



Family Business Heroes

by [Steve Brown](#)

You would think a movie with both Batman and Superman in it would be filled with virtuous superheroism. Alas, the recent epic called Batman versus Superman apparently did not reach such a lofty level. The website Rotten Tomatoes in fact (which compiles movie critic reviews) gives insight, saying "There's no joy here, no wonder or spectacle, just a relentlessly grim and intense grind that can't stop reminding you how grim and intense it is."

Bummer. In the vacuum of heroics left by these not-so-super heroes, we suggest a community banker step into the breach. Specifically - help your clients who run family-owned businesses.

After all, these clients have a problem worthy of a superhero solution. According to the Kreischer Miller Family Business Survey, 62% of Baby Boom-aged business owners plan to transition their business to new owners within the next 10Ys. That means you still have time to act, but a plan is needed to protect your customers from getting poached.

Further, the survey found 51% of these business owners say they do not have a succession plan for their business. A full 65% say they also do not have a clear retirement plan for themselves. Those two issues -- clarity on succession and having enough money to retire -- were identified as the two most-important issues facing family business. That spells opportunity for community banks, so perhaps it is time to jump into a phone booth and throw on your cape and some funky boots.

Going deeper into the survey, Kreischer Miller calls the above issue a "gap between desire and readiness" and suggests it helps explain why only 33% of family businesses successfully transition to the 2nd generation. Given there are more than 6mm private businesses expected to change hands within the next 10Ys it is indeed both a super-sized problem and opportunity.

One area where community banks can help is to do what you do best. Work directly with family-owned business owners to develop the next generation of leaders. Here, the survey found 55% said transferring the business to family members is the likely transition plan so you know who the most likely next customer may be. That said,, only 37% said they have a plan in place to make the next generation better able to succeed. Enter your community bank with a training regimen designed for these future leaders around educational seminars, mentoring programs, and peer groups. Leverage what your bank does best perhaps with other customers you may have offering such services to help your customers help themselves and help your bank.

Perhaps closer to home may be a plan to help business owners create a tax-efficient transfer of the business, with trust and family partnership services. While not all banks offer these, if you do it may provide a decent opportunity to capture both the current generation and the next one.

On the retirement issue highlighted above, many small business owners are just not prepared. They are busy running their businesses, so many just may not have extra time to devote here to this issue.

It may take some time, but banks can work with business clients to help these customers navigate around this problem and deepen relationships along the way.

Community bankers should work to identify and target this customer base so you can capture the next generation as you avoid the Kryptonite of competitors.

BANK NEWS

M&A Activity

1) Bar Harbor Bank & Trust (\$1.6B, ME) will acquire Lake Sunapee Bank (\$1.5B, NH) for about \$143mm in stock.

New KYC Regulation

The Treasury is proposing a regulation it calls Customer Due Diligence (CDD) that would require financial firms such as banks, brokers, mutual funds and other financial institutions to collect and verify the identities of people who own and control companies when accounts are opened. Financial institutions will have to verify the identity of any person or company who owns more than 25% of a company, and one live person who controls the company even if that person owns less than 25% and report those identities to the federal government. Banks will have 2Ys to get systems into compliance according to the Treasury.

Biometric Launch

HSBC has joined other large banks and will now offer fingerprint touch identification recognition services to its mobile banking customers. HSBC also offers voice recognition to its customers. Meanwhile, Citigroup said it is launching voice recognition services for its customers.

Retail Risk

In yet another recent bad news story to retail lending exposures, teen clothing retailer Aeropostale has filed for bankruptcy and will immediately close 154 of its 800 stores.

Crazy Money

In what seems to be a very odd situation indeed, government bonds with negative yields have now reached about \$10T according to Fitch. Japan accounts for about 67% of the total with the rest in Europe. In short, by investing in these bonds at negative yields you would get back less than you put in. Maybe mattress companies abroad should point this out to boost sales.

Job Cuts

CNBC reports Citigroup will soon begin to lay off employees as it seeks to boost performance and continue to streamline.

Copyright 2018 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.