



2022

Business Owner Survey Report

Herbein
CPAs + Advisors

2022 BUSINESS OWNER SURVEY REPORT

DEMOGRAPHICS

BEI worked with a national independent research firm during July of 2022 to collect data that are statistically valid and representative of a range of business sizes and geographic regions. We received ownership-verified responses from over 200 business owners with annual revenue over \$2.5 million and more than 10 employees throughout the US and Canada, resulting in a confidence index of 98%. These business owners are proportionately distributed across the geographic areas, industries, and age groups that make up the larger business owner population.



IN PREVIOUS BEI SURVEYS, many of the baby boomer business owners have responded more than any other age group, comprising 76% of respondents in 2019. In our survey conducted in 2022, 77% of respondents fell between the ages of 25-54. This shift in owner age and the events over the past two years raise some important questions:

Did the pandemic impact ownership and what are these younger owners doing to plan for the future of their ownership?



“Baby boomers continue to be an opportunity for Exit Planners, but the exciting thing is the market is expanding. I think owners are starting to think about Exit Planning earlier in their ownership lifecycle, which allows for advisors to broaden their relationship with clients.” Jared Johnson, CEO of BEI

2022 DEMOGRAPHICS

WHAT IS YOUR CURRENT AGE:

25-39 Years	28%
40-54 Years	49%
55-69 Years	21%
70+ Years	2%



HOW LONG HAVE YOU BEEN A BUSINESS OWNER?

0-3 Years	4%
3-5 Years	13%
5-10 Years	27%
10-20 Years	35%
20+ Years	21%

WHAT IS YOUR ESTIMATED BUSINESS VALUE?

\$0 - \$500,000	.48%
\$500,000 - \$1 million	3%
\$1 - \$2.5 million	5%
\$2.5 - \$5 million	9%
\$5 - \$10 million	14%
\$10 - \$20 million	21%
\$20 - \$50 million	21%
\$50 - \$100 million	17%
Don't know	9%

HOW MANY ESTIMATED FULL-TIME EMPLOYEES DO YOU CURRENTLY HAVE?

10 to 19	23%
20 to 49	30%
50 to 99	25%
100 to 249	16%
250+	6%

WHAT IS YOUR CURRENT ROLE IN THE BUSINESS?

I am the top decision maker of the company - CEO or President	72%
I own the business but am not actively involved in running it	16%
A member of the senior leadership team but am not the president or CEO	12%

The purpose of this report is to examine owners' beliefs, ideas, and actions as they relate to how they intend to plan for the future of their ownership. This report will present The BEI 2022 Business Owner Survey's demographics, what business owners have done to plan for their exits, and which obstacles owners believe are most pressing to them.

For advisors, this specifically means the Exit Planning market has expanded beyond the boomer generation. Historically, Exit Planning Advisors have focused on boomer owners heading towards retirement. The results from the 2022 survey tell us that younger generations are thinking about Exit Planning and expect their advisors to support those efforts. Are you prepared to be the advisor to guide them?



WHAT WE LEARNED

Using a representative sample of business owners, the survey produced three points of interest.

Business owners are thinking about Exit Planning at an earlier age and sooner in their lifecycle as a business owner, with 48% of respondents between the ages of 40-54.

A larger percentage of business owners are anticipating owning their businesses for at least the next 10 years, if not longer. In 2019, this group comprised 36% of the respondents, growing to 47% in 2022.

With the age of business owners shifting younger and the anticipated years of ownership getting longer, this presents a larger opportunity for advisors to do Exit Planning with their clients.

53% OF BUSINESS OWNERS WANT TO SELL/TRANSFER THEIR OWNERSHIP WITHIN THE NEXT 10 YEARS, WHICH IS ONLY SLIGHTLY LESS THAN IN 2019.*

80% OF BUSINESS OWNERS WANT TO STOP WORKING IN THEIR BUSINESSES IN THE NEXT 10 YEARS.*

100% OF BUSINESS OWNERS WILL LEAVE THEIR BUSINESSES, WHETHER PLANNED OR OTHERWISE.

**The above survey results are consistent with past surveys.*

When combining these statistics with the younger age of business owners, we're finding that owners are understanding there is a way to not be actively working in the business while maintaining ownership.

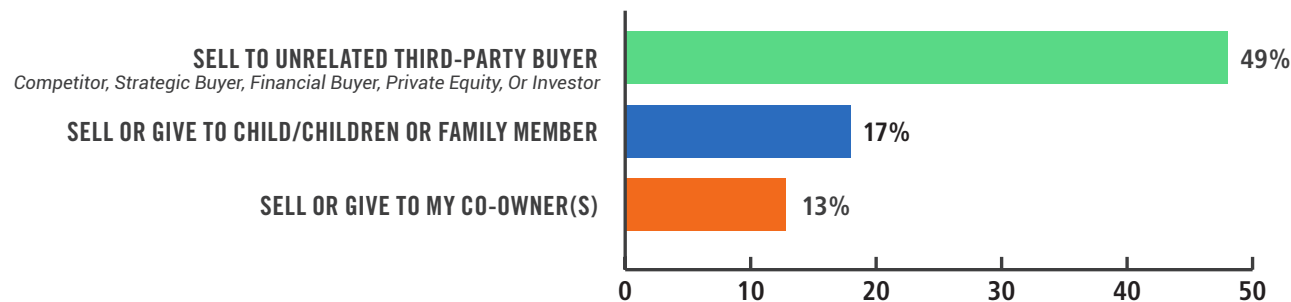
- **16% PLAN TO EXIT IN FEWER THAN 5 YEARS**
- **37% PLAN TO EXIT WITHIN 5–10 YEARS**
- **47% PLAN TO EXIT IN MORE THAN 10 YEARS**
- **0% NEVER WANT TO EXIT**

When asked about how the COVID-19 pandemic impacted their plans to exit, more than 50% said it made no impact at all. Only 11% said it made them want to exit their business sooner than originally planned.

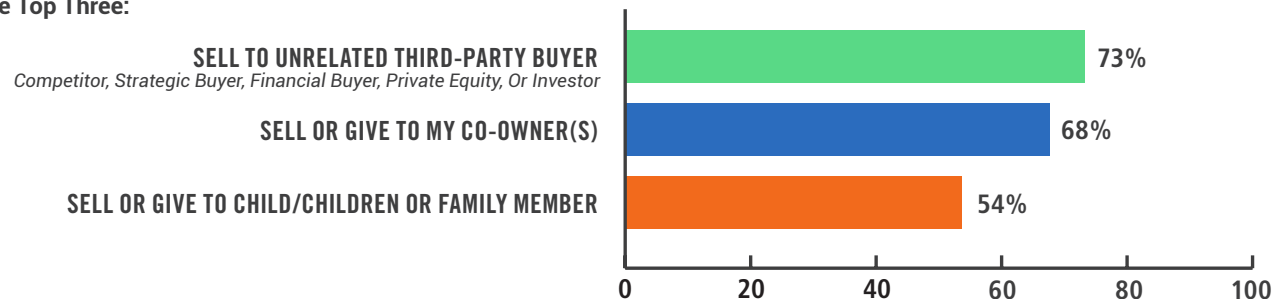
Owners' Expected Exit Paths

An **exit path** is the route that an owner takes to successfully sell or transfer their business ownership, even if that owner plans to work forever. When asked about which exit path they were interested in, owners often chose more than one option.

Top Choices:



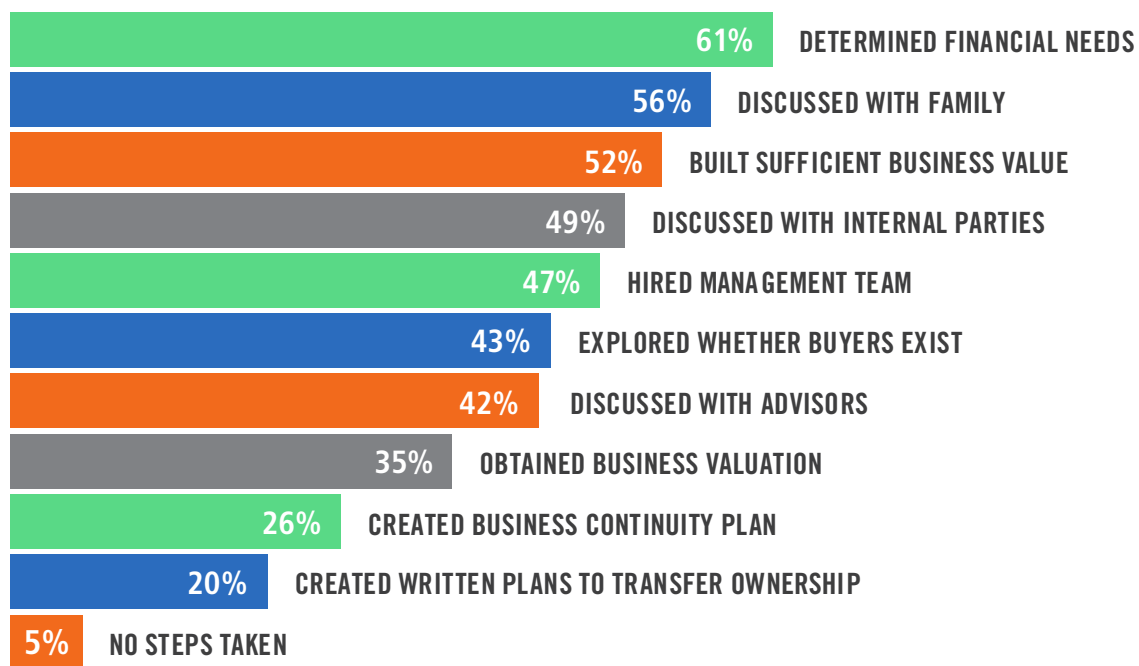
Somewhere In The Top Three:



The results show that a third-party sale is the most popular consideration, which lines up with trends from previous surveys. This survey also asked respondents to rank the exit paths they were considering. When we look at the top three choices regardless of primary selection, we see that management or employees emerges as a major consideration for owners. Owners continue looking at more than one exit path beyond their preferred choice. We believe for many owners, selling to a third party is synonymous with Exit Planning because they largely remain unaware of what's possible. This presents an opportunity for an Exit Planning advisor to present alternatives that might be more aligned with their goals.

What Have Owners Done To Plan Their Exits?

Among respondents, only about 6% said that they hadn't given any thought to their business exits at all. This shows that more business owners than ever before are actively thinking about their exits, whether in the short term or long term. This is compared to 8% in 2019 and 12% in 2014. Here's what owners say they've done to prepare for an exit.



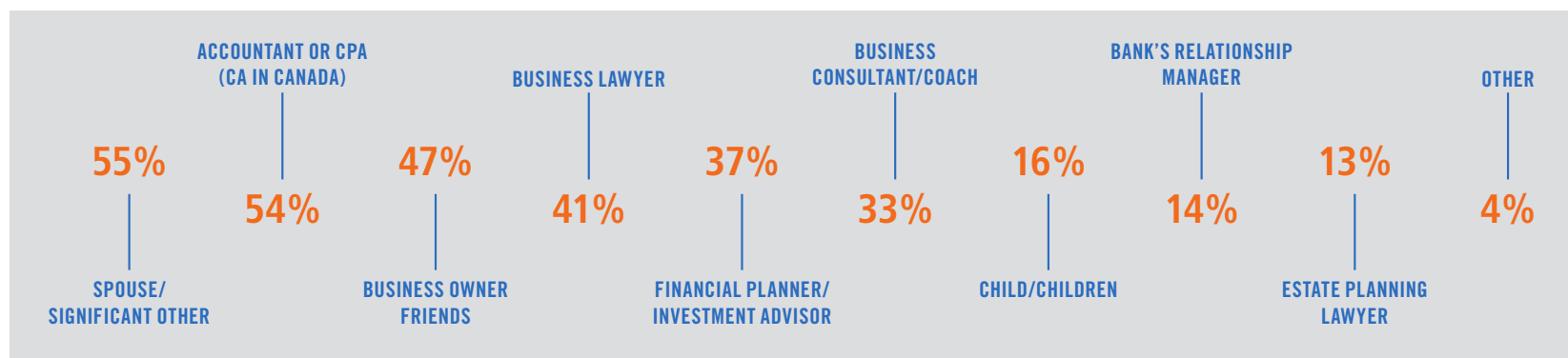
There was a significant increase in owners exploring whether buyers exist compared to the 21% in 2019. This step aligns with third-party sales being front-of-mind when business owners think about Exit Planning.

61% OF OWNERS SAID THAT THEY'VE DETERMINED THEIR FINANCIAL NEEDS AND TARGETS FOR A POST-TRANSITION LIFE

52% of respondents say that they have built sufficient business value, however only 35% said they have gotten an independent valuation. That begs the question of how owners are determining that they've built sufficient value and is there an opportunity for advisors to help them understand business value better.

38% of respondents said they need to develop their management team and they believe improvements to processes is an obstacle to their planning. 47% said they have taken steps to hiring a management team. *BEI believes owners are recognizing the challenges to planning and that when they are presented with an obstacle, they do something about it. Advisors have an opportunity to talk to owners about how to overcome these planning obstacles.*

Nearly 92% of owners said that they had at least some idea of what they will do with their lives after they exit their businesses, with almost 43% of those owners stating that they had a clear idea of what they would do next. We're seeing more owners take steps towards their Exit Plans because they have some idea of what they want to do after.



Of the people they're talking with, owners find the following most helpful: Accountant or CPA • Spouse/Significant Other • Business Lawyer

54% of respondents indicated that a transfer to children was in their top three choices of exit paths, but only 16% have had conversations with them about their exit. BEI advisors understand the importance of having family successors involved in the conversation if that path is going to be successful and reach the owner's goals.

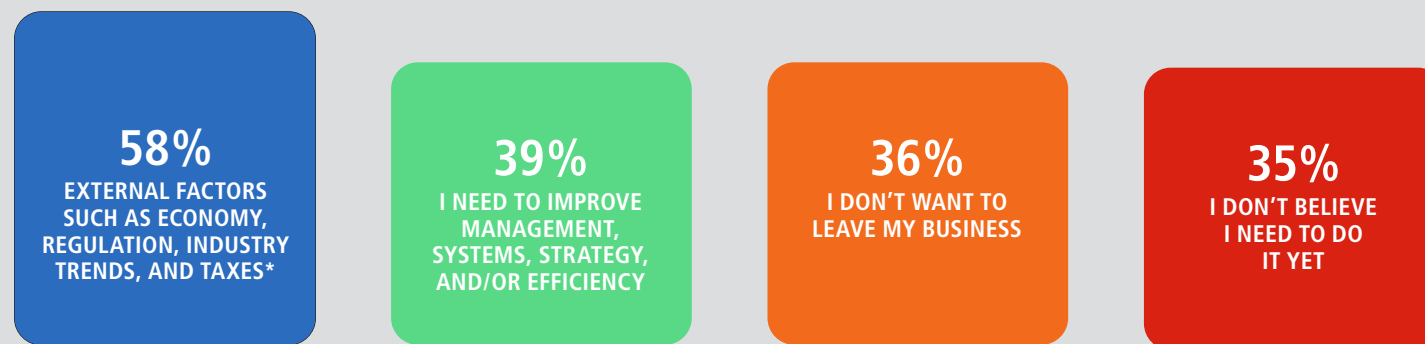
Overall, the surveyed owners are reporting having more conversations with advisors from all professions and other people of significance in their lives compared to previous years.



WHAT'S STANDING IN THE WAY OF YOUR EXIT?

Business owners shared their thoughts about the obstacles preventing them from leaving their businesses.

The most common perceived obstacles to engage in planning are:



**External factors are a much bigger perceived obstacle than in previous years.*

With 35.23% stating they didn't believe they needed to do Exit Planning yet vs. 8% in 2019, BEI believes the shift in age impacted the answer to this question.

However, as we've seen throughout the survey, younger owners are thinking about and taking actions towards a plan regardless of if they believe those steps are actually Exit Planning.

An obstacle that owners are paying more attention to than in the previous survey is the value of their businesses in terms of their exits. Around 11% considered it an obstacle in 2022 compared to 6% in 2019, even though their perceived values are higher in this survey than in previous.

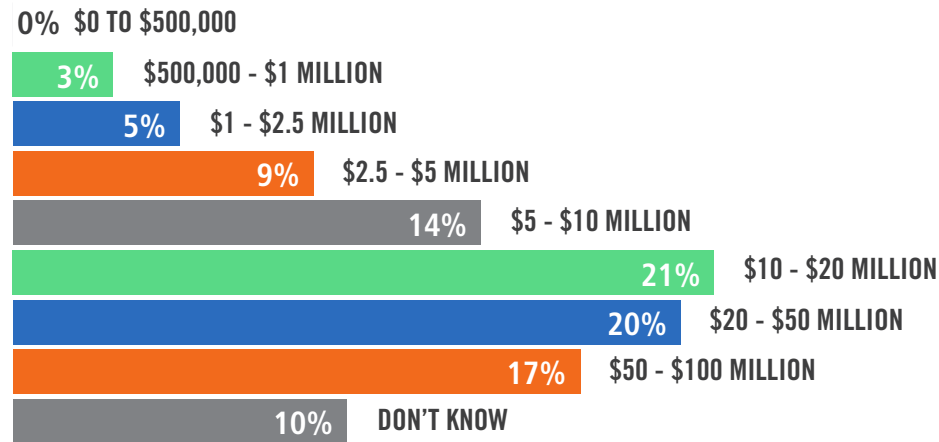


What Obstacles Do You Face in Planning for the Future Exit/Transition of Your Business Ownership?

EXTERNAL FACTORS SUCH AS ECONOMY, REGULATION, INDUSTRY TRENDS, AND TAXES	58%
I NEED TO IMPROVE MANAGEMENT, SYSTEMS, STRATEGY, AND/OR EFFICIENCY	39%
I DON'T WANT TO LEAVE MY BUSINESS	36%
I DON'T BELIEVE I NEED TO DO IT YET	35%
MY BUSINESS CAN'T SURVIVE WITHOUT ME	13%
I DON'T HAVE ENOUGH TIME, MONEY, OR ENERGY TO DEAL WITH EXIT PLANNING	13%
MY BUSINESS DOESN'T HAVE ENOUGH VALUE TO MAKE A TRANSITION WORTHWHILE	10%
IT WILL CAUSE CONFLICT IN THE COMPANY OR IN MY FAMILY	7%
I'M NOT SURE WHAT TO DO	5%

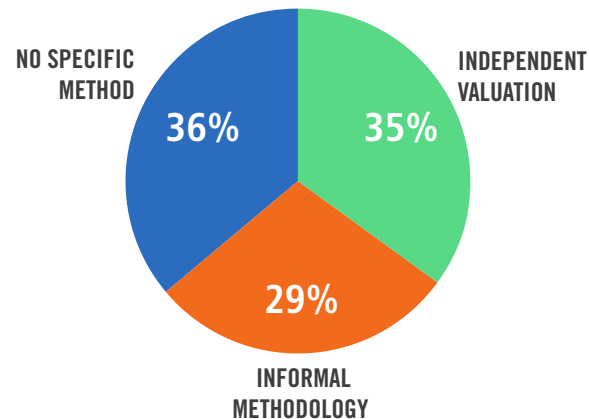


When Asked What They Estimate Their Business' Value To Be, Owners Had This To Say



**These estimates are higher than in previous year surveys. In 2019, only 15% estimated value above \$10 million.*

When Asked How They Arrived At This Valuation, Here's What Owners Said:



WHAT ARE THE TRENDS?

COMPARED TO PREVIOUS SURVEYS, THERE ARE SEVERAL NOTABLE TRENDS.

Owners are thinking about their exits at an earlier age, with a majority of respondents falling in the age range of 40-54. We believe this presents an opportunity for advisors to do long-term planning with clients.

Owners continue to believe they can stop working without transitioning ownership. This says to BEI that they believe their businesses are valuable assets that can produce returns without their involvement.

There is an increase in owners talking to advisors about planning. However, the number of owners with written plans continues to stay around 20%.



EXIT PLANNING SOLUTIONS

ABOUT BEI

***BEI** is the leading innovator in the Exit Planning industry. We offer comprehensive Exit Planning training, marketing support, and plan creation tools to our Advisors. Members of the BEI advisor community have access to an established, systemized process that allows them to easily help their clients with their business transition planning. Professionals in a variety of discipline leverage Exit Planning to attract and keep high-caliber business clients in their practices. BEI trains and supports business advisors to be the most trusted advisor for business owners in their communities. Members of The BEI Network of Exit Planning Professionals™ ultimately seek to help business owners and their families benefit from their lives' work.*

Contact your Exit Planning Advisor to learn more about Exit Planning or to get started planning for the future. Exit Planning workshops, business owner assessments, and planning solutions are available through your local BEI Exit Planning Advisor.