



Business Owners and Financial Products

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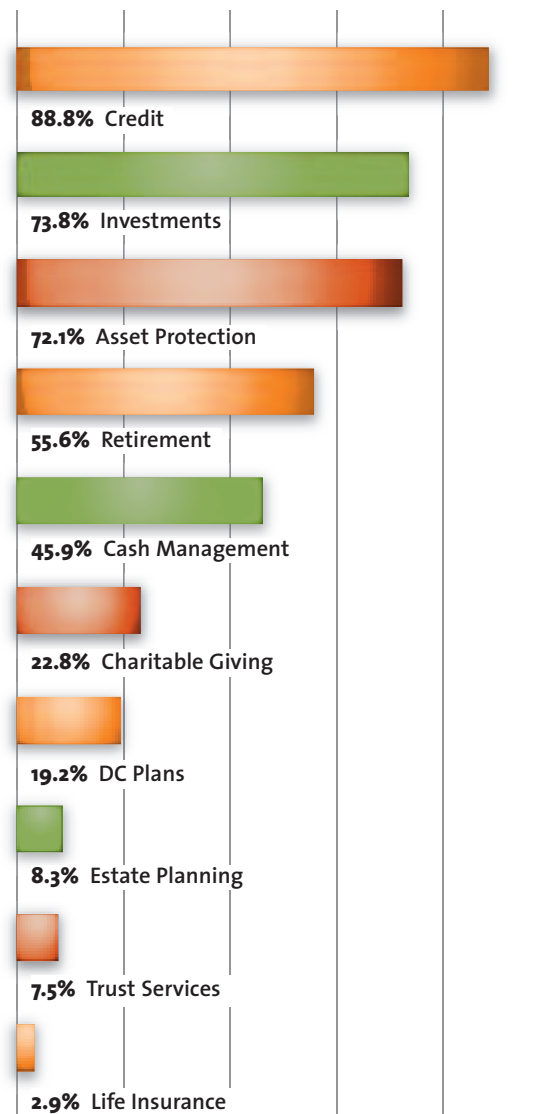
This is the second article in a three-part series about wealthy business owners.

In the last article we discussed the demographics of wealthy business owners, along with some of the issues they typically overlook — such as comprehensive business succession planning and estate planning — that may leave them and their assets exposed. This week we take a closer look at the financial products of interest to business owners.

Not surprisingly, credit was the product of greatest interest to business owners with 89 percent citing it as a need (Exhibit). Although the value of their ownership stake may be substantial on paper, most of the business owners with whom we spoke have not realized their wealth and will not until they monetize their ownership through a sale or other transaction. As a result, many business owners still struggle with cash flow and may look to credit lines to help them grow their business and maintain their lifestyles.

Investments were ranked next highest in overall interest by the business owners in our study. Again, this is logical given the relative youth of the business people we spoke with and the desire to build a nest egg and an estate for future generations. The product rounding out the top three for business owners was asset protection with 72 percent of respondents expressing an interest. Feeling like the target of lawsuits is not uncommon among high-profile members of the community and many business owners want assistance structuring their assets in a way that will help deter baseless claims.

EXHIBIT: PRODUCTS AND SERVICES OF GREAT INTEREST



[N = 412 Business Owners]

HANNAH SHAW GROVE and RUSS ALAN PRINCE are long-time collaborators and together represent the largest pool of knowledge available on the many facets of private wealth.

More information is available at www.HSGrove.com.



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Slightly more than half, or 56 percent, want to know more about retirement vehicles – either for themselves or their business and its employees. And slightly less than half, or 46 percent, is interested in cash management services. The results of our survey help underscore the fact that business owners are inextricably linked to their companies and rarely separate their business needs and interests from their personal needs and interests.

Of less interest were charitable giving services at 23 percent, likely because most business owners don't have the liquid assets to make significant philanthropic gifts, and defined contribution plans at 19 percent, as most of today's firms rely on defined giving plans instead.

Estate planning, trust services and life insurance were of very little interest to business owners with less than 10 percent of survey respondents citing any of the three. Business owners want what these products and services can provide — plans for the intergenerational transfer of wealth, protection from family members, creditors or litigants, tax management and peace of mind — but don't naturally think of the benefits when these products are raised by professionals.

The next article will explore the dynamics between small business owners and their advisors.