

THE ACADEMY OF ELECTRICAL CONTRACTING

Paper presented by

John S. Clark

Things You Really Never Wanted to Know About Retirement  
And Were Too Smart To Ask  
July, 1979



## THINGS YOU WERE TOO SMART TO ASK ABOUT

So your lawyer, your accountant, your banker, your insurance agent, and probably your wife have finally prevailed on you to make your will. For exactly the same reasons -- and a few more -- you should do one other thing. **PLAN TO RETIRE:**

That is, of course, if your business amounts to anything. If you have a one man business, retire whenever you and your customers please. About the only precaution to take, as the time approaches, is to reduce the inventory - particularly the hard-to-sell items - as much as possible. In fact, as long as you have satisfied customers, a one man business, in itself, may be a good retirement program.

If you work for someone else, perhaps a definite date for retirement may not be as important. Your boss will know when you slow down, become too crochety to live with, or incapable any longer of the hard decision, and he can do something about it. It is when you are the head man that it is almost impossible to pass this kind of judgement on yourself - until it becomes too late. We all agree, intellectually, that there is an end to all good things, but in the heart, no one believes that they can die, grow old, or become less capable except at some time way, way into the indefinite future. Still even when you work for another, it is well to plan with some definitness in order to enjoy retirement to a maximum.

I have no quarrel with anyone who tells me that they built the company from scratch, own it, and don't intend to let go. Sure, it is yours, and if your family won't need the money when you are gone, or if you feel no obligation to any of the employees, do whatever suits you. On the other hand, if the value of the business is important to your family, and you have some good and faithful employees, **PLAN TO RETIRE!**

When? The best planning is the sooner the better, and the latest prudent time to start planning is in your middle fifties. Plan to take about 10 years to make the very best arrangements and 65 years of age is a good rounded number for a retirement time that coincides with social security and other things.

Don't be misled by the recent hogwash about older retirement. I am sure that Edison invented something after 80 and Moses took up mountain climbing after 100. Lots of good work can be efficiently done after 65, but don't be too sure about the head of a business, particularly a contracting firm. Every successful business that I have ever seen had somebody at the top who worked like a dog to make the right decisions and to make the business go. Sure, the firm can coast for a while but if it is to remain viable and meet today's many challenges, somebody is going to put in a lot of hours and hard work. After a certain age, you may find it difficult, if not impossible to do this required job.

Every man seems to age in spurts. He goes for years with little perceptible change and then suddenly grows older, both mentally and physically. Usually one of these aging periods occurs in his 60's. Sickness of some kind - high blood pressure, heart conditions, large and small strokes, cancer, etc. - can age a person in a hurry. Life expectancy for men is somewhere in the late 60's and a man is seldom up to par as this time approaches. It is prudent, therefore, to transfer management responsibilities before one becomes more of a liability than an asset. 65 is a good safe age to set as a goal. I guess there are exceptions and maybe you are one. Las Vegas thrives on people who think that way.

Once having set a time, stick to it unless a major catastrophe interferes. Sometimes there is a good reason for a short postponement, but absent such a reason, continued postponement advertises management indecisiveness.

Ten years is not too long a time for the head of a business to prepare for retirement. Perhaps in a very large business, no single person will be missed too much, but this is not true in most contracting firms. The head man is generally the key man, and it takes time both to prepare the business to do without him and to prepare him to do without the business.

For most electrical contracting firms, retirement presents two options. One is to sell or liquidate the business. The other is to provide it with new management. Often when employees become the principals both options are involved with the pay-out extending over a long period of time.

Ask any investment house and you will find that an electrical contracting firm - or any construction firm for that matter - is not a recommended investment for the funds of widows and orphans, and this should include your own. It is a great investment for a knowledgeable participant but with a major change in management, it can go to hell in a hurry. This might cause a more serious consideration of a sale if there are no family members to take the business over. And even if there are, it would seem wise to arrange things that your retirement needs are not dependent upon income from the business.

For the best price, successful selling involves some careful long range planning. Trying to sell against a deadline is a frequent loser, something that oftens happens to an estate. You will learn that there are few attractive offers made for a head-less business. In fact, it is the exception when such a business sells for more than the value of its liquid assets. But if the business is prospering and the management can promise to stay on for a multi-year period, the price and interest mounts. For best results, you should be young enough to assure the buyer of several years of management services.

There are also the problems of modifying the business for the best kind of sale. Usually these involve tax problems

which take some time to solve without unnecessary losses. For example, if your business has large cash reserves, it is rather silly to sell money and sillier to pay unnecessary tax on it. And if your company owns real estate - particularly in those cases where it has owned its own quarters for years - you may find that the property may have much more value sold separately, than when sold as a part of the business.

There are a host of other things that might help a sale. For example, a joint venture, avoided in the past, might interest a large contractor in your business and your area. Bidding on some of the more widely advertised projects may get you greater exposure. These kind of things will become apparent when you pragmatically consider the sale of your business.

If, on the other hand, you decide not to sell your company, your retirement will require a change in management. Somebody else will have to take over and this takes time to arrange. In fact, it will take some time to convince yourself that new management can succeed without you. Of course, you can gamble on the premise that someone will rise to the occasion when the time comes, but we recommend a more profitable venture will be to bet on ten the hard way at the Las Vegas Crap table. Some times it wins.

Usually the retention of a company means that someone in the family is scheduled to take over. Sons sometimes make outstanding replacements, particularly when they were brought up in the business. However, on the average, their track record is not too good in modern business. More distant relatives, including son-in-laws tend to average out better. Perhaps it is because they are more amenable to instruction, more inclined to respect past achievements, more fearful of failure and have not heard mama berate stupid papa for working long hours. There is a somewhat wider selection available among third parties.

No family retainer is likely to take over, make the company a zillion dollars for a modest salary and a pat on the head. The best managers cost an arm and a leg, insist on participation in profits, dividends and ownership prerogatives; and, if competent, he is worth it. So the prudent course of action is to provide him with proper training, and to slowly give your selection increased authority while you are still around to correct your possible mistake. When you have found the right manager, better get out of the way; for, if he is the right one, he won't wait around indefinitely.

\*\*\*\*\*

Preparing yourself for retirement, the second part of the problem, is not an overnight affair. Initially, retirement is wonderful. A little travelling, sleeping in, laying on the beach, playing golf or doing whatever strikes your fancy is great fun for, say, six months. Then it becomes a crashing bore.

To avoid this phase, you need to develop a new life style and the first thing to do is to consult with the Little

Woman. Things that appeal to you don't automatically recommend themselves to the distaff side; and it may come as a surprise to you to find out that a retired husband underfoot is no prize to an un-retired housewife who may also object to being left a hunting and fishing widow. Shooting a retired husband is not yet justifiable homicide but it is best not to take the chance. Find out the things you enjoy or might enjoy together and cultivate them. Don't seriously consider a new model. A new chassis may have better lines but will not be nearly as comfortable. As time goes on, comfort becomes increasingly important.

One of the early decisions will be to choose the place of retirement. Weather, friends, accommodations and especially tax laws are all important considerations, and it will pay before you retire to use your vacations for first hand information and to try out your ideas. Texas and Nevada have excellent tax laws for this purpose and I know one man who spends 6 months and two days each year to maintain a Texas residence and five months and 28 days to live it up elsewhere. Vacations are also a good time to rent and try out that motor home or trailer if this seems to be attractive. It is great for some, poison for others and you avoid a \$60,000 investment by a rented trial.

Unless the business is in some place like the Upper Michigan Peninsula where they argue about how often it snows in July, I recommend the initial period of retirement be at home. You have the greater opportunity to experiment, the change isn't so traumatic and you may get some support from your friends.

One of the things you will miss most, is your secretary so it behooves you to spend some time learning to do things for yourself - like making excuses, answering the telephone, typing and, maybe, making coffee. This also might lead you to keep a hang-out at the office for a few years, which is okay if you have the personal discipline to stay out of the way of the New Management. In fact, if you have this faculty, New Management might sincerely welcome your help in a number of ways. Usually your experience and contacts would be helpful and appreciated in the financial phase of management. So might your assistance be welcome in those unfinished things started under you. There are also a number of things you can do on your own which New Management might accept or leave alone.

For example, you might develop that "Personnel Policy" which should have been written a few years ago with the advent of EEO. I will bet your company can use a "Safety Manual", something generally needed for day to day guidance and not a rehash of OSHA regulations. If you are technically inclined, how about a Company Estimating Manual? I have always felt that it was stupid not to use the NECA Manual of Labor Units, but more stupid yet not to modify them in a major way for a firm's own operation, methods and experiences. And finally, I have yet to see an efficient Job Cost Accounting System kept by the accountant which, if it is to be timely, must involve some combination of estimating and accounting practices. You just might be the one to develop such a system.

If you wish to stay with the Industry for a while, there are some reasonably 'unpaid' jobs you might fill. How about becoming, for a few years, your Chapter's OSHA expert? Such an expert must be a technician, familiar with all the regulations, laws and factors applying in detail. You are not such an expert in spite of any good self-opinion, but with a lot of study, you could become one, and with your background, you might be outstanding.

You might be welcome to participate on other Committees -- Labor Management, Apprenticeship, H & W, Negotiations, etc. And again, you might not. The problem with retirees in those positions is that they resist change, place an elevated value on their own opinions, and make little effort to represent the desires of the membership. Sometimes this is a virtue; and there are many neglected facets which could use the attention of some one, experienced and willing to work.

Generally, however, you should not consider these kinds of activities for too long a time. We live in an era of rapid change and it takes so much work and study to stay up-to-date that it takes the pleasure out of the doing.

Some people break completely with their past business as the best thing to do. I know of one man who went back to college for a couple of refresher courses in accounting and tax law. He now works hard for three months a year, helping others with their income tax and incidentally picking up about \$20,000 for doing it. The other 9 months he plays golf. Another, I know started a neighborhood fix-it shop. He makes no particular profit but enjoys the accumulation of tools in his garage and has a lot of grateful neighbors.

If you enjoy helping people, there are literally hundreds of opportunities to serve through your Church, the Red Cross, the Little League, the Boy Scouts and many other agencies. If you are interested in this kind of activity, you should, at least, knock on the door before you retire. This will give you some idea of what best suits your time and ability and gives you a little seniority when you actually apply.

Often the most pleasure will come from hobbies, but it isn't automatic and some will obviously not suit you. So it is well to try those that seem most likely at an early date. Some you won't like and a level of proficiency is necessary to enjoy them.

To me, golf is one of the best, even though the time it requires may be difficult to arrange while you are active. It provides a reasonable amount of exercise within your capabilities up to doddering old age and has a host of gadgets to delight the heart and slim the pocketbook. And while you will never challenge Jack Nicklaus, you can reach almost any level of proficiency if you are willing to take lessons, work and practice. Many wives enjoy golf and it uses up a reasonable amount of time. Lunch, a shower, 18 holes of golf and maybe a hollywood or two

of gin pretty well kills a day.

Photography is another hobby I enjoy. There are gadgets galore - thousands of dollars worth - and between taking pictures, developing them, cataloging them, etc., you can spend as much time and money as you wish. But before you rush in, better try it with an inexpensive, non-automatic camera. To some, it is a big bore. Of course, if you have money to burn, buy everything first. It helps unemployment.

Bridge is an inexpensive and engrossing hobby if your mind enjoys mathematics and analysis. There are bridge clubs in even small towns and tournaments galore. Competition is keen, so don't try it unless you will work hard enough to become reasonably expert. Party bridge (and conversation time) is a different game and a stumbling amateur in a bridge tournament is loved by no one, including himself.

Bowling, swimming and tennis are sports which can be enjoyed after 60, though tennis should be started much earlier if you are to be skilled enough to compete above a very low level. They advertise many other sports in Florida including soft-ball after 70. However, I am not inclined to recommend retirement as the time to start an athletic career.

Hunting and fishing will be high on the list of those that really enjoy them. Since fishing includes boats, you can spend any amount of time and money, into the millions. But hunting and fishing are generally not 'coeducational' and may pose some problems with the distaff side if you intend to make them a regular retirement activity.

Travel is fun as long as you enjoy good health, and while you may resent the regimentation, a tour is generally the best choice for a first visit. After that, you may go back on your own with some assurance. I know of one retiree who took a part time job with a travel agent. I don't think he makes much money but he gets the opportunity for a lot of fabulous trips at very little expense.

Now all of this hardly scratches the surface, but it might indicate that retirement is not something that just happens. There are an infinite number of things to do after retirement that can be both fun and fulfilling. Choosing them takes some planning and experimentation. If you go about it right, the only thing you really have to give up is the ego thing -- being boss!!

If one must summarize, I guess there are three points.

1. It is to the best interest of your business (and your estate) to plan for your retirement at a reasonable age.
2. Properly planned, retirement can be great.
3. The biggest problem, is making up your own mind.