



## Preparing For Retirement Of Boomer Business Owners

business customers millennials

**Summary:** America's 72MM baby boomers are starting to retire. Given that they own approximately 40% of small businesses, is your community financial institution prepared for the resulting shift in ownership and transfer of wealth? We provide three strategies to pave the way for a successful transition — start the conversation with your clients early, establish a relationship with the new owners, and onboard them seamlessly.

The state of Arizona accounts for three of the ten sunniest places on earth: Yuma, Phoenix, and Tucson all have over 3.8K hours of sunshine a year, with Yuma boasting an average of 4,015 hours. While not everyone will be able to enjoy their place in the sun, this may be of interest to some of the 72MM American baby boomers currently thinking about where and how to spend their retirement.

These baby boomers own around 40% of small businesses in the US — and many of them have most of their wealth tied up in their companies. So, their impending retirement is not only going to affect where they spend their time, but also result in tremendous change for their businesses, employees, and families, as well as their banking relationships.

With studies showing that the overwhelming majority of boomer children are unlikely to use their parents' financial advisors in the future, community financial institutions (CFIs) need to be asking themselves whether they know their customers' retirement plans with respect to the future of their business. Without this knowledge, you run the risk of losing a large number of existing business and personal banking clients.

Here are **three strategies** your institution can use to better prepare baby boomer customers for retirement, while also helping you to retain their businesses as customers.

### 1. Start the retirement conversation with your customers early

Some of your customers probably haven't considered what will happen to their businesses and their wealth, when they retire. As their trusted advisor, you may be well-placed to encourage them to consider their retirement plans, help them calculate their financial needs, and put a retirement strategy together.

Talking about what will happen to their business when they retire is also key. Have they considered what they want to do with it? While many baby boomers may dream of their children taking over the family business, the percentage of companies transitioning successfully to the next generation has decreased from 30% to 19% in recent years. But with various exit options available, including selling, transferring ownership, or even listing the business through an initial public offering, business owners will be looking for advice from a trusted source to help them make the best choice, based on their specific circumstances and goals.

Having these conversations sooner rather than later will not only help your customers put in place a succession plan that is as robust as possible, but will also increase your institution's chances of being involved in future discussions around the business transition.

## 2. Establish a relationship with the new owners

Helping your existing clients create a retirement strategy and business succession plan means your institution will be in a great place to get to know the new owners of the business — and you may even be able to help identify potential successors.

Being involved in the transition won't guarantee that you retain the company as a client, but building relationships with the new owners as soon as possible can be very beneficial.

If the business is going to stay in the family, take the time to meet your customers' children (if you haven't already). Learn about their preferences and attitudes towards finance and business, and get to know them as people. Demonstrating that you're interested in them now will put you in good standing once they're in charge and thinking about who they want as advisors. Furthermore, understanding them will help you to meet their personal and business banking needs in the most effective and personalized ways.

Of course, ownership of your customer's business might transfer to a completely independent party. This may make it harder for you to develop a relationship with the new owners, but not impossible. If your institution isn't involved in the transition, you can still ask your customer to introduce you and provide a referral.

## 3. Onboard the new business owners effectively

The transfer of ownership and wealth between generations means that your future customers will be largely made up of Generation X and millennials. To successfully onboard these new business owners as customers, your institution needs to ensure your systems, processes, and practices meet their needs and expectations. CFIs can be well suited to the younger generations, who often value, one-to-one relationships and placing community benefit above profit.

But, as we have reported, Gen X and millennials embrace technology in ways that baby boomers never have. For example, over 70% prefer to use digital methods to communicate with each other and their service providers. Further, more than 25% of millennials have never been to a bank branch. So, younger generations will expect CFIs to offer a hyper-personalized, digital, accessible, and easy-to-use banking solution that stands out from the competition.

Preparing your existing clients for their retirement will go a long way to helping you retain their businesses as customers. Using these three approaches allows you to get started now. After all, it's never too early to start the conversation.

## OUTSOURCE ALM SERVICES AND REST EASY

Regulators have raised the bar on [interest rate risk and liquidity analysis](#). We can help you effectively manage your ALM and give you back some precious time. To see how easy it can be & get expert help, contact us today.

## ECONOMY & RATES

Rates As Of: 10/01/2021 05:20AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.04	0.00	-0.05
6M	0.05	-0.01	-0.04
1Y	0.09	0.00	-0.02
2Y	0.29	0.00	0.16

5Y	0.97	0.01	0.61
10Y	1.50	0.01	0.58
30Y	2.06	0.01	0.42
<b>FF Market</b>		<b>FF Disc</b>	<b>LOBB</b>
0.08		0.25	0.15
<b>SOFR</b>		<b>Prime</b>	<b>OBFR</b>
0.05		3.25	0.07

*Copyright 2021 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.*