



Help Transition Business Owners To Retirement



performance business customers strategic planning

Summary: While 33% of baby boomer business owners plan to transfer ownership within the next 5Ys, 36% have yet to figure out how that will happen. What this means for your bank.

We came across an interesting set of data that ranked the deadliest animals on earth for humans. Ranking at the top we did not find sharks (cause 6 human deaths per year) or lions (22). Nor did we find crocodiles (1,000) or snakes (100,000). No, the tiny mosquito hit the top, at a whopping 750k deaths per year. Now you know, so you can better prepare as you wander through life.

Speaking of preparing for things, more and more baby boomers are speeding towards retirement. That means more and more businesses will need to be prepared to change hands in the coming years too. Despite this reality, the current owners of many businesses have yet to determine transition plans. That adds risk to bank loan portfolios, particularly around small businesses.

According to the findings of a [recent survey from SunTrust](#), roughly 33% of baby boomers nearing retirement plan to hand over the reins and transfer ownership of their businesses within the next 5Ys. But, 36% of these owners have yet to sit down and determine the logistics of how their businesses will change hands. Even worse, 21% of baby boomer business owners do not have enough money set aside to afford retirement.

Whether these owners plan to sell their businesses or transfer ownership to a family member, the future of their business will be largely determined by whether or not they establish a detailed transition plan and how well they execute on it.

These owners care about what they have built, as a large number worry as much about the long-term viability of their businesses and the fate of their employees, as they do their own economic fate. SunTrust found that, while 42% of baby boomer business owners nearing retirement would be willing to sell, 40% would also be willing to turn down a viable offer if it would mean a significant disruption to operations. Another 38% are considering passing ownership down within their families, while 18% are open to the possibility of selling to employees.

Fortunately for community banks, all of the above represent opportunities. When it comes to current baby boomer small business owners, community banks should be marketing actively and talking up your in-depth knowledge regarding the various exit opportunities these owners have for turning over their businesses.

Working with these customers not only makes it likely that they will maintain their ties to your bank even after selling, but also provides an opportunity to stay involved with the business even as it transitions to new ownership.

Your bank is extremely well positioned to add more value with the in-depth knowledge of an individual company's business operations, its market and its financial needs for both current customers and others operating within your geographic area - so tell everyone who will listen.

Furthermore, given the large number of baby boomers who are financially unprepared for retirement, your bank could also be there to help this group too. [A survey by GoBankingRates](#) finds 30% had no retirement savings while 26% had saved less than \$50k. Needless to say, financial guidance for this generation does not stop at the business level.

The transition from business owner to retiree is not always an easy one. But, with your help, it can be.

HEDGING SERVICES FOR COMMUNITY BANKS

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