

Succeeding through Succession: Clarfeld | Citizens Private Wealth's *Success and Succession Survey*

Overview

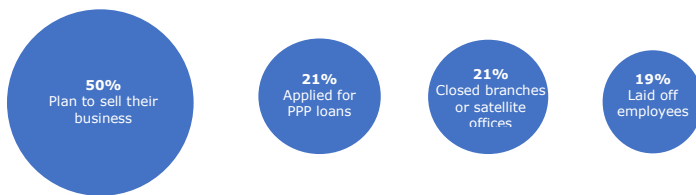
The pandemic interrupted all aspects of our lives, with a profound impact on the businesses we rely on each day. For business owners across industries – from tourism to retail to financial services – many considerations and tough decisions have been made since March 2020. While some owners shifted to a remote model, others moved operations, and in some unfortunate instances, applied for PPP loans, laid off employees and closed shop. Succession plans, some of the most thought-out and considered preparations owners can make, were perhaps the most affected.

To better understand the impact of COVID-19 on wealthy business owners to provide proper financial advice, Clarfeld | Citizens Private Wealth (CCPW) conducted a nationwide survey of 150 high- and ultra-high-net-worth business owners across industries and business sizes. They asked questions about how leadership and business decisions have evolved since the start of the pandemic, what investment implications there have been and how advisors can help during these trying times.

Pandemic Driven Business Decisions

While nearly all high- and ultra-high net worth business owners (97%) agree that the COVID-19 pandemic impacted or disrupted their businesses, a large majority (66%) reported that the pandemic also accelerated plans to retire or sell their business. These owners also had to make tough choices, as roughly one-in-five applied for PPP loans (21%), closed branches or satellite offices (21%) and/or laid off employees (19%). Additionally, a surprising half of HNW business owners plan to sell their businesses as a result of the pandemic.

Business owners made tough choices in response to the pandemic's impacts:

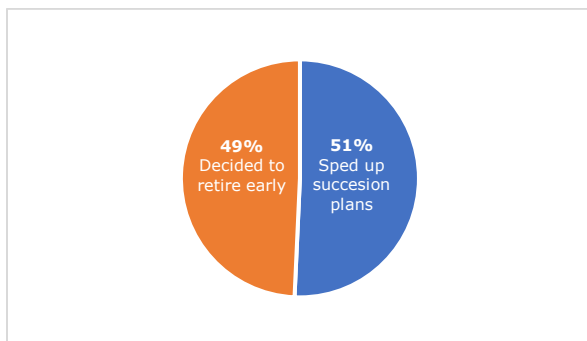


Passing the Baton

Seventy percent of respondents planned leadership changes due to the pandemic-driven challenges. In fact, 34% of respondents decided to retire early and 35% sped up their succession plans, according to the study. A clear majority, 88%, plan to leave their businesses to a family member, including spouses, children and grandchildren.

Nine in 10 business owners (89%) are confident that the next generation will be a successful steward of their business, and interest in taking over the family business is increasing among the successors. Clarfeld found that one in five children or grandchildren (21%) who were previously uninterested in succeeding their predecessors are now interested in taking over the family business post-pandemic.

For business owners planning leadership changes:

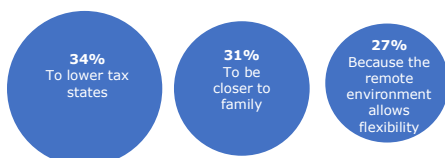


The Great Migration

In addition to the succession planning considerations, Clarfeld found that since March 2020, two thirds of wealthy business owners (65%) have moved their businesses. The top impetuses include moving to lower-tax states (34%), moving to be closer to family (31%), and moving because the remote environment offers flexibility in location (27%).

Further, three quarters of business owners surveyed see themselves physically moving their business in the next 3-5 years. This is underscored by the fact that 80% of business owners operated their businesses either fully remote or hybrid in-person and virtually throughout the pandemic.

Since March 2020, two thirds of wealthy business owners (65%) have moved their businesses. Their rationale:



Value of an Advisor

Business changes aren't made lightly, as respondents indicated they typically consider input from business partners (23%), wealth managers (19%) and accountants (13%) before making financial decisions related to the business. Advisors are also offering insight and expertise during these trying times as a majority of respondents (59%) were proactively approached by their financial advisors around succession planning changes in light of the pandemic.

Moving forward, non-pandemic worries are keeping business owners up at night. Almost half (49%) of HNW business owners anticipate federal tax changes will have a significant impact on their businesses.

When making a business decision, business owners consult the following:

