



2019 FEUSA Family Business Survey

May 2019

Family Enterprise USA (FEUSA) is the organization that family business owners and legislators in Washington DC go to for information on the family business industry. FEUSA has established itself as a trusted resource through research work, an annual survey of family businesses across the country, focus groups and general data gathering about the issues and challenges family businesses face every day.

FEUSA's membership consists solely of, and is supported by, family businesses with the single purpose of promoting family business in America, so they can continue to grow, thrive and add jobs.

HOW YOU CAN HELP: Membership in FEUSA is open to all family businesses. Please contact [Mike Hamra](#) or [Pat Soldano](#) of the FEUSA Board at www.familyenterpriseusa.com to find out how you can join, provide financial support and work with FEUSA to help educate legislators in your community and on Capitol Hill.

2019 FEUSA Survey Administered by:



- Family Enterprise USA (FEUSA) is a 501(c)(3) organization dedicated to educating the public and creating an environment where private family business is valued and strengthened.
- Through its annual Family Business Survey, FEUSA has distinguished itself as an expert in data collection on family business across the United States.
- The FEUSA Family Business Survey is conducted to update lawmakers on the facts about and priorities of family businesses each year, and to further our efforts to grow public support for hard working family-owned businesses across America.
- FEUSA retained Family Office Exchange (FOX) to coordinate participant outreach and administer the 2019 FEUSA Family Business Survey. This report captures data from 214 family-owned businesses that completed the online survey from February to April 2019.
- Sample sizes are noted for each question. If you have questions or comments about the data and analysis presented herein, please contact FEUSA Board Chair, Mike Hamra at mhamra@teamhamra.com, or FEUSA Vice Chairman, Pat Soldano at pmsoldano@policyandtaxationgroup.com.
- FEUSA and Family Office Exchange are grateful to the university-based family business centers and Family Office Exchange members who helped spread the word about this survey and, most of all, to the family business leaders who took time to share their perspectives by completing this survey.

About the Participants

- The large majority of survey participants (89%) are either sole owners or majority owners of a business. 81% saw their revenue grow during 2018 and over half (53%) report gross revenues of \$21 million or more.
- Among those who saw their revenue grow in 2018, the majority (71%) report growth between 5-20%.
- Two-thirds (65%) of participating business owners employed over 50 individuals in 2018 and 8 in 10 (83%) report up to 50 net new US jobs added during the year.

Long-Term Commitment to their Businesses

- One-third of participants have defied the parable of “shirt sleeves to shirt sleeves in three generations” and have businesses that have been in the family for four or more generations.
- 8 in 10 respondents consider the family business to be part of their children’s legacy.
- 44% have passed ownership of the business to the next generation. Partial ownership is the most common transfer with two-thirds (66%) reporting as such.
- 89% agree that passing ownership to the next generation is important to the sustainability of their business over generations and the creation of more jobs.

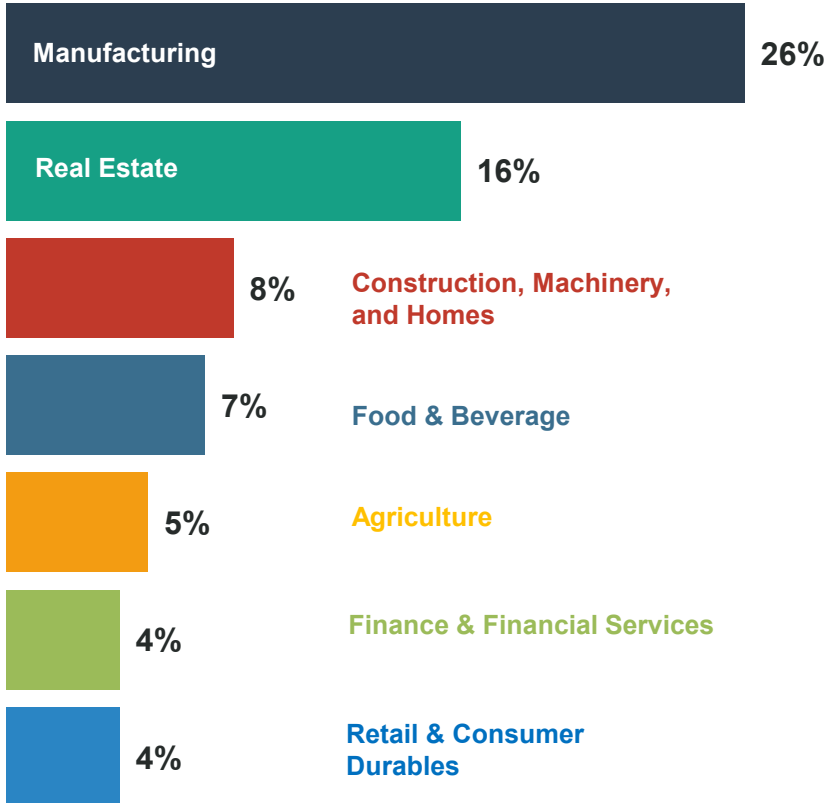
Challenges & Concerns

- 7 in 10 participating business owners rate reducing regulations and reducing or eliminating estate taxes as the highest priorities in terms of importance to them and their businesses.
- Two-third (66%) of participating business owners are likely to support reducing the rate of estate taxes to that of a capital gains tax rate or the complete repealing of the estate tax.

BUSINESS PROFILE

Which of the following best describes the principal industry of your family business?

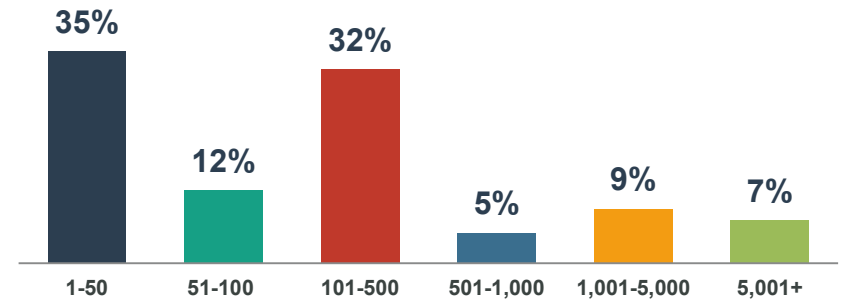
n=204



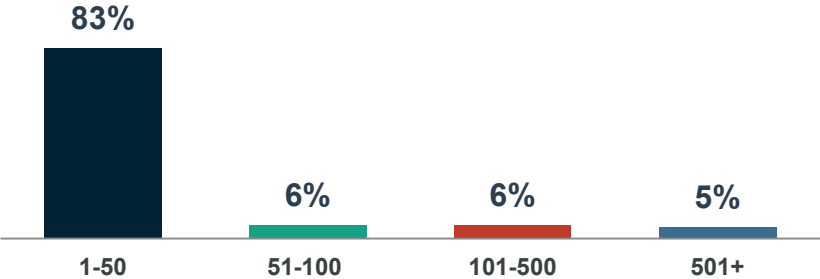
The remaining participants represent industries that include insurance, business support & logistics, entertainment & leisure, and others.

Number of Employees in the US in 2018

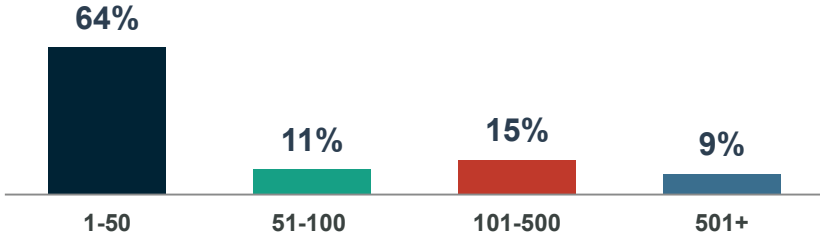
n=214



Net New US Jobs Added in 2018
n=211

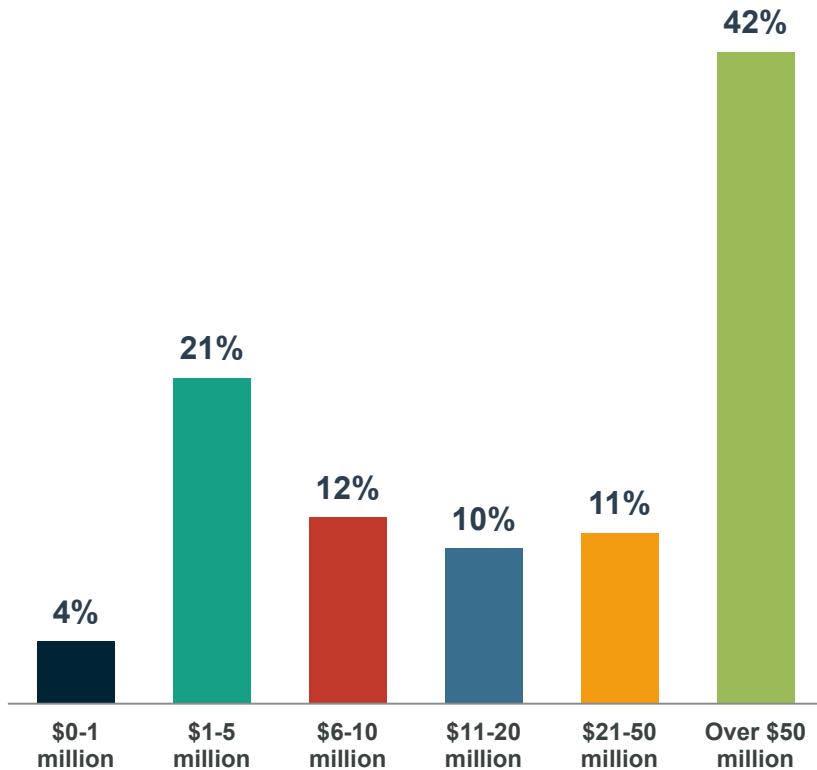


Net New US Jobs to be Added over 5 Years
n=210



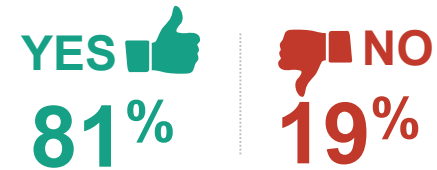
Gross US Revenues for 2018

n=204



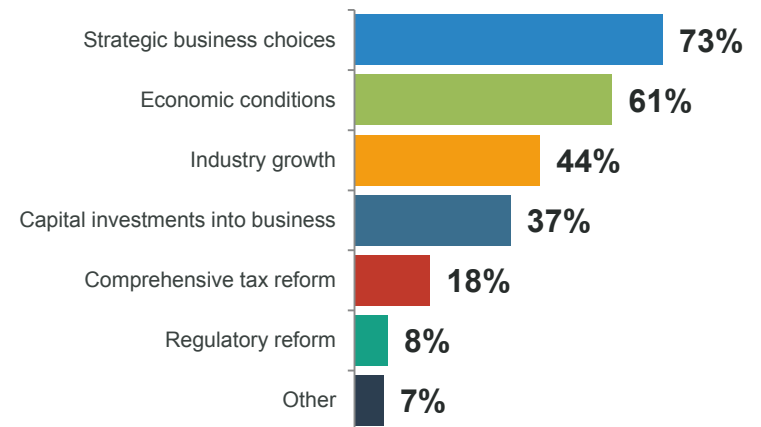
Did your business revenue grow in 2018?

n=214



Sources of Revenue Growth in 2018

(Select all that apply) n=173

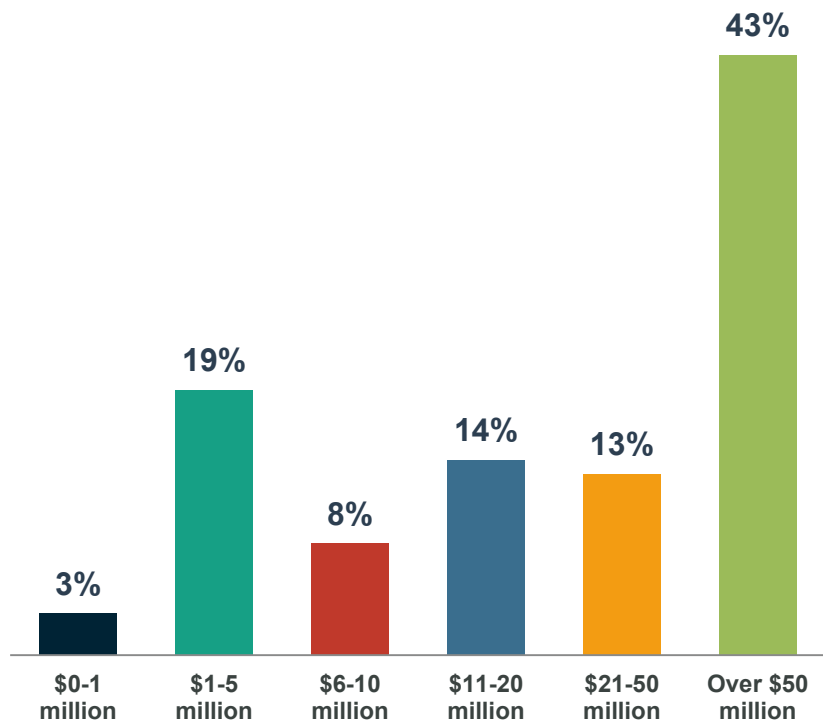


Other sources of revenue growth include:

*Competition going out of business
Hurricane and a cold winter*

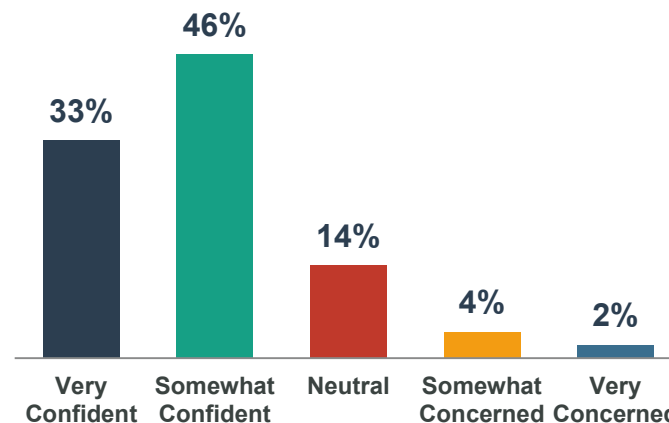
Estimated Gross US Revenues for 2019

n=203



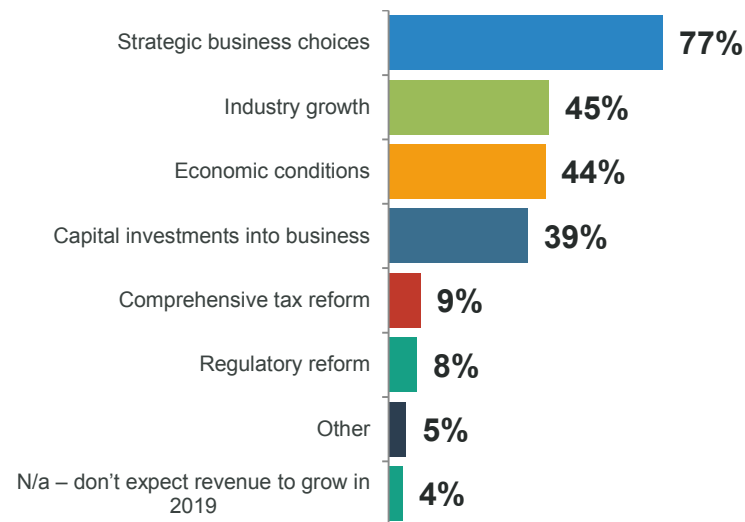
Confidence in Business's Ability to Increase Revenue Each Year

n=214



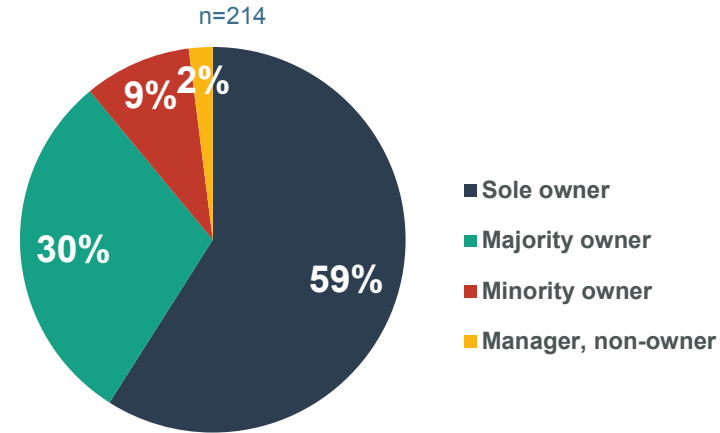
Expected Sources of Revenue Growth in 2019

(Select all that apply) n=211

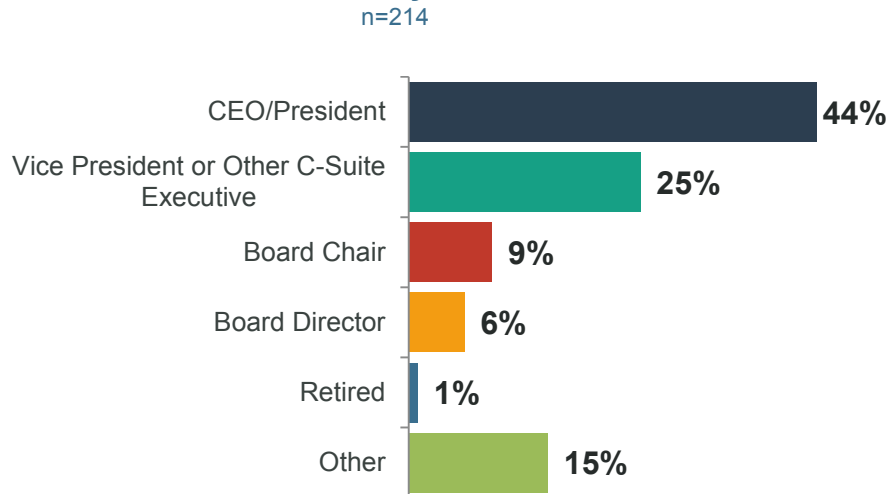


BUSINESS LEADERSHIP

Nature of Business Ownership



Role in Family Business

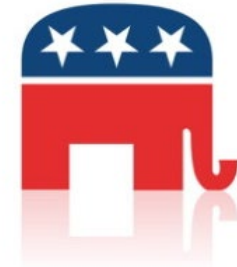


Other includes: Family Office Director, Trust Advisor, Stockholder

How do you identify yourself politically?

n=212

54%



11%



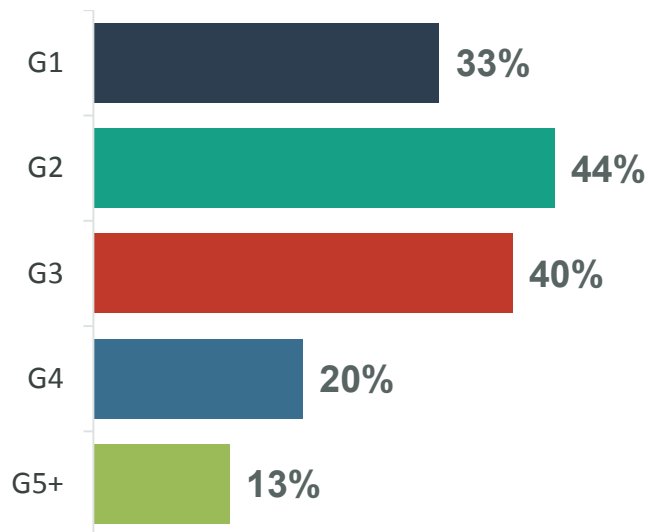
26%



9% Other includes: 'Capitalist', 'Pre-Trump Republican', 'Fiscally conservative, socially liberal', 'Brain and business sense of a Republican and the heart of a Democrat.'

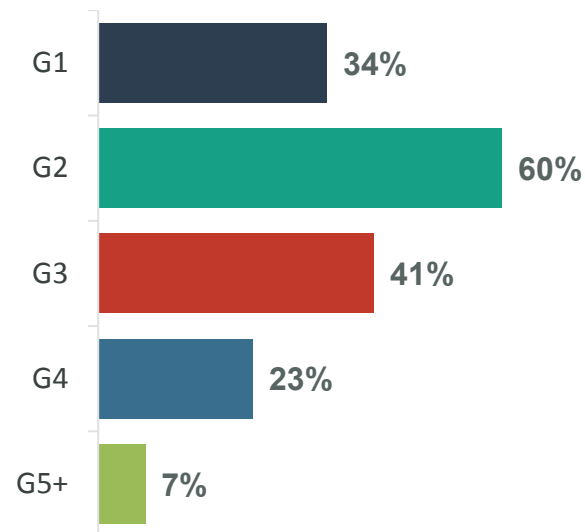
What generation is the ownership of your family business? *Select all that apply.*

n=214



Which generations are active in the management of the family business? *Select all that apply.*

n=212



Do you consider your family business to be part of your children's legacy?

n=211

YES
83%

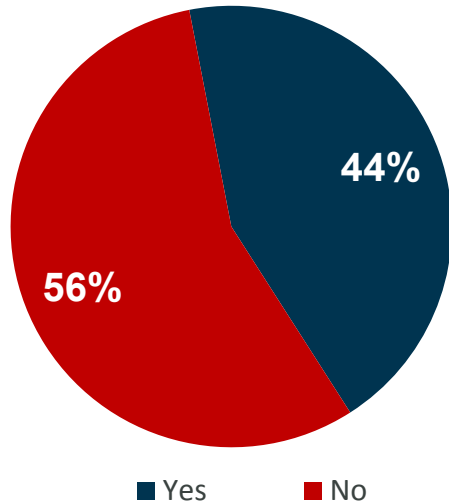
NO
17%

Keeping It In the Family

- **One-third** of participants have defied the parable of “shirt sleeves to shirt sleeves in three generations” and have businesses that have been in the family for four or more generations.
- **8 in 10** respondents consider the family business to be part of their children's legacy.

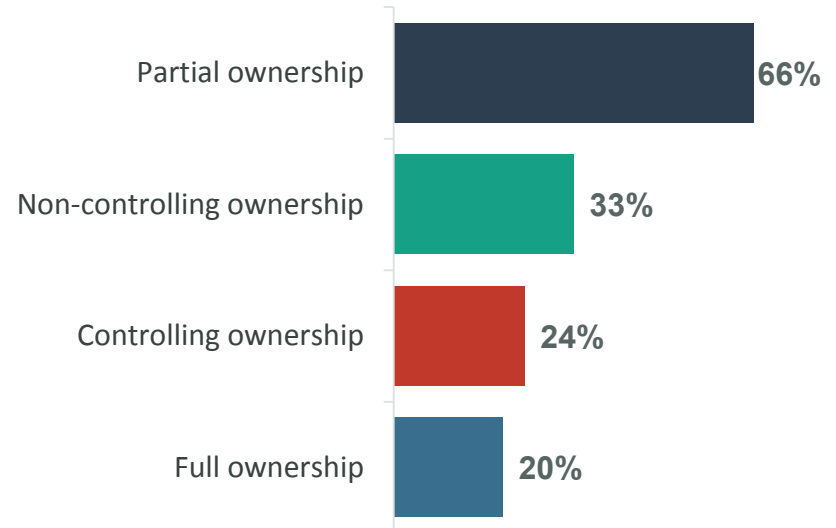
Have you passed ownership of the business on to the next generation?

n=214



Type of ownership transfer. *Select all that apply.*

Among those who passed ownership: n=94



Reasons for not passing ownership include:

G1 still works on a daily basis.

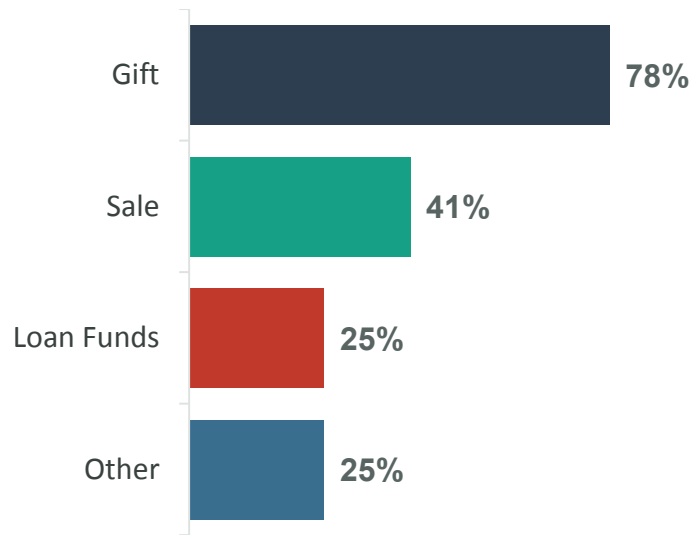
Family members are not qualified to run the business.

G2 is actively successfully managing the business, and transfer was not crucial. Also, looking to potentially sell the business.

G3 does not want to do so, and minimal interest from G4 in owning an investment business. Perhaps it will pass to management in the future.

What strategy did you use to pass ownership of your business? *Select all that apply.*

Among those who passed ownership: n=92

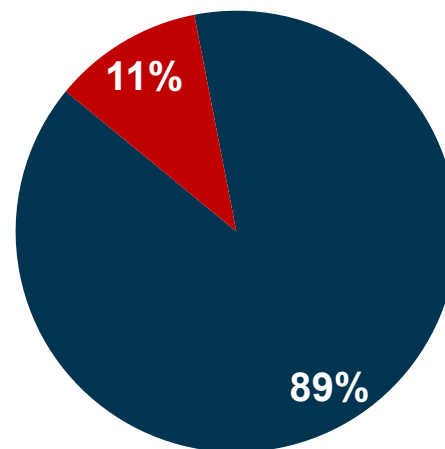


Other strategies include:

GRAT, Trusts, Stock redemption

Do you think that passing ownership on to the next generation is important to the sustainability of your business over generations and the creation of more jobs?

n=212

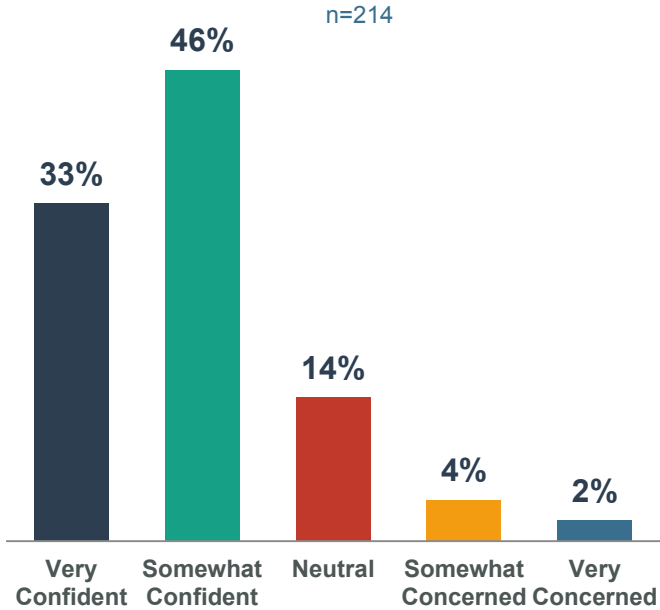


■ Yes

■ No

BUSINESS CONCERNS & CHALLENGES

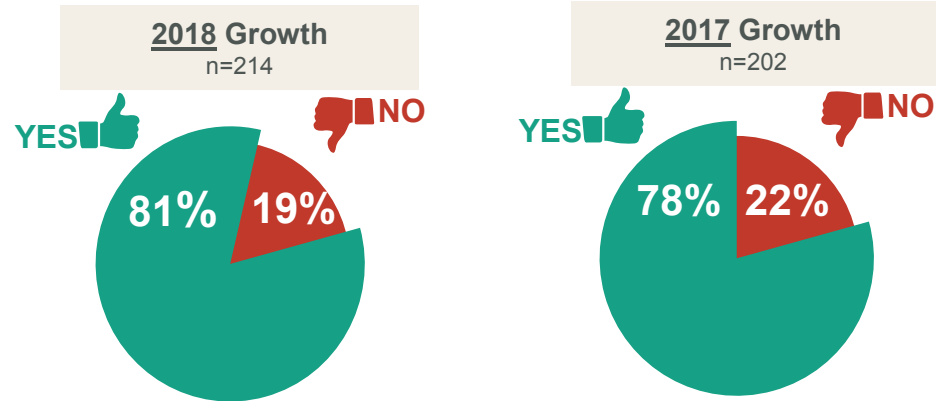
Confidence in Business's Ability to Increase Revenue Each Year



Confidence in Continued Growth

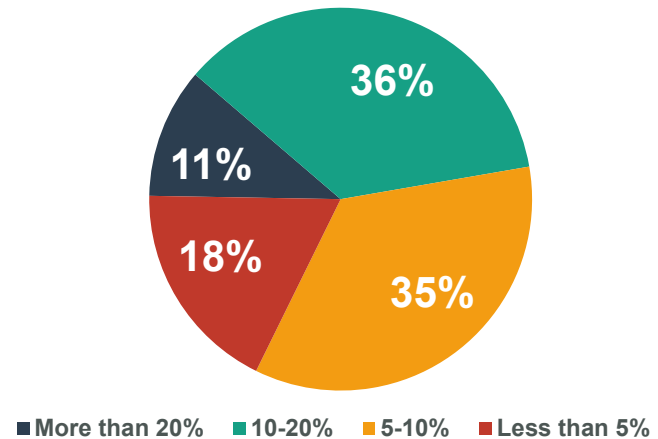
- In a slight increase versus last year, **81%** of family business owners report revenue growth in 2018.
- **Half** (48%) report 2018 growth rates over 10%.
- **79%** of respondents are confident about their ability to increase revenue each year.

Did Your Business Revenue Grow?

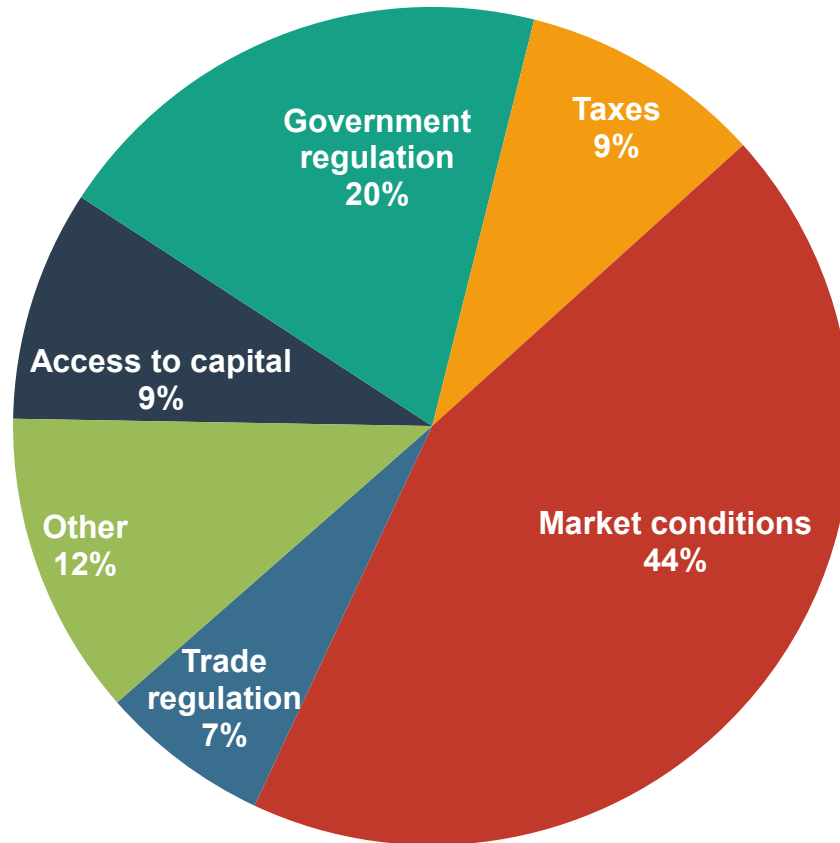


2018 Revenue Growth

Among 'yes' to revenue growth in 2018: n=168



What will be the greatest impediment to your business growth? *Select one.*
n=213

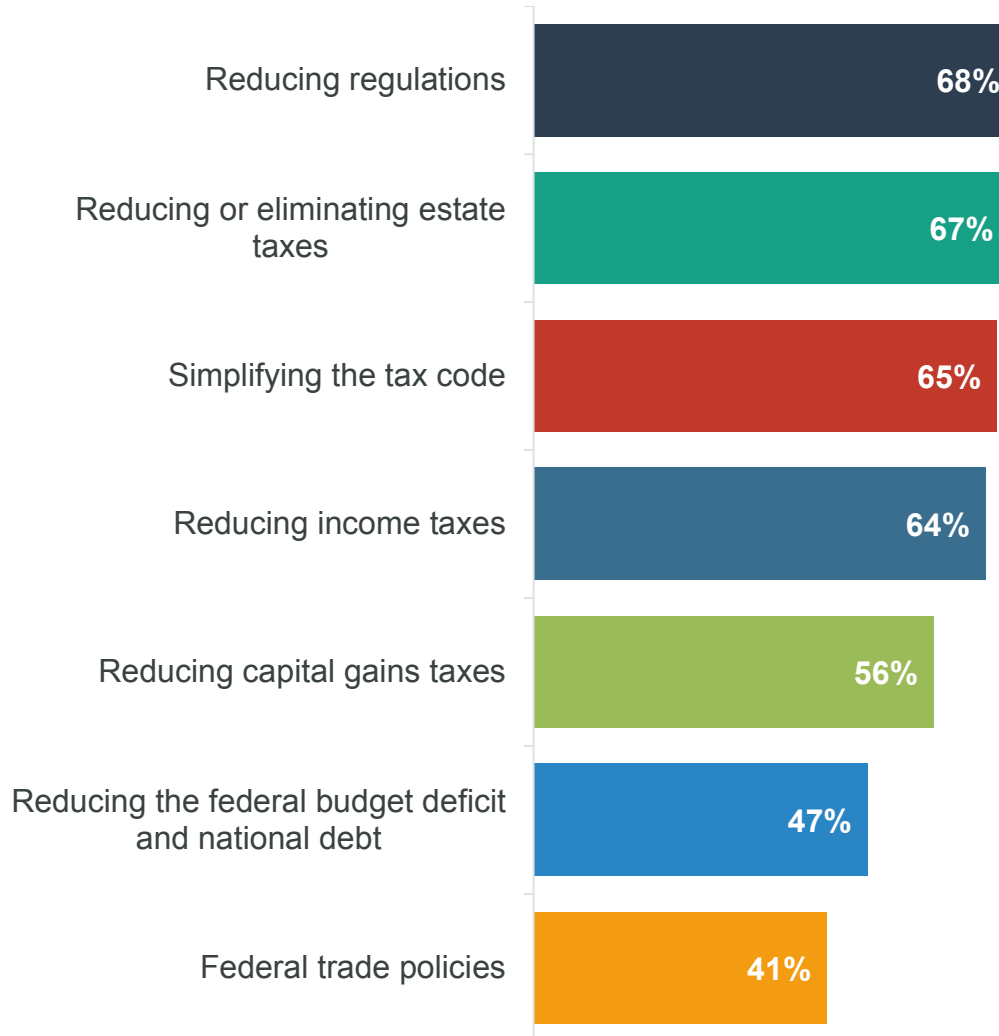


Other impediments include:

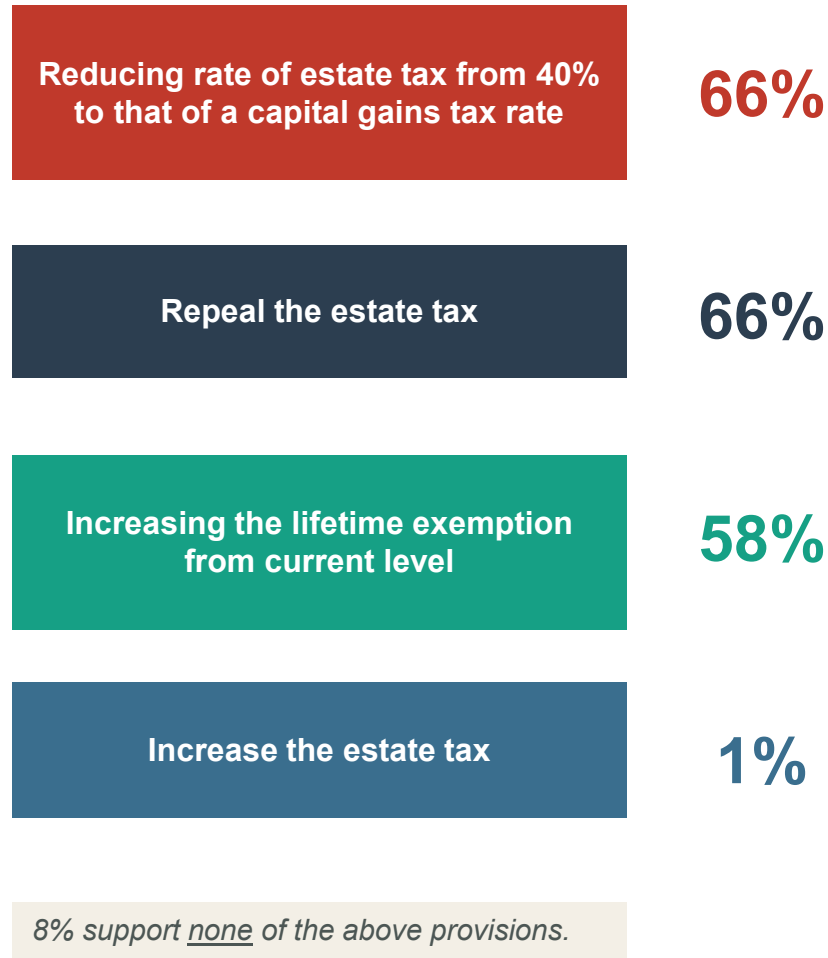
- Lack of qualified labor, employees.
- Attracting and retaining talent.
- Offshore competition.
- Cheap priced imports from China.

Priority of Economic Public Policy on Family Businesses

Top 2-box, 5-pt. scale, n=210

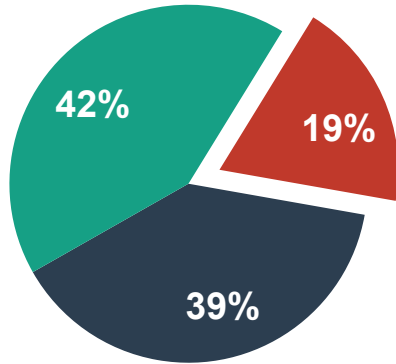


Would you support any of the estate tax provisions below? *Select all that apply.*
n=207



Impact of Estate Tax on Job Creation

n=211



■ No impact ■ Not sure ■ Prevented job creation

Planning for estate taxes affects business owners' ability to add jobs.

n=32

Average annual number of jobs lost or not hired

290

Average annual cost of insurance to pay estate taxes

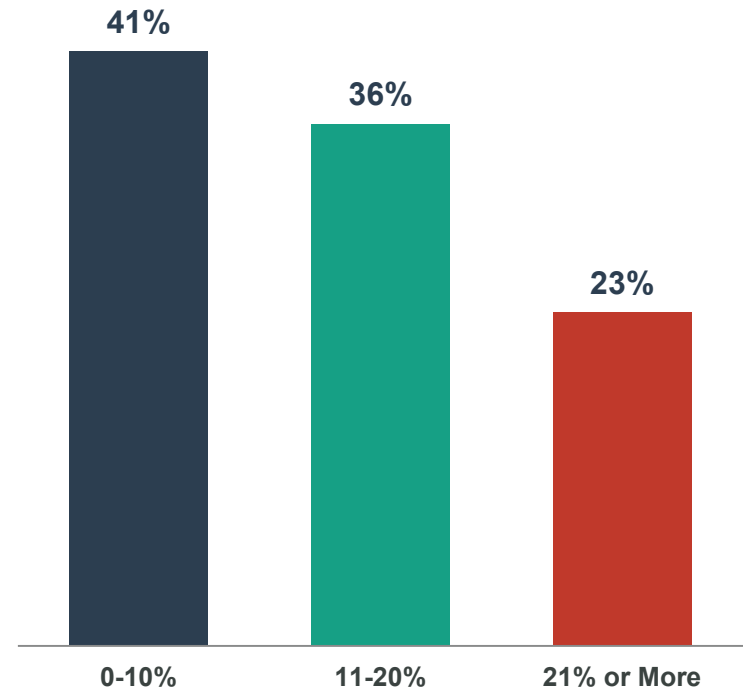
\$1,186,000

Average annual cost to plan for estate taxes

\$415,000

Amount of Time Spent Annually Planning for Estate Taxes

Among 'yes' to planning for estate taxes affects ability to add jobs: n=39



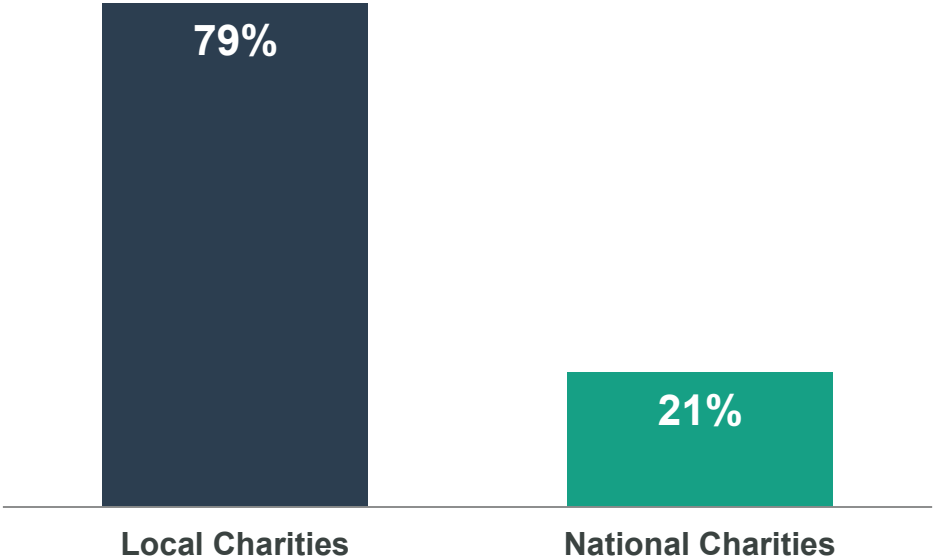
What would you like lawmakers to know about the impact of estate taxes on your business?

- *“Death taxes are inherently unfair, stifle economic growth, and **only create opportunities for loophole seeking insurance agents in combination with attorneys and accountants.**”*
- *“They **constrain our desire** to grow the business.”*
- *“Estate taxes **disproportionately affect family businesses** including the ability of family businesses to grow, to add jobs, and to contribute to the community.”*
- *“**It's double taxation.** Our family has paid 30 to 40 % of our annual income in taxes for 50 years and than to have another layer of tax at death is double taxation. We have invested 20 to 30 percent for 100 years of our capital in new ventures and have created thousand of jobs. Providing incentives for capital formation is what makes United States innovation the best in the world.”*
- *“**Why grow a business if it is going to be taken from you on your passing.** I am not working for lawmakers I am working for myself and my family.”*
- *“**Death taxes could cripple our business at a time when it would already be under duress,** leading to job losses and lack of family influence on generational/ long term decisions that would more highly benefit our community.”*
- *“Forcing a divestiture of the business to pay estate taxes is **putting a lot of jobs at risk, and also not allowing us to make strategic acquisitions that would help us grow.** Most of the value of a business is not liquid thus you cannot just come up with it. If a business was owned by a bank, would the bank have to pay taxes of an equal value if it changed its name or was acquired by another bank?”*
- *“It diverts attention from growing our business and adding net new jobs in communities we do business in. It also **makes it more challenging to compete with foreign entities** who do business in the United States as well as any entity that doesn't need to focus on estate taxes.”*
- *“If the rate was not confiscatory we could spend less time and more energy into growing the business, creating **more taxable revenue for the Treasury.**”*

PHILANTHROPY

Allocation of Contributions to Charities: Local vs. National

Among those who contribute to charities: n=162



What is the greatest obstacle to job creation for your company?

- *“Finding **qualified candidates.**”*
- *“**Availability of skills and personal qualities.**”*
- *“Communicating the value and importance of a “field operations” role. **The college-educated millennial generation want to be working in the office primarily and not “on a construction site”.**”*
- *“As an old (116 years old) firm in the transportation and warehouse industry we are **saddled with being Teamster Union** which is not seen in today's world as a positive.”*
- *“Conflicting, overlapping, and burdensome **regulations.**”*
- *“**Costs of employing people from health care to wages and other benefits.** In addition other regulations that may be imposed on top of the increasing costs of employing people.”*
- *“Determining if it makes **financial sense.**”*
- *“**Federal and State tax increases.** Are not able to invest in the business because of the increases, and there are no incentives or deductions to help that.”*
- *“**Offshore competition** and availability of low level productive workers in the US that allow us to compete.”*
- *“**Technology** taking over certain disciplines of our service offering.”*

Mission and Approach

[Family Enterprise USA \(FEUSA\)](#) is dedicated to educating the public and legislators about the implications of public policy upon closely held and family-owned businesses. FEUSA conducts non-partisan research that highlights the contributions of family enterprise to the American economy and the challenges these businesses face, which is then used to educate legislators, policy makers and the public on the important role of family businesses in the economy and local communities.

FEUSA's membership consists solely of, and supported by, family businesses with the single purpose of promoting family business in America, so they can continue to grow, thrive and add jobs.

Impact; FEUSA Annual Family Business Survey

Through its annual Family Business Survey, FEUSA has distinguished itself as an expert in data collection on family business across the United States.

Focus

- In the US, family firms generate 64% of GDP or \$5.9 trillion and 82 million jobs or 62% of domestic employment
- 78% of new job creation stems from family owned firms
- 35% of Fortune 500 companies are family-owned or controlled
- Family firms have higher employee retention rates than non-family firms

For more information visit www.familyenterpriseusa.com

A community for peer networking, objective guidance, and continuous learning.



Founded in 1989, FOX was the first membership organization to bring together family members, family office executives, and trusted advisors. Today, we remain the industry leader with over 370 families spanning 27 countries.

FOX is the premier network for enterprise families who are pursuing best practices for managing their family enterprise and growing their family wealth. Working every day with the world's leading families, FOX has become a thought leader on family enterprise strategy, family governance, family office best practices, family learning, investment strategy, and philanthropy.



For more information visit www.familyoffice.com.



Family Enterprise USA

Enterprising families. Working together.

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