

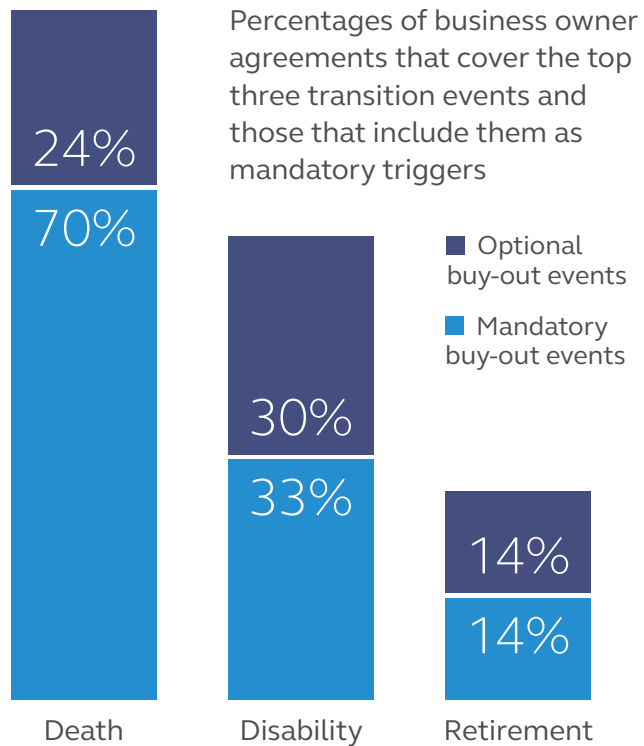
## 2021 Principal Business Owner Insights

# How prepared are you to exit your business?

You have a lot to consider when planning to successfully transition out of your business—like preparing a plan, determining a value for the business, and how you’ll fund your plan. It’s also important to consider: **Is your business your retirement? Are you and your business ready for what comes next? How does your progress stack up to that of other business owners?** We asked a group of owners recently about their plans<sup>1</sup>, and though some have plans in place, many still don’t.

### Top three transition events

Most buy-sell agreements account for transitioning at death but leave disability and retirement often overlooked. **Planning for these top three events will help ensure successful transition of your business.**



Source: Review of more than 2,100 buy-sell agreements by Principal Financial Group®, January 1, 2014 - December 31, 2020.

**Have you started thinking about retirement?**

Today, you may think you’re going to work forever. But as the years go by, your plans might change.

**Only 16%** of business owners don’t ever expect to retire. This statistic has dropped significantly since the first survey in 2010 when 31% said they don’t plan to retire. This increasing optimism about retirement is more reason to ensure you have proper planning in place.

<sup>1</sup> 2021 Principal Financial Group Business Owner Survey, conducted by Dynata.

# If you're within 10-20 years of retirement



Now's the time to determine the value of your business so that it can eventually help to fund your retirement. Here's some of the steps other business owners have taken to start the planning process:

## Create a business succession plan



93% are either somewhat or very confident about their exit strategy.



And for those owners with a succession strategy, **37% plan to leave or sell the business to family**, making this the most popular strategy. If family succession is your plan, do you know how you'll replace your income without a buy-out for the business?

## Fund your plan

The top three funding vehicles for owners who have plans in place are:



Business cash flow  
62%



Life insurance  
44%



Disability buy-out insurance  
14%

With 62% of the funding identified as business cash flow, it's important to know where the money will come from. Plans that use life and disability insurance as funding vehicles can help provide a measured impact to the cash flow of the business.

## Review your plan



Plans are staying updated. Of the owners with plans, **68% had them reviewed** in the past two years.

If you haven't started planning or still have some planning to do, we can help!

Many business owners haven't made the time for the basic starters:



**37% of owners** still don't have a business succession plan for death, disability or retirement.



**52% of owners** have never had their business valued.



Let's connect

Contact your financial professional or go to [principal.com/ownerinsights](https://principal.com/ownerinsights).



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The survey was conducted by Dynata and included 1,011 online interviews conducted in January 2021. Results were weighted based on the number of employees and annual sales. Potential respondents for this survey were selected from among those who have agreed to participate in Dynata surveys. Because the sample is based on those who agreed to be invited to participate, no estimates of theoretical sampling error can be calculated.

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