PUTTING THE "SUCCESS" IN GENERATIONAL SUCCESSION

How to approach a transfer of ownership realistically and effectively.

BY JAROD BERNAT

Succession planning in the funeral service profession rarely entails just a business transaction. It is personal; emotional; and deeply tied to family legacy, community reputation and identity. For many funeral home owners, their business represents multiple generations of service. For the next generation, however, it represents opportunity, responsibility and, oftentimes, a very different vision for the future.

Setting realistic expectations for both sides of the succession plan is the key to a successful transition. Without clarity, assumptions can cause resentment, and even good intentions can lead to fractures in a relationship. With clear communication and structured planning, however, succession can strengthen both the relationship and the business.

For both the current owner and the future successor to approach succession planning with realism and foresight, they must adhere to the following principles.

1. HONESTLY ASSESS READINESS AND COMPETENCE.

Interest alone is not enough. A potential successor might feel passionate about becoming a business owner and continuing the family legacy, but ownership and leadership require a broad skill set that extends well beyond funeral service operations. The modern funeral home owner must understand financial management and cash flow, regulatory compliance, staff leadership and human resources, marketing and community positioning, and technology integration and digital presence.

Obviously, if an in-house successor has only ever worked as a funeral director, then they will not be fully competent in all these skills. Thus, it is important to identify a successor early and provide them with multiple years of exposure and training before they take the next step toward ownership.

A realistic succession plan requires a candid evaluation of whether the next generation is prepared to not only arrange services but also lead a complex and constantly evolving business. It might be necessary for a successor to gain outside experience, pursue additional education, or work under nonfamily supervision before stepping into their new leadership role.

Competence builds credibility with employees, with the community and with the owner who is appointing the successor. If the next generation is not truly ready to step into ownership, then the current generation needs to exercise patience to protect the legacy they have worked tirelessly to build.

2. SEPARATE FAMILY DYNAMICS FROM BUSINESS STRUCTURE.

Family hierarchy should never automatically dictate business hierarchy. Being a son, daughter or sibling does not make someone inherently qualified to run a funeral home.

The easiest way to ensure objective treatment and organizational hierarchy is to define employee roles and company policies through legally structured corporate governance. This can be facilitated by formal written job descriptions for every employee, clearly illustrated reporting and authority structures, regular objective performance reviews, and well-defined shareholder agreements.

Inequitable treatment of family staff members versus nonfamily staff members can lead to loss of credibility and trust. Additionally, it sets the tone that family members abide by a different set of rules than other employees do. This is why formal job descriptions and reporting structures – along with regular objective performance reviews – help alleviate feelings of favoritism and nepotism, allowing team bonds to flourish.

In addition, shareholder agreements are essential for mitigating conflict and ensuring a seamless transfer of the business. A shareholder agreement provides a framework of the corporation's administration. It specifies details about the rights and obligations of the shareholder, corporate guidelines, and the decision-making processes that must be followed. It also can establish the methodology for valuing shareholder interests, which helps ease uncertainty surrounding triggering events such as death, disability or termination. It removes guesswork from the process.

When roles and expectations are vague, resentment can fester. But when roles and expectations are clearly defined, accountability rises. Treating the funeral home as a proper professional enterprise rather than an extension of the family hierarchy creates stability during and after the transition.

3. ADDRESS FINANCIAL REALITY EARLY AND DIRECTLY.

One of the most common points of tension in succession planning involves disparate financial expectations. The current owner might be planning to rely on the business as their primary retirement asset, whereas the successor might assume ownership is going to be transferred informally or at a steep discount.

The funeral home often represents a significant portion of the seller's wealth, so determining the proper value to transact upon will impact both parties. Overpricing the business can cripple the next generation with unsustainable debt, but undervaluing it can jeopardize the seller's retirement security. This reiterates the importance of a shareholder agreement that defines the valuation methodology.

Finding the right balance comes down to setting realistic expectations regarding the financial implications of succession for both parties, as well as maintaining an open line of communication along the way. The owner must understand their business valuation as a starting point for discussions and consider the tax implications of a sale paired with retirement-income planning. Although the successor also needs to understand the business valuation, their other focuses should be financing structures and working-capital requirements.

A realistic plan balances fairness with financial practicality. An installment sale, phased equity transfer or structured buy-sell agreement can help bridge the gap – but only if expectations are discussed freely and early. Communication is key. Avoiding financial conversations does not preserve harmony; it just postpones inevitable conflict.

4. ESTABLISH A CLEAR TRANSITION TIMELINE WITH PHASES.

"Someday" is not a strategy. In the funeral service profession, it is an all-too-common belief that thinking a couple months ahead qualifies as long-term planning. The role of funeral director is not considered a "calling" because it is easy and offers great work/life balance. It is a role that requires 24/7 commitment, which can contribute to the aforementioned lack of long-term planning. This is why establishing a clear timeline with measurable milestones is key to a successful transition.

A practical succession timeline can be broken down into three main stages:

- **Development Phase.** The successor gains experience in all operational areas of the business and gradually assumes greater leadership responsibilities.
- **Shared Leadership Phase.** The current generation shifts from managing daily operations to strategic oversight while handing the management reins to the successor. In a phased buy-in plan, this is when the next generation would begin buying/building their equity position within the business.
- **Full Transition Phase.** Full ownership and funds are transitioned. Decision-making authority formally transfers to the successor, and the seller assumes a limited post-sale consulting/advisory role.

Without a defined timeline, the seller might struggle to relinquish control, and the successor might feel perpetually subordinate. Clear milestones create accountability, promote decisive action and prevent succession stagnation. Letting go is difficult, but a delayed transition often weakens both the business and the relationship between the buyer and the seller.

5. ACCEPT THAT THE NEXT GENERATION WILL LEAD DIFFERENTLY.

Once all the legal and financial aspects of succession have been addressed, perhaps the most emotionally challenging aspect is accepting the changes that will come with the next generation. The successor will almost certainly approach pricing strategy, branding, technology adoption or service offerings differently.

For example, the next generation might prioritize nontraditional service options to align with evolving consumer preferences. (The Foresight Companies' 2026 *Funeral and Cemetery Consumer Behavior Study* reported that only 20% of baby boomers preferred nontraditional services, whereas 36% of millennials preferred nontraditional services.)

The next generation also might focus more heavily on improving digital presence and integrating new technologies into the arrangement process and services. The COVID-19 pandemic precipitated a major technology-adoption wave in the profession. The expectation of tech-integrated service options did not dissipate once the world returned to normal, however, and it has become abundantly clear that the funeral homes that fail to adapt to families' changing needs will be left behind.

Change does not equate to disrespect. The funeral service profession exists to serve communities, and communities evolve. The seller must decide whether their goal is to preserve current service methods exactly or to preserve long-term professional viability. These might not be one and the same.

Realistic expectations require acknowledging that innovation is part of continuity. A successor who modernizes operations might be strengthening the legacy, not dismantling it.

From start to finish, succession planning in the funeral profession demands emotional maturity, financial clarity, mutual respect and transparent communication. By focusing on the five essentials – competence, governance, financial reality, transactional structure and timeline, and acceptance of change – a seller can dramatically increase the likelihood of a successful transfer of ownership.

In a profession centered around legacy and service, thoughtful succession planning ensures legacy continues not by accident but by design.

Jarod Bernat is a senior associate of transaction and advisory services at Foresight, a Florida-based business and management consulting firm specializing in succession planning, representation of buyers and sellers, financing, and valuations. Bernat can be reached at 602-274-6464 or jbernat@TheForesightCompanies.com.