



# Family Enterprise USA

Enterprising families. Working together.

## 2018 FEUSA Family Business Survey

---

July 2018

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](http://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.

2018 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 2018 FEUSA Family Business Survey. This report captures data from 205 family-owned businesses that completed the online survey from May to July 2018.
- 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](mailto:mhamra@teamhamra.com), or FEUSA Vice Chairman, Pat Soldano at [pmsoldano@policyandtaxationgroup.com](mailto: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 majority of survey participants (82%) are either sole owners or majority owners of a business and one-third (33%) generated over \$50 million in revenue in 2017, with 36% expecting to hit that mark by the end of 2018. Three-fourths (78%) saw their business revenue grow in 2017, with a sizeable contingent seeing healthy growth of 10-20% (37% of survey participants) and even over 20% growth (12% of survey participants).
- Two-thirds of participating business owners employed more than 50 employees in 2017; most (74%) expect to add up to 50 net new jobs in the next 5 years.
- Survey participants have businesses in all industries, including manufacturing (17%), construction (13%) and real estate (12%).

## Long-Term Commitment to their Businesses and Communities

- 31% 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. Even more impressive, 57% of respondents have multiple generations of family members working together in the family business.
- Eighty-five percent (85%) consider their business to be a part of the legacy they leave their children.
- 60% have passed on partial or full ownership of the business to the next generation. Nearly all (84%) of those who passed ownership at least partly gifted it to the next generation.

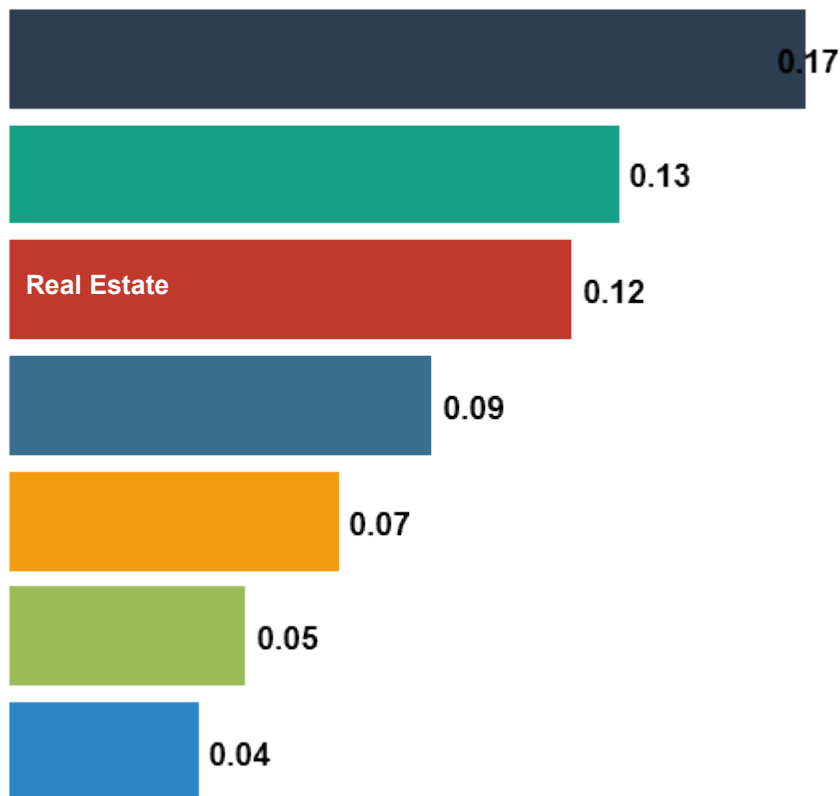
## Challenges & Concerns

- While most (80%) participants are confident in their ability to grow their business each year, their top concerns include reducing or eliminating estate taxes, reducing income taxes, reducing regulations and simplifying the tax code.
- The majority of family business owners donate money or time to charities: 79% of donations go to local charities while only 21% goes to national charities.

# BUSINESS PROFILE

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

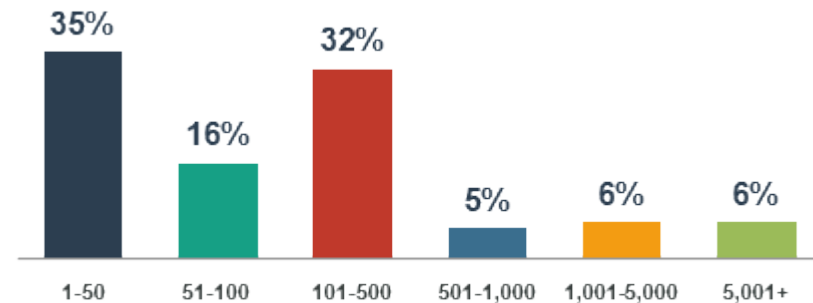
n=196



*The remaining participants represent industries that include healthcare & pharmaceuticals, advertising & marketing, agriculture and education, among others.*

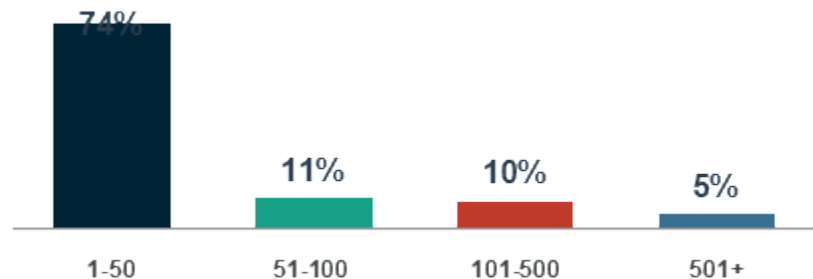
## Number of Employees in the US

n=204



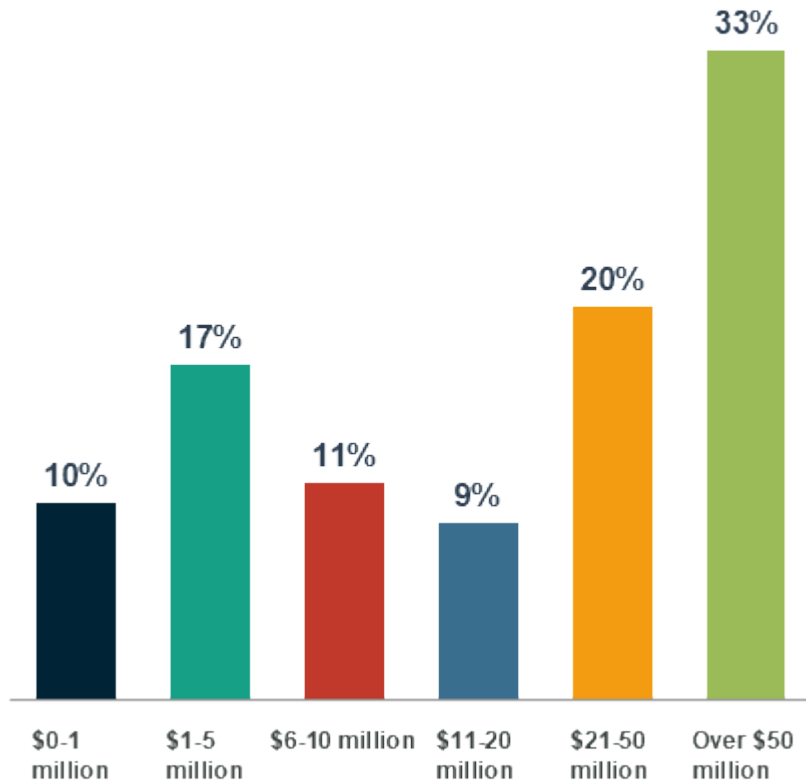
## Net New US Jobs to be Added over 5 Years

n=201



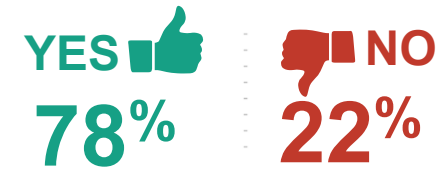
## Gross US Revenues for 2017

n=197



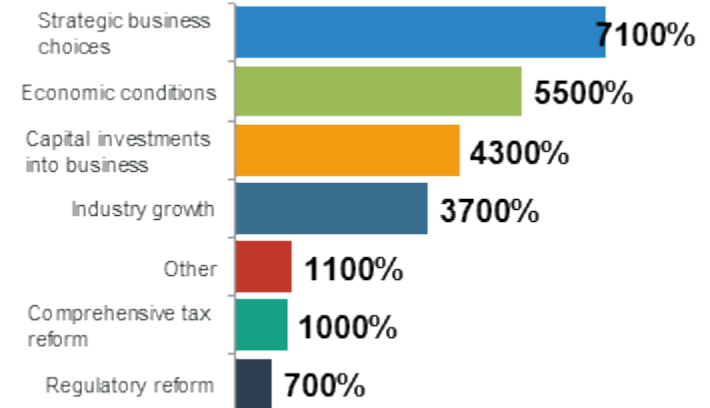
## Did your business revenue grow in 2017?

n=202



## Sources of Revenue Growth in 2017

(Select all that apply) n=155

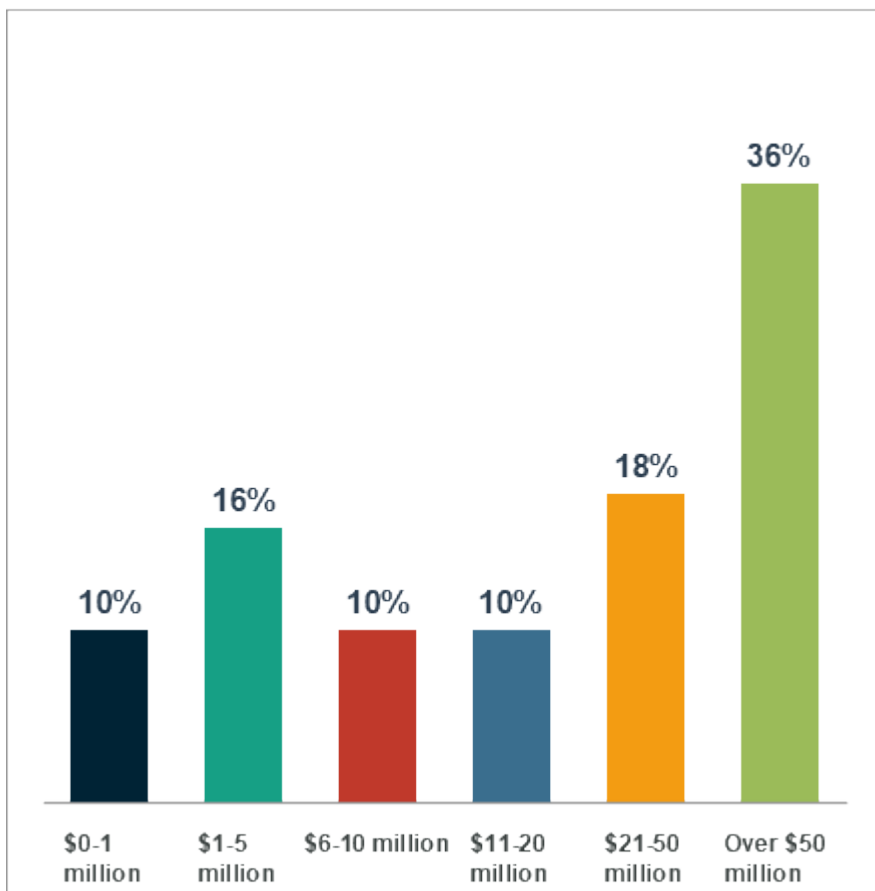


### Other sources of revenue growth include:

*'Hard work'*  
*Increased sales effort*  
*Increase in the price of goods sold*

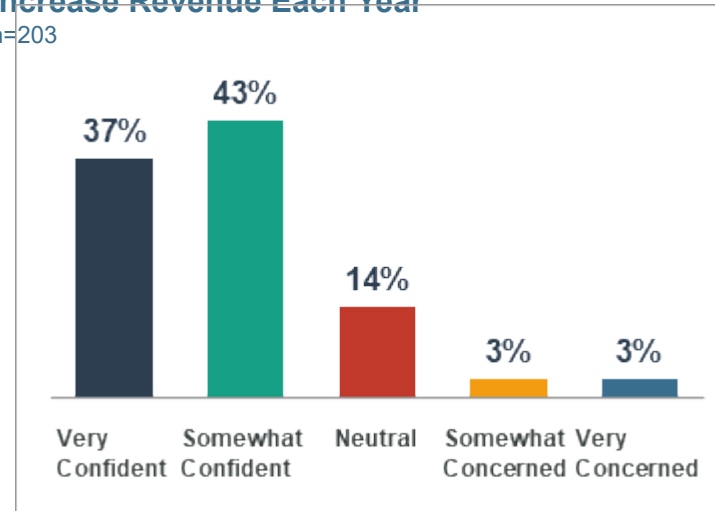
## Estimated Gross US Revenues for 2018

n=197



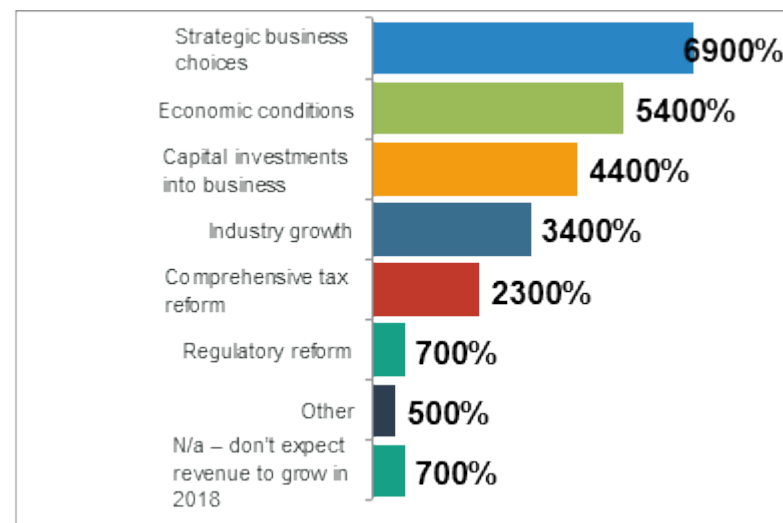
## Confidence in Business's Ability to Increase Revenue Each Year

n=203



## Expected Sources of Revenue Growth in 2018

(Select all that apply) n=201

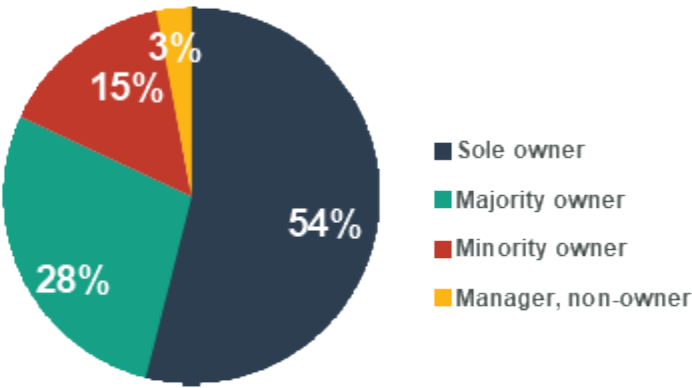


# BUSINESS LEADERSHIP



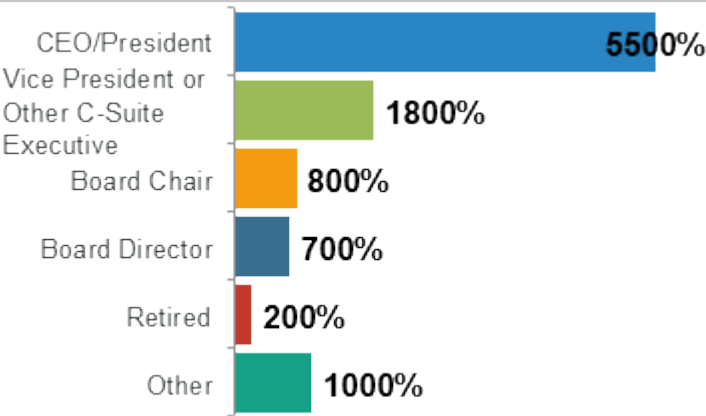
Nature of Business Ownership

n=205



Role in Family Business

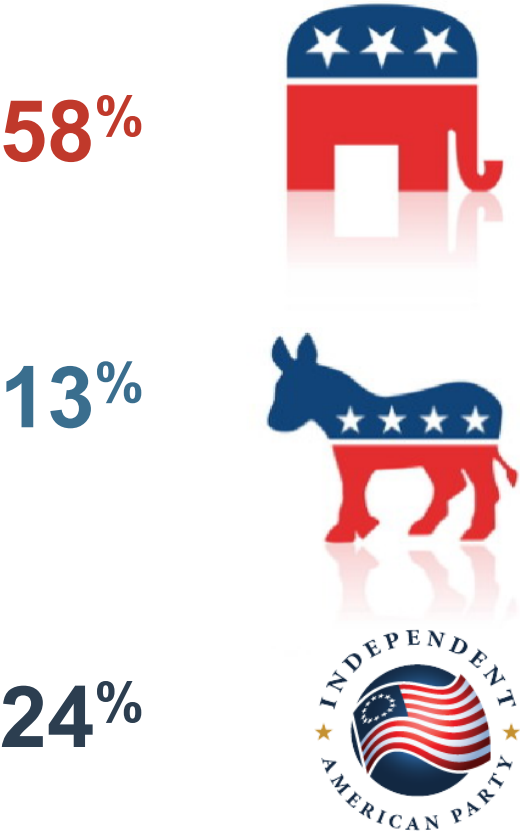
n=205



Other includes: Family Office Director, Sales Director, Shareholder

How do you identify yourself politically?

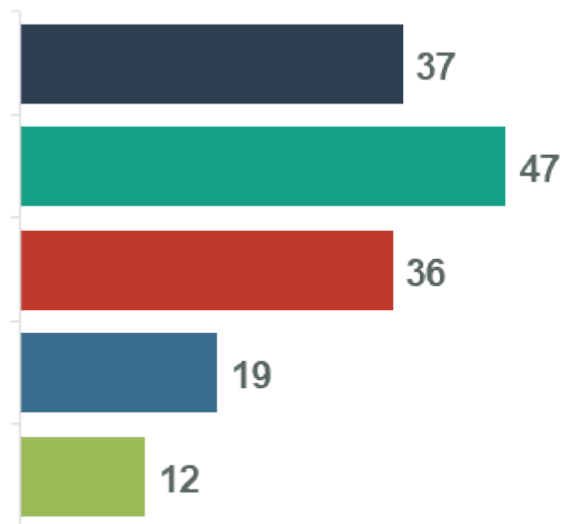
n=182



5% Other includes: Fiscal Conservative, Former Republican, Libertarian, undeclared / no party affiliation.

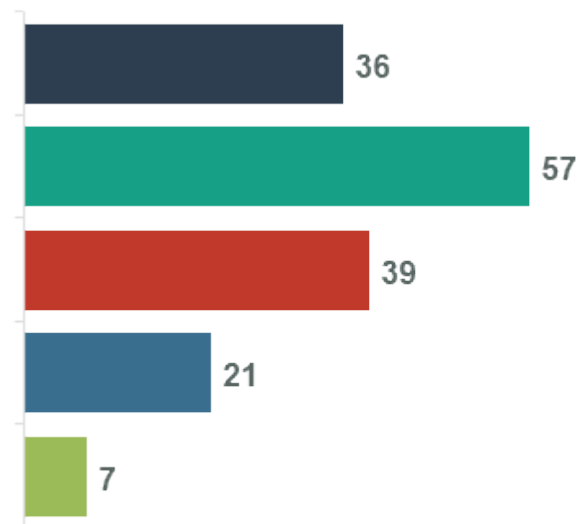
**What generation is the ownership of your family business? Select all that apply.**

n=205



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

n=204



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

n=204

**YES**  
**85%**

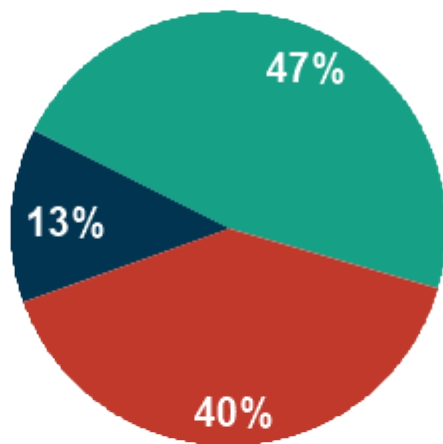
**NO**  
**15%**

## Keeping It In the Family

- **31%** 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.
- **57%** of respondents have multiple generations of family members working together in the family business.

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

n=204



■ Yes, full ownership including controlling and non-controlling shares

■ Yes, partial ownership

■ No

### **Reasons for not passing ownership include:**

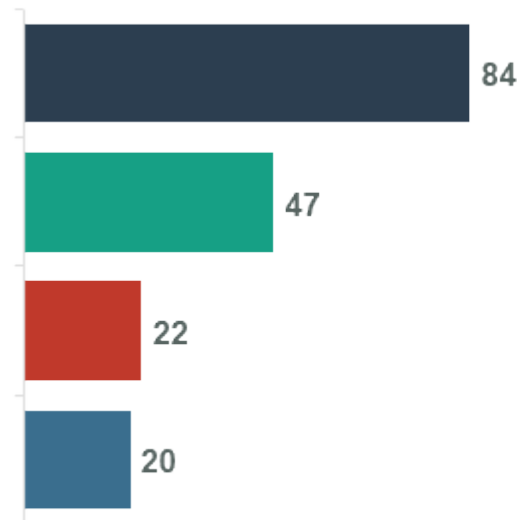
*Current generation is still working*

*Next generation is still learning the business*

*Next generation is too young to assume ownership*

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

Among those who passed ownership: n=122

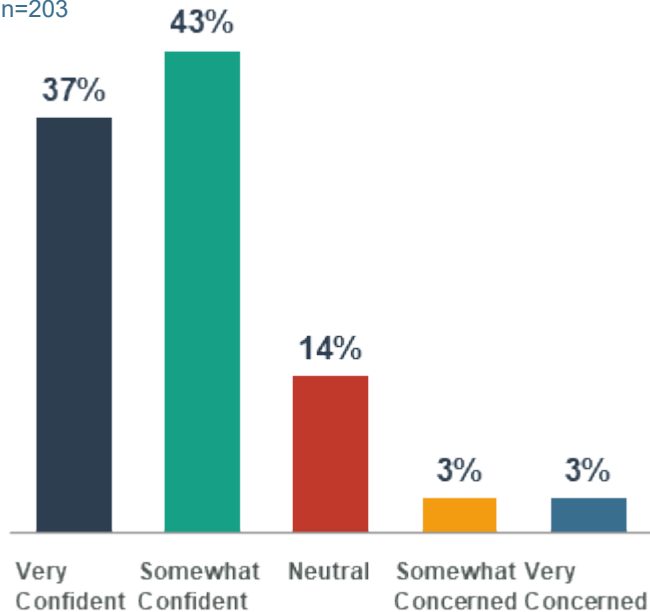


*Other includes: Trusts, GRAT, GST*

# BUSINESS CONCERNS & CHALLENGES

## Confidence in Business's Ability to Increase Revenue Each Year

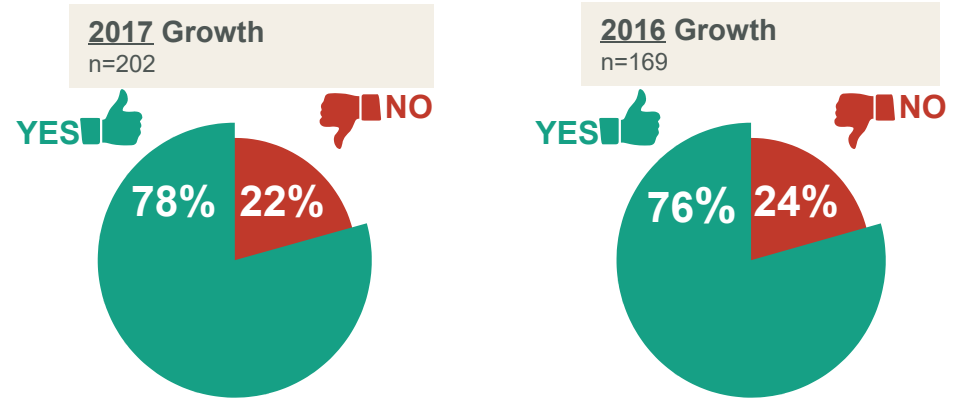
n=203



## Confidence in Continued Growth

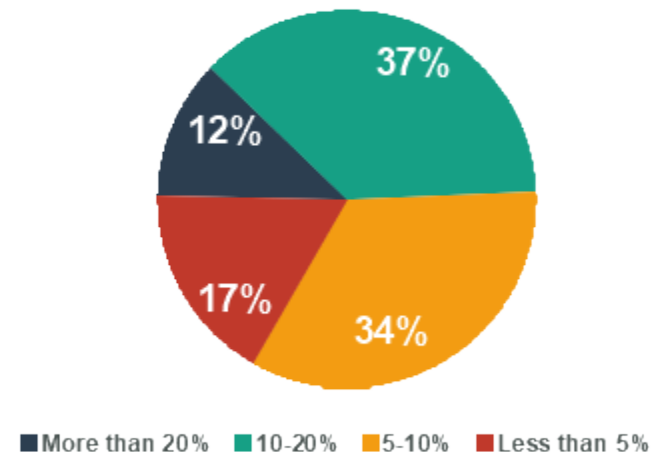
- Similar to 2016, **nearly 8 in 10** family business owners report revenue growth in 2017.
- **Half** report growth rates over 10%.
- **80%** of respondents are confident about their ability to increase revenue each year.

## Did Your Business Revenue Grow?



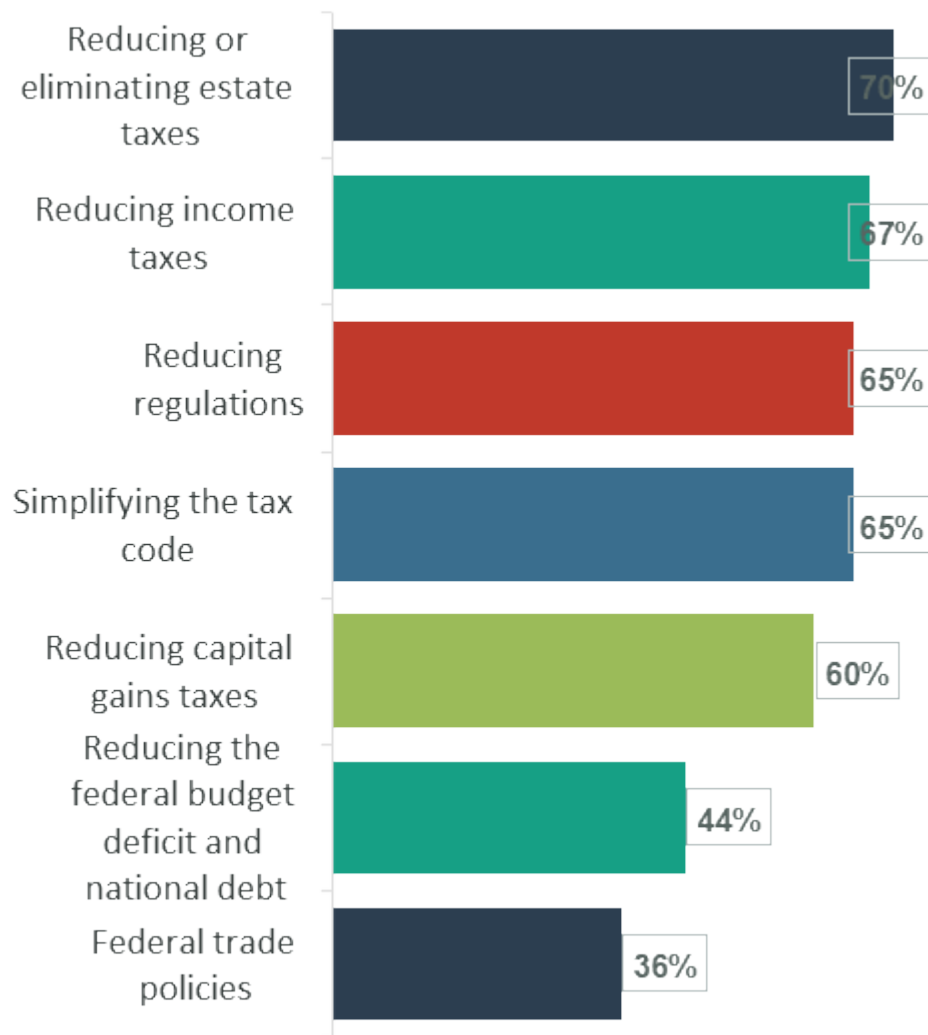
## 2017 Revenue Growth

Among 'yes' to revenue growth in 2017: n=152



## Priority of Economic Public Policy on Family Businesses

Top 2-box, 5-pt. scale, n=187



## Considering Restructuring Corporate Form Due to 2017 Tax Law Changes

n=187

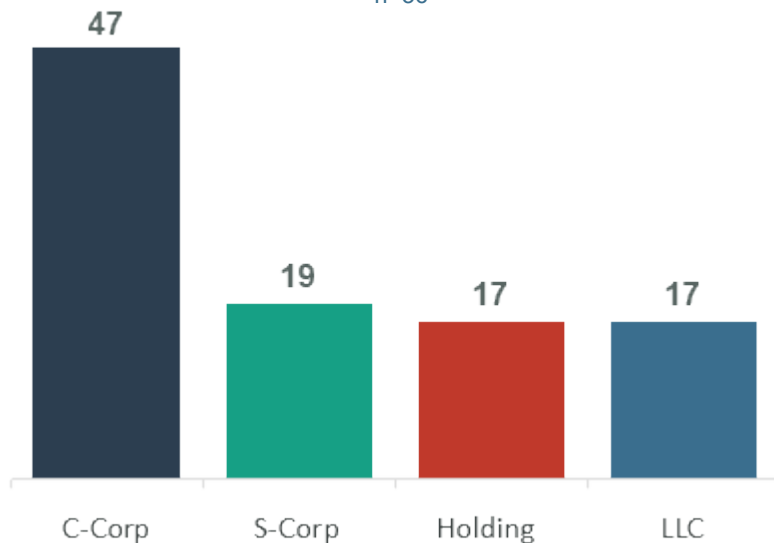
**YES**  
**19%**



**NO**  
**81%**

### Switching Corporate Form to...

n=36



## Estate Tax Provisions Supported by Family Businesses

(Select all that apply) n=185

Repealing the estate tax

**71%**

Reducing rate of estate tax to that of a capital gains tax rate

**63%**

Increasing the lifetime exemption from current level

**57%**

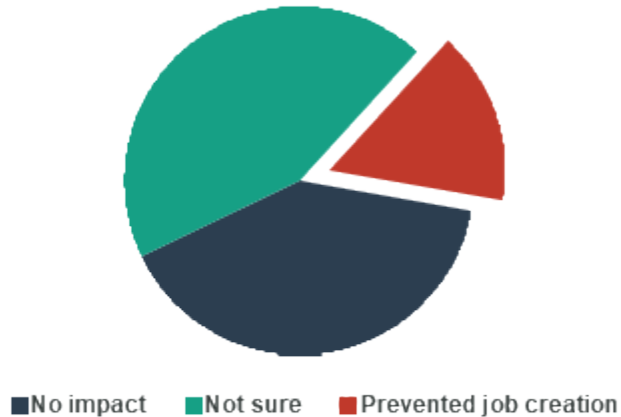
Increase the estate tax

**1%**

8% support none of the above provisions.

## Impact of Estate Tax on Job Creation

n=188



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

n=33

**Average annual number of jobs lost or not hired**

**53**

**Average annual cost of insurance to pay estate taxes**

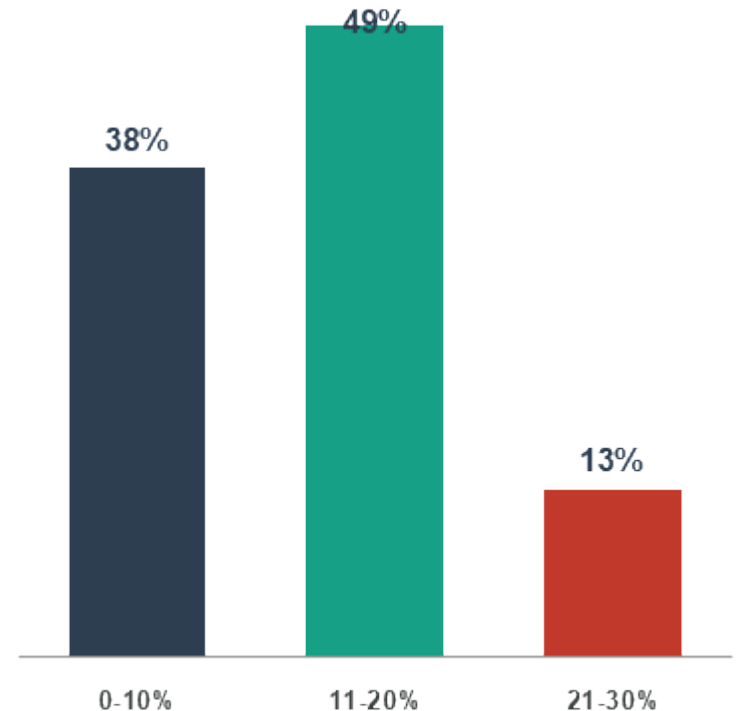
**\$1,336,000**

**Average annual cost to plan for estate taxes**

**\$505,000**

## Amount of Time Spent Annually Planning for Estate Taxes

Among 'yes' to planning for estate taxes affects ability to add jobs: n=37





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

- *“Estate taxes will **wipe out most family businesses** by the third generation.”*
- *“Estate taxes are **double taxation**; they limit business continuity; they reduce capital available for growth and new job creation.”*
- *“When I returned from college in 1961 there were 19 privately owned forest products businesses operating in south Arkansas. We are now the only surviving company of consequence. **All others have had to sell out to major corporations (who never pay the tax)** at the death or anticipated death of the principal owners.”*
- *“We planned for 8 years for an aging 3rd gen in death taxes. **Kept \$10,000,000 out of the market and out of our business.** We could have hired dozens of employees to grow our business but had to have liquid funds.”*
- *“Estate taxes have the potential to **inflict catastrophic costs on our family business** that are challenging and burdensome to plan for and that will be expensive and time consuming to administer.”*
- *“We pay Sales Taxes, Real Estate Taxes, In Ohio a CAT Tax, we pay permit fees and licensing fees all a form of taxation, then **what is left over is taxed again and/or we pay considerable fees** to attorneys, accountants and estate planners. We take ALL the RISK and I think the legislators think it is their money and they are giving us a gift by letting us keep some.”*
- *“Estate taxes is based on a value that is not based on cash. There is a big difference between what a business is “valued” at vs. what is actually solvent. It doesn’t make sense that you must pay estate tax when ownership is passed from one generation to another. There is nothing comparable if a business is flat out sold to another owner. **It is an old concept and should be done away with** as it is more detrimental in investment into the business to grow.”*
- *“If we have to sell our business to pay estate taxes, it will be purchased by a **consolidator who will eliminate 20-30% of the jobs we currently provide.** We have also spent a lot of time training our family of the responsibility that comes with wealth and our debt to the community and our employees.”*

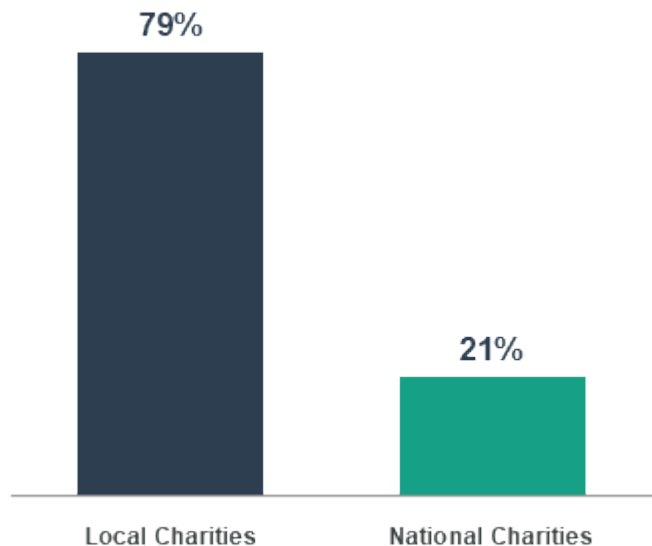
# PHILANTHROPY

## Percentage of Net Worth Designated to Charities:

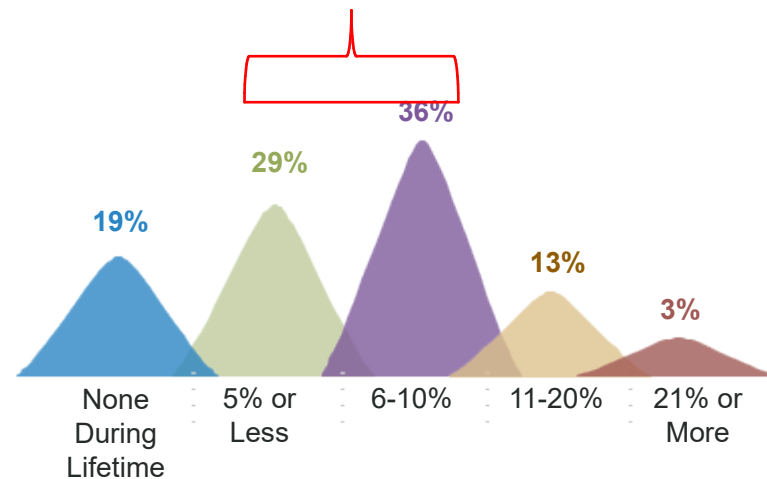
**61%** have designated some portion of their net worth to charities either during their lifetime or as part of their estate plan n=185

## Allocation of Contributions to Charities: Local vs. National

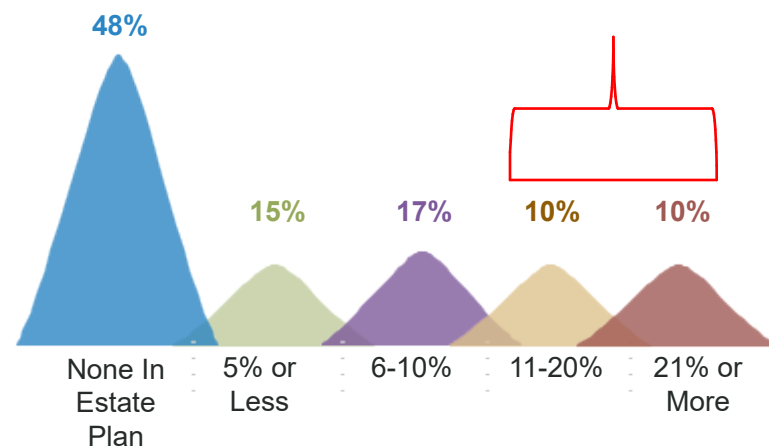
Among those who contribute to charities: n=148



**65%** have designated up to 10% of their net worth to charity during their lifetime. n=185



**20%** plan to designate 11% or more of their net worth as part of their estate plan. n=184



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

- *"Imports from Canada and Asia. Rising taxes also keep us from being able to invest back into the business. We always had great healthcare options, but we had to remove them because of Obamacare, and now only offer a mid-level healthcare plan which is not a good attraction. **There is also no incentive from a tax standpoint for us to invest in more jobs anyways.**"*
- *"We are **closing our business due to increased international competition** and consolidation in the industry."*
- *"To modernize and become relevant in the 21st century we **need to add automation which will not lead to job creation but will add to the productivity** of the company."*
- *"**Aversion to exceeding 100 employees**, which will trigger many more requirements in 401k, health insurance, hiring procedures, etc."*
- *"For us to "create jobs", we must first grow, so the primary obstacle to job creation is the growth necessary to support new employees. Additionally, **the cost associated with hiring new employees** (wages, training, etc.) is an obstacle."*
- *"**Healthcare insurance expenses rising and S-corp taxes** place limits of profits we can reinvest into growth."*
- *"Inhibited sales growth due to the **internet sellers having a distinct sales tax advantage**. It gives them a 7% head start on me for every major sale. Sales tax fairness would change this."*
- *"Our team of employees are 60% baby-boomers, it's a challenge to get them to retire in order to **make space for new jobs for the younger generations.**"*
- *"Finding top talent. **Shortage of skilled labor all around:** blue collar and white collar workers. Need immigration reform."*

## **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 & account for 65% 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
- 60% of family firms have women in top management positions

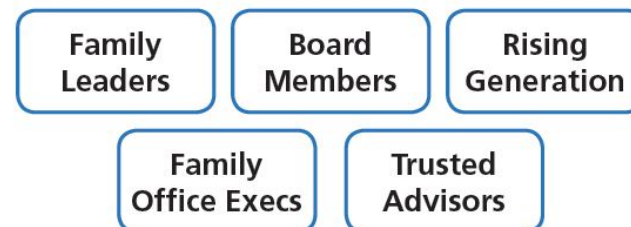
***For more information visit [www.familyenterpriseusa.com](http://www.familyenterpriseusa.com)***

**Family Office Exchange (FOX)** is the world's most respected peer-to-peer network for ultra-wealthy family enterprises, their family offices, and their trusted advisors. Working every day with the world's leading families, FOX has become a thought leader on family enterprise strategy, family governance, investment strategy, family office best practices, family learning, impact philanthropy, and advisor partnerships. Established in 1989, FOX is based in Chicago with offices in New York, San Francisco, Madrid, and Sydney and has a professional staff of 45.

FOX members come from 20 countries and include 375 ultra-wealthy families and 110 multi-family offices (MFOs) and advisory firms. Our global community is made up of more than 6,000 individuals.



## Who Belongs to FOX?



## Benefits of membership:

- **Connection** comes in a number of ways. FOX Peer Councils allow you to engage with other individuals with similar experiences. FOXChat™ allows members to answer questions and share experiences online. Members also interact at the FOX Forums and Regional Briefings.
- **Guidance** is provided by an experienced Member Advisor familiar with your goals. The Member Advisor helps you 1) find the resources you need, 2) meet other members who can help you meet your objectives, and 3) stay informed about questions and issues you should be considering. FOX also offers custom Advisory and Education Services for families desiring bespoke solutions.
- **Learning** is at the heart of the community. FOX keeps members up-to-date on a wide variety of topics through bi-weekly webinars, white papers, surveys, videos, content from other FOX Advisor members, and sessions at FOX Forums and Workshops. FOX also provides resources for educating rising-generation family members.

**For more information visit [www.familyoffice.com](http://www.familyoffice.com).**



# Family Enterprise USA

Enterprising families. Working together.

[www.familyenterpriseusa.com](http://www.familyenterpriseusa.com)