment management needs. So it does differ slightly from other folks. It's just a little more of a holistic view, maybe looking at a number of variables that aren't always there on a typical retail client or a non-executive.

[00:06:39] **Jamie Burns:** The thing that comes to mind to me, and Mary Katherine and I discussed this a little bit yesterday, in our market we've had a lot of bank mergers. So we've had a tremendous amount of clients that were C-suite executives that are retiring from those mergers and acquisitions. We've really had to get in and understand their deferred comp plan. We've seen very different, can be the similar or different, in the stock plans that they have. So we've got a lot of these executives that we've really helped. The big thing that I've seen with it is just helping them get comfortable. Most of the time when they come to us, they're at the end of the process of their retirement and they're thinking about, "Here's our plan. This is what we thought the plan was going to look like, but here we are now, and we've got to execute it. And now help me understand all this stuff that I have and how I'm going to execute it." And so that's how we come in and really help them.

[00:07:45] **Patrick VO:** Speaking of plans, I asked Jamie why it's particularly valuable for executives to have a gameplan in the first place.

[00:07:53] **Jamie Burns:** And I would think, Patrick, when you start thinking about business executives, they have pretty complicated structures, and when you start talking about stock plans, when you start talking about deferred compensation plans, you've got to have conversations with people there to figure out what you're going to do in the future. So we typically like to sit down with them, understand what their goals and desires and even dreams are, and say, "How do we get there with what you have in place?" A lot of it has to do with... You've got people that are early in their career, people in mid-career, people in late career, and those require different sets of circumstances.

When I think about it, the benefit is that we need to know, understand what your executive benefits look like, help you put that together in a financial plan so that we can determine what it is that we need to be doing to help you either from a tax perspective, from an estate planning perspective, or just to understand the plans that you have.

[00:08:44] **Patrick VO:** And when it comes to creating that plan, Jamie and Mary Katherine agree: the sooner the better.

[00:09:16] **Jamie Burns:** The important thing is that you get in as early as you can. The biggest problem we get into when somebody comes to us at the end of the process is a lot of this stuff, whether you're a business owner or a corporate exec, if you're doing longer term estate planning, a lot of times, because of the IRS code, you need three years to implement a lot of this stuff to actually get the tax benefits of it. That can be challenging when somebody comes to you on the back end of that. So like I said, the sooner, the better is important.

[00:09:54] **Patrick Pacheco:** But I guess also it's never too late.

[00:10:01] **Jamie Burns:** That's right.

[00:10:02] **Patrick Pacheco:** If you figure out you haven't done something, give you a call and you're going to do the best you can to get them, right?

[00:10:02] **Mary Katherine Franklin:** It's certainly better than not addressing it at all. I think you'll just be happier if we can do some planning on the front end, rather than the back.

[00:10:11] **Patrick Pacheco:** So, an executive comes to you and they're going to be well-prepared. So they're younger, they've just got this position and they come to you and they say, "Okay, help me formulate a plan." How do you start that process? And how do you maintain that process?

[00:10:26] **Mary Katherine Franklin:** So I think one of the things we're going to do is look at the personal financial statement or help them create one. Some folks don't have one, depending on how early they are. Help them get a personal financial statement together, look at the tax returns, look at the information on their compensation plans, if they have investment statements or other assets, we're going to try to collect and gather all the data we can. And then we can sit down and go through understanding what their goals are and how we can work with them to meet those, whether that's buying homes or they want to make some investments or we need to look at 401ks or other cash management needs.

And some of those things we're going to handle. And some of those things we're going to bring in partners from our trust group, from our investments group, from Linscomb & Williams, who are going to be helpful on the financial planning side. There are all kinds of things that they might need and if we can have all that data on the front end, that makes it easier for us to have conversations and know the questions to ask. It's not us making the plan, helping them think through what questions and what goals they have and how we can then help them.

[00:11:50] **Patrick Pacheco:** What happens when you have the executive that comes in and they really don't have goals? Their goal is, "I want to make a lot of money and my family to be happy." That's not really a goal per se. How do you help them? Or do you help them define those goals or figure out what it is that's important to them?

[00:11:52] **Jamie Burns:** Patrick, I would say that that's very typical for us a lot of times. The key is we get to know our clients and their family dynamics so that we can understand what their long-term goals are. A lot of times people don't know, but if you get them in a room, and really it's as important to get as many of the family members in the room as you can. Again, we're talking about what time in the cycle, are we early on, are we midpoint, are we later in the cycle? Our responsibility is to help them understand what their goals are, and the way you do that is by asking a lot of questions and listening to the customer. From that, we can help them define their goals. And then once we define the goals, we can put a plan together.

[00:12:47] **Patrick VO:** A complex plan requires a team of advisors. But those advisors might have different ideas as to the best course of action. So you need someone like Jamie or Mary Katherine to captain the ship.

[00:13:11] **Patrick Pacheco:** Everybody I think is rowing in the same direction, but they have a different approach as to how they get there. The CPA is going to be more concerned about tax compliance issues while the lawyer has great ideas and the CPA is saying, "Do you realize the tax compliance nightmare you've created?"

[00:13:14] **Mary Katherine Franklin:** Absolutely. And I really do think that's necessary because you're right. There are different viewpoints. And like I said, we're not ever making the decisions for them, but we are trying to give them all the information that they need to make an educated decision, and so having all those partners in a room where they can coordinate and figure out what the best balance is of all those decisions.

[00:13:38] **Jamie Burns:** And you get to some of these meetings and you have a banker, you have an investment portfolio analyst in the room, got a tax attorney in the room, so there can be a number of people there, but we've been very successful with it.

[00:13:56] **Mary Katherine Franklin:** That's part of what we can help do is act as the quarterback, get everybody coordinated, make sure that we're looking out for the best interest of the client. And I think once all the advisors are on the same page, as far as looking out for the best interest of the client, everybody can deal with whatever personalities are in the room. I would also add that, and I think at Cadence, we're small enough to where we can give a lot of personal attention, but we're sophisticated enough to have that full wealth management platform. So if folks are coming to us early on, we're coordinating those partners that they're working with. And so obviously there's already a dynamic of cooperation if we're looping in the Cadence trust team, the Cadence investments team, the L&W team. That full wealth management platform that we can offer is helpful.

But that doesn't mean that we can't work with folks who are integrated at other institutions as well.

[00:14:58] **Patrick VO:** And getting input and ideas from that team is crucial, because with this process, there's no one-size-fits-all.

[00:15:04] **Mary Katherine Franklin:** Obviously, everybody is different and everybody's financial picture looks different, everybody's family dynamic look different. Everything is customizable, the level of communication, the times we meet, the things we talk about, the partners we loop in. It's going to differ depending on the client and what's the best fit for the client. So there's no simple template that we can lay out other than saying we do work with folks to customize everything. And so you can think through and spark some initial thoughts, ideas, questions, but you've got to talk to somebody.

[00:15:42] **Patrick VO:** To get the most out of the process, Jamie has some advice for executives.

[00:15:48] **Jamie Burns:** Be organized. That's the best help. Hopefully, they've got good CPAs that are doing the work, where we can make it easy to get our tax returns. Most people don't have great financial statements. Typically, at least on the front end, when we get a customer, once we get started, we can help them do that. But organization, knowing what you have, those are the things that are important.

[00:16:16] **Patrick Pacheco:** So I'm a little concerned, because I thought I was prepared because I moved from one shoe box to four. Jamie, sounds like maybe you're looking for a little bit more organization than that.

[00:16:24] **Patrick VO:** But organization isn't the only thing that makes for a successful client. Mary Katherine shares some additional insights for executives.

[00:16:28] **Mary Katherine Franklin:** One thing for them to consider is being forthcoming with information, right?

If we only have part of the story, we can't give you the best advice. We've got to have the whole story so that we can look at things from a holistic perspective. And so if we only get a little snippet or we only get part of the income, and I'm not saying we have to have all the business, but we need the whole story. So people have got to be forthcoming with information and some people are more comfortable with that than others.

[00:16:57] **Patrick Pacheco:** I asked a client one time, "So how long have you been married?" And they had to look at each other. And I said, "Are you married?" Turned out, they'd gotten divorced 10 years earlier and not told anybody about it. And I said, "You guys have created a big issue with regard to your estate planning here and we need to get this remedied." But it was just that look.

Mary Katherine, there's a lot of things for them to think about, but what's the danger if somebody gets to retirement and they're in this type of position and they haven't thought about anything? What do you see happening at times?

[00:17:26] **Mary Katherine Franklin:** Yeah. I mean, by not thinking of things in advance, there are a lot of mistakes that you try to correct on the back end, right? And you fear that somebody gets to retirement and they don't have the cash they need to continue living the same lifestyle that they're used to living or that they have a desire to live. And so it's obviously, as with all things, it's harder to correct mistakes later than just paying for it on the front end. And even though plans change and there are hiccups, or there are changes, that can be good changes or bad changes, along the way, starting out with a plan is going to get you in a much more surer position, which I think makes everybody feel better than surprises down the road. There are folks who have just gone along the way and they didn't think... Some folks just thought, "I thought my stuff was simple enough. I had my 401k going and I just thought I was just going to hit 65 and retire and use my 401k, didn't know I had to think about other stuff." And there are some folks that come in like that. It's not that we can't handle it, because we can, and we can help them again with cash management, with leverage if needed, with other investments or liquidating investments or realigning debt, all kinds of things. It is harder to come in at the tail end because there are things that you probably could have done better. It's hard to look at something in hindsight and not go, "Well, if you'd only done this, then you'd be better off." And so nobody wants to have that conversation so we can still help at the tail end, but there's going to be that feeling of hindsight where you wish you'd done it.

[00:19:05] **Patrick VO:** With your future and your family's future at stake, you want to make sure you develop a strong connection with your advisor and get plenty of facetime. I asked Jamie and Mary Katherine about the importance of this relationship element.

[00:19:21] **Jamie Burns:** I would just say it's critical, Patrick, knowing our customers. We get to know our customers, especially on the banking side, when we're lending, we're doing leverage. We know everything about this customer from a financial perspective, but really emotionally, we have to get to know our customers to know really what's important to them. And I don't look at just a relationship as a customer banker. I look at it as much as anything as a relationship. And we may be in an advisor role, we may be in a banker role, but we have a relationship with our customers. We know them, we know their families. We know what's important to them. And especially when you go through things like we just went through with a pandemic, things change, the way we interacted changed. And so it is critical to have a strong relationship with your customer.

[00:20:29] **Mary Katherine Franklin:** And to your point earlier, Patrick, you say if you're not getting the attention, you need to look elsewhere. If you don't feel like you have a good relationship with your banker, you ought to be looking elsewhere. It doesn't mean that a person can't provide you with whatever transaction it is you're trying to accomplish. But looking at things from that holistic view, you've got to have a relationship with them and know them. Where they are looking out for you, and they're offering you other things and they're coming up with ideas for you and are a listening ear for you if they've got ideas. If you don't have that, you're at a disadvantage.

[00:21:56] **Jamie Burns:** I think you hit on something that's important. As we know, this business is changing and the products and services that people are offering and the way people are offering products and services is changing rapidly right now, but the real differentiator in all this is most of the customers that we deal with in our environment are really interested in having somebody with expertise help guide them through the financial complexities that are out there and the relationship and how we treat people... We're going to have the products. This company's got as sophisticated products as any company out there. We can compete with Goldman Sachs, Merrill Lynch, JP Morgan. We can offer the same things that they can, but we're going to give you better service because we focus everything we do around the customer and it starts there. What's going to make us look different is how we treat our customers.

[00:22:11] **Patrick VO:** No matter how great your preparation, you've also got to leave room to adapt. Because things change--your plan should too.

[00:22:19] **Patrick Pacheco:** I have my plan. We're meeting one of the advisors. You help me get my goals. We put it all in place. I'm done. Does that mean I can just set it, forget it, and I can relax now?

[00:22:31] **Jamie Burns:** Well, not necessarily. Things change over time. I always talk about, Patrick, and you've done this a long time yourself, too, but there's a reason that we have a minimum of annual plans with our customers. And the reason is things change: kids change, attitudes change, marriages change, marriage, divorce, unmarried. We have kids that come in, they get married. We have grandkids. So goals can change over time. So it's critical that we look at them now, define our plan, and then check in, at least annually, to make sure we're staying on that plan and documenting any changes.

[00:23:21] **Mary Katherine Franklin:** I just would add, and I think that's true, things do change within the family, it's also worth considering that things change from a more macro perspective, too. And so sometimes how we're planning is going to change just based on lots of other things that are going on in the world, outside of necessarily the family, but what's going on in banking, what's going on in the country, what's going on in the economy, what's going on in the administration, tax laws. There are lots of things that can change that plan that are outside of even your family dynamics that are changing.

[00:23:54] **Patrick Pacheco:** I'm a little concerned because Jamie listed that whole list of things and I only had two of them occur so far. So I've got a lot more in store and I'm tired already.

[00:24:04] **Jamie Burns:** The thing that I think is different for an executive and over the years, especially your C-suite executives, their plans, whether it's deferred comp, whether it's stock plans, they change over time. And a lot of times people don't really understand the dynamics that are in their plan and actually how those dynamics are going to perform when they actually retire. So the key difference in a corporate executive is typically we've got to understand that stuff to understand how it fits into your overall plan, whether it's your overall investment policy, how you're going to receive income in retirement. A lot has to do with timing, Patrick, and the closer you get to retirement and changes, it takes some time to sit down and understand exactly how your plans are going to execute when you do that.

[00:25:02] **Patrick VO:** An executive's financial plan is a lot like the executive themself. It's not built overnight. It requires organization, honesty, and clarity of purpose. It adapts to new situations, and integrates information from many different sources. So make sure that you're giving your plan the attention it deserves, and that *you're* getting the attention *you* deserve, from professionals like the ones at Cadence Bank.

And speaking of professionals, I'd like to give a big thank you to Mary Katherine Franklin and Jamie Burns, who expertly quarterbacked this episode, just like they do with executive financial plans.

[00:25:37] **Patrick Pacheco:** In Good Companies is a podcast from Cadence Bank, member of FDIC equal opportunity lender. Sheena Cochran is our production coordinator. Our executive producer is Danielle Kernell, with the writing and production from Andrew Ganem and sound design and mixing by Alex Bennett at Lower Street Media. I'm your host, Patrick Pacheco. If you've made it this far, and you got something out of the episode, why don't you go out and give us a five star rating in your podcast app? It's the best thing you can do to help the show grow and reach more people. And join us next week because when you're with us, we're in good companies.

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