

2022 ALLIANZ SMALL-BUSINESS OWNER STUDY

# Understanding the needs of small businesses today

Life insurance can play an important role in helping to address the needs of small businesses – including business succession plans, key employee compensation plans, estate planning, and overall business concerns.

Today’s small-business owners face a number of challenges. With economic and staffing concerns at the forefront, many small business owners may be looking for ways to address these issues and keep business functioning as normal. This includes issues like attracting and retaining employees – especially now, as the "Great Resignation" continues and greater numbers voluntarily leave their jobs – as well as plans for managing business succession and transition of ownership.

At the same time, there are substantial differences between small business needs across industries when it comes to their succession plans, key employee compensation plans, and overall business concerns.



The 2022 Allianz Small-Business Owner Study was conducted by Allianz Life as an online survey in April/May 2022 with 516 small- to medium-size business owners from a range of industries who employ at least five people and have a past 12-month revenue of \$500,000 or more.

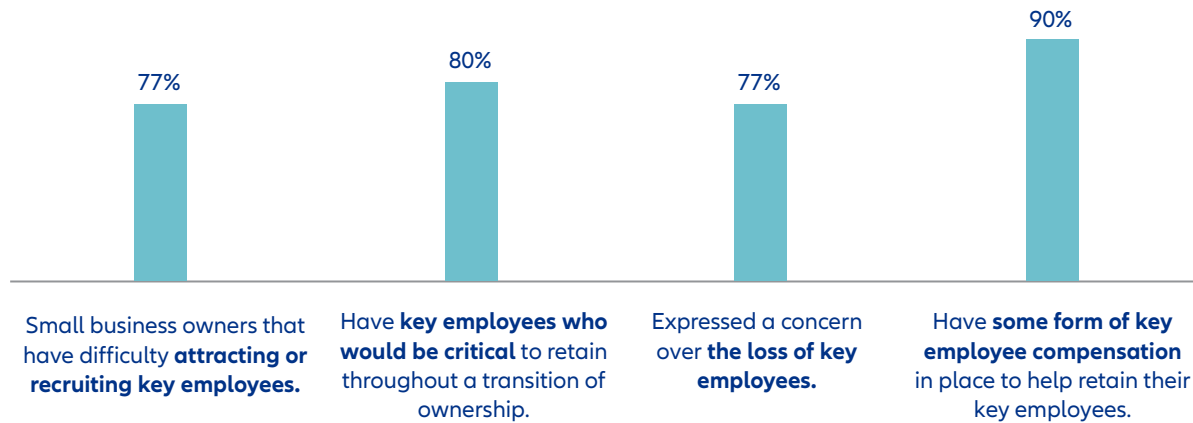
Here are some of the top concerns of business owners today:



Life insurance can be an important part of a small-business owner’s strategy. Read on to find out how life insurance can be a potential solution for some of the most challenging issues facing these clients today.

# Attracting and retaining key employees is a pressing challenge for small-business owners

Small businesses rely heavily on their important employees to grow the business, retain important relationships, or provide specific knowledge or skill sets. Because of this, small businesses are uniquely susceptible to the risks that losing a key employee can pose, and may be looking for additional incentives to attract and retain these vital employees.



Beyond the day-to-day operations, these employees play an important role in the future of the business.

**17%** expect to sell their business to employees (either a group of key employees or all employees via an employee stock ownership plan).

**29%** have trained key employees to replace the business owner's role after they transition away from ownership.

An indexed universal life (IUL) insurance policy can provide a number of different forms of compensation and benefits an employer may offer to help recruit, retain, and motivate key employees.

# Business succession planning is a key concern for small-business owners.

Small-business owners and their families rely heavily on the businesses to provide financial security – both before and after retirement. Finding the right buyer when selling to a third party, or retaining family harmony when selling or gifting to family members, are important goals that require long-term planning.

## When asked about future plans for transferring their business:

**18%** said they plan to sell to an outside party.



Of those planning to sell to an outside party, **93%** are concerned about finding the right buyer.



**58%** said they plan to gift it to family members.



Of those planning to transition to family, **77%** are worried about retaining family harmony and avoiding discord.



**49%** of married business owners plan to transfer the business to their spouse if they passed away.



---

## When asked about **facilitating the formal transfer** of ownership rights in the business:

**27%** say they have had discussions, but haven't put it in writing.

**23%** say they have had discussions, but haven't made a final decision.

**3%** say they have thought about it, but haven't discussed it at all.

**2%** say they have haven't even thought about it.

**69%** say they have a formal written plan for transitioning out of business ownership.

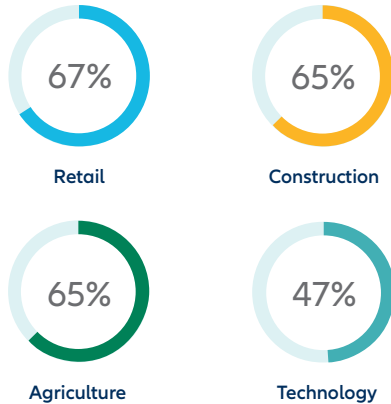
It's important for financial professionals to be aware of these unique differences in order to **serve the small-business owner community.**

**IUL insurance may be a good choice** to help with business succession planning for things like buy/sell agreements, which allow remaining business owners to buy the company interests of a co-owner's share with death benefit proceeds at a previously agreed-upon price.

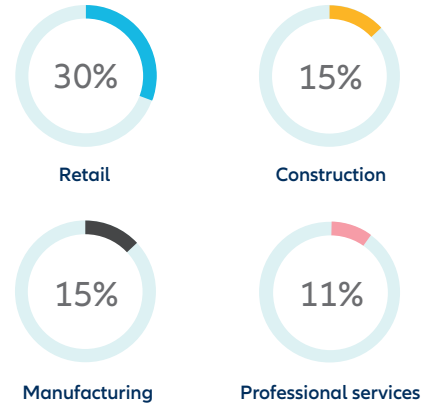
# There are substantial differences between small-business owner concerns in various types of industries

Business owners differ when it comes to their succession plans, key employee compensation plans, and overall business concerns. Here are some of the key differences by industry revealed in the study.

## Planning to transfer ownership of business via a sale or gift to family members:

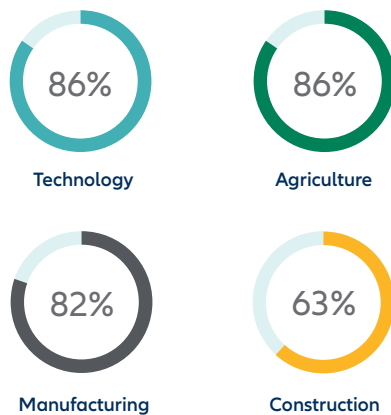


## Planning to transfer ownership of business within the next 1-5 years:

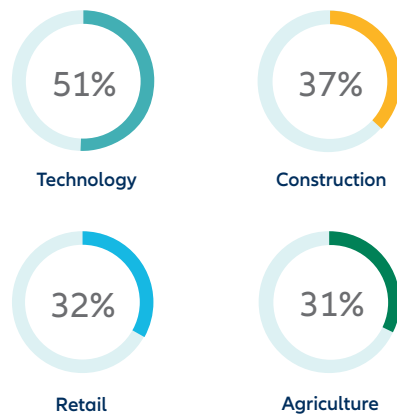


The pandemic caused 49% of owners in the manufacturing industry to accelerate the timing of their plans to sell or transfer ownership of their business. But only 27% in the agricultural industry accelerated their plans.

## While all industries currently report having difficulty attracting or recruiting key employees, some are struggling more than others:



## When it comes to key employee compensation plans that involve benefits like grants of stock, nonqualified stock options, or a similar plan, technology companies are leading the way.



**FOR HELP EXPLORING** IUL solutions for business-owner concerns, email the Advanced Markets Strategies and Planning Platforms Team at [AdvancedStrategies@allianzlife.com](mailto:AdvancedStrategies@allianzlife.com)

Clients should consult with their tax advisor and/or attorney to discuss their specific situation.

IUL requires qualification through health and financial underwriting.

Allianz Life Insurance Company of North America (Allianz) does not offer financial planning services.

Guarantees are backed by the financial strength and claims-paying ability of Allianz Life Insurance Company of North America.

Products issued by Allianz Life Insurance Company of North America.