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## **More Comprehensive Planning Key to Securing Business Owners' Biggest Asset, Their People, Finds U.S. Trust Survey of Business Owners and Entrepreneurs**

NEW YORK CITY – Business success typically is measured in financial terms, but more business owners lie awake at night worrying about people-related issues than about money, according to a new [nationwide survey of business owners](#) by U.S. Trust, Bank of America Private Wealth Management. The ability to attract top talent, the complexities of family member involvement in a business, and sense of personal responsibility for the livelihood of other people are top concerns occupying the minds of entrepreneurs; however, few have a comprehensive plan to secure the well-being of their company's greatest asset, its employees, when they leave.

U.S. Trust surveyed high net worth business owners of companies ranging from \$1 million to more than \$100 million in annual revenue, and found:

- Fifty-one percent of business owners plan to give up ownership interest or control of their business within the next five years. Of those, 37 percent intend to retire and quit working, while the rest have other goals including buying or investing in another company.
- Only 33 percent have a robust, formal transition plan that's been communicated to the people it affects.

"Entrepreneurs are the driving force of business creation and leadership, however, their success is often only as good as the company they keep – the people they surround themselves with, from partners, investors and advisers to the employees who ultimately help deliver the company to the marketplace," said Karen Reynolds Sharkey, national business owner strategy executive at U.S. Trust. "Through the combined resources of Bank of America and U.S. Trust, we can help business owners manage through business lifecycle transitions including creating, building and planning an exit strategy, while balancing their personal needs with the best interests of the company."

U.S. Trust assists business owners through capabilities that include business transition planning, intra-family transfer and succession planning, as well as connecting them with Bank of America Merrill Lynch partners for M&A advisory and capital-raising. Its capabilities are enhanced by an understanding of the needs of business owners derived through its annual survey. Among the insights gleaned from this year's survey:

### **People are a top priority and challenge**

Business owners are motivated by creating opportunities for others, but attracting and maintaining top talent is a challenge.

- Business owners are investing in their employees, including increasing wages (59 percent), health care funding (46 percent) and retirement plan contributions (41 percent).
- Attracting top talent and holding on to key employees are the #1 and #2 most-often cited challenges affecting business expansion.
- Taking responsibility for the livelihood of other people is cited as the top concern business owners had about initially deciding to start or own a business.
- People related issues – management conflicts, poor leadership, lack of diverse or objective advice – are considered the top reasons most start-up businesses fail.
- Family involvement in the business creates mixed feelings among business owners: 71 percent agree it provides a competitive advantage while 69 percent say that it also complicates decision-making. Additionally, seven in 10 say it is difficult to separate family needs and dynamics from business needs and goals.

### **Balancing personal needs and responsibility for other people complicates planning an exit strategy**

When contemplating an exit strategy, whether it is to retire or start another venture, business owners consider a variety of important factors and goals they want to achieve:

- Seventy-nine percent say it is important to get the best price or maximum value for the company.
- An equal share (79 percent) worry about protecting jobs for key employees, while 56 percent want to protect jobs for family members and 54 percent want to protect the best interests of the community.
- Six in 10 owners think the most likely buyer of their company, if they were to sell it now, would be key employees (33 percent) or a member of their family (26 percent).

### **Employee priorities are not reflected in planning**

About half of business owners plan to give up control of their current business within the next five years (47 percent of businesses with \$1 million-\$10 million in annual revenue and 54 percent of business with more than \$10 million in annual revenue). Their plans vary from taking the company public and selling it to outside investors to selling it to employees or transferring ownership to other family members.

- While 63 percent say they have a succession plan, only 33 percent overall and 44 percent of companies with more than \$10 million in revenue have a robust, documented plan that has been communicated to those whom it affects.
- Twenty-one percent of owners who say they have a succession plan only have something informal such as a verbal understanding (11 percent), a simple memo (6 percent) or a

general idea in mind (5 percent). Another 9 percent have put their plans into their will or estate plan.

- In the event of an unexpected death or debilitating illness or event, nearly one in three business owners say family would need to liquidate their business interests in order to gain access to its assets.

U.S. Trust's survey of business owners is part of its [2018 U.S. Trust Insights on Wealth and Worth](#)<sup>®</sup> series, a broader study of nearly 1,000 high net worth individuals that looks at the motivation, behaviors and goals for creating and using wealth. Detailed findings from U.S. Trust survey of business owners can be found [here](#).

### Survey Methodology

The 2018 U.S. Trust Insights on Wealth and Worth<sup>®</sup> survey is based on a nationwide survey of nearly 1,000 high net worth and ultra high net worth adults with at least \$3 million in investable assets, not including the value of their primary residence. Respondents were equally divided among those who have between \$3 million and \$5 million, \$5 million and \$10 million, and \$10 million or more in investable assets. The sample included 203 high net worth business owners, including 155 current owners and 48 retired owners. All respondents own or owned businesses with annual revenues of \$1 million to greater than \$100 million. The survey was conducted online by the independent research firm Phoenix Marketing International and completed in February 2018. Asset information was self-reported by the respondent. Verification for respondent qualification occurred at the panel company, using algorithms in place to ensure consistency of information provided, and was confirmed with questions from the survey itself. All data have been tested for statistical significance at the 95 percent confidence level.

### U.S. Trust

U.S. Trust, Bank of America Private Wealth Management is a leading private wealth management organization providing vast resources and customized solutions to help meet clients' wealth structuring, investment management, banking and credit needs. Clients are served by teams of experienced advisors offering a range of financial services, including investment management, financial and succession planning, philanthropic and specialty asset management, family office services, custom credit solutions, financial administration and family trust stewardship.

U.S. Trust is part of the Global Wealth and Investment Management unit of Bank of America, N.A., which is a global leader in wealth management, private banking and retail brokerage. U.S. Trust employs more than 4,000 professionals and maintains 93 offices in 31 states.

As part of Bank of America, U.S. Trust can provide access to a broad range of banking solutions for individuals and businesses, and an extensive retail banking platform.

### Bank of America

Bank of America is one of the world's leading financial institutions, serving individual

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U.S. Trust operates through Bank of America, N.A., and other subsidiaries of Bank of America Corporation. Bank of America, N.A., Member FDIC.

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