

2025 MassMutual Business Owner Perspectives Study

Insights from America's economic engine



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“Entrepreneurs understand that there is little difference between obstacle and opportunity.”

VICTOR KIAM

Business owners are the engine that drives the U.S. economy. According to the Small Business Administration, there are over 34 million small businesses in the United States. Small businesses employ 46% of American workers, or about 59 million people. Small businesses make up 43.5% of the U.S. gross domestic product (GDP) and pay 39% of all private sector payroll. In addition, for every dollar spent at a small business, 67 cents stays in the community it serves.¹

The MassMutual Business Owner Perspectives Study, conducted by HawkPartners, takes the pulse of today's business owners. The results reveal that today's business owners are spending the majority of their time working in their businesses instead of on their businesses. The reality for today's business owner is that while long-term planning may be top of mind, many aren't completing all the necessary steps to ensure their business is adequately protected and able to provide a legacy for a lifetime of hard work and sacrifice.

We recommend that you review this study with key decision makers in your business: family members, business partners, key employees, and centers of influence. Then use the findings to begin a meaningful dialogue about how you can best position your business for long-term success and financial stability.

Take time to evaluate what's most important, develop prioritized action plans to achieve your goals, and seek guidance from trusted professionals who are best equipped to meet the needs of you and your business.

¹ American Express Small Business Economic Impact Study, 2021.

Key Questions for Business Owners

Based off of the findings from this research study, it's important for business owners to ask themselves four important questions:

- Is your business always ready to sell?
- Do you own an asset or a job?
- Are you focused on enterprise value or current income?
- Have you done sufficient planning?

Question #1: Is your business always ready to sell?

Asking yourself this question doesn't mean that you are looking to sell your business now, or even at all. It means you are building a business that can generate future revenue and profits with or without your involvement.



It's been estimated that **80%** of businesses that go up for sale don't ever sell. And when you consider that ...



45% of business owners say their ideal exit strategy is to sell, either to a third party, family member, key employee, or private equity group, you can understand why it's important to build a business that's appealing to potential acquirers.

So why do so few businesses transact? One reason is the owner gets in the way. Here are the top fears owners shared about leaving their businesses in our study:

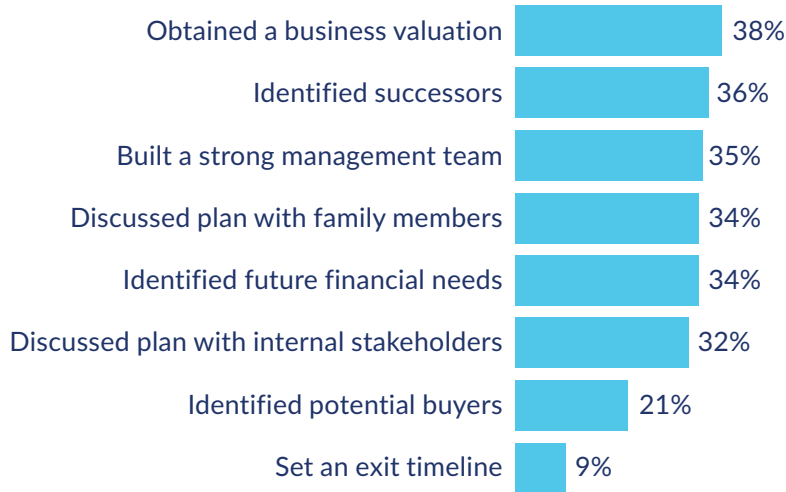
1. I'll miss my role as a business owner.
2. I would exit sooner if my financial security were assured.
3. I will exit when the right buyer comes along.
4. I'm afraid I will have to adjust my lifestyle when I leave.
5. I can't leave because no one will run the business like I do.

Most of these fears stem from the business being both the owner's "baby" and "lifestyle." In other words, concerns exist about what life after the business will look like, both personally and financially.

To alleviate these concerns, and build a business that's always ready to sell, you should:

- Make yourself as redundant in the business as possible by building a strong management team.
- Choose a successor and/or identify potential buyers who can take the business to the next level as early as possible.
- Choose an exit strategy that is in alignment with your personal financial goals.

STEPS BUSINESS OWNERS HAVE TAKEN TO PREPARE FOR THE SALE OF THEIR BUSINESSES



Owners should run their businesses like they will put it on the market in six months. That mindset will keep the company strong, the financials clean, and the options open.



Question #2: Do you own an asset or a job?

With any asset you own, you want to accomplish three things:



Minimize Risk



Grow Value



Cash Out

And your business should be treated no differently.

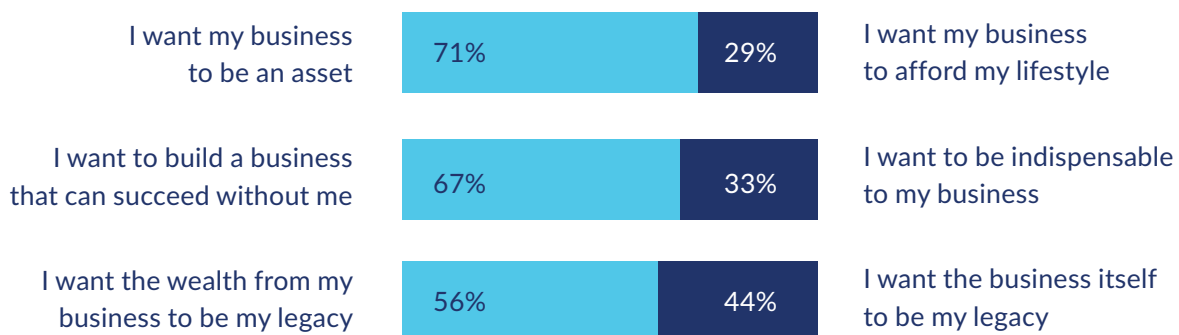
Many business owners don't think of their businesses as an asset, so they don't run them as such. Instead, they treat it like the world's most expensive, stressful job. One that generates income for today but may not be readily monetized in the future.

To determine if your business is an asset or a job, ask yourself these questions:

- Can you go away for more than 48 hours without everything falling apart?
- Do your customers and/or suppliers have relationships with anyone other than you?
- Are you able to invest some of your profits in assets outside the business?
- Do you have an exit strategy for your business other than liquidation?
- Could you leave the business tomorrow and be financially secure?

If you answered 'no' to these questions you may not be treating your business like an asset. Business owners who treat their businesses like an asset take steps to ensure the business can survive unforeseen events, focus on growing value not just income, and view the wealth that the business creates as the legacy rather than just the business itself.

WHICH STATEMENT IS MORE TRUE ABOUT YOUR BUSINESS GOALS?





HAPPY HOUR:
3PM-7PM
POUR OVER
+
COOKIE

New Strawberries
\$4 ea.

Pour Over
Kenya
Guatemala
Colombia

Question #3: Are you focused on value or income?



Income-focused

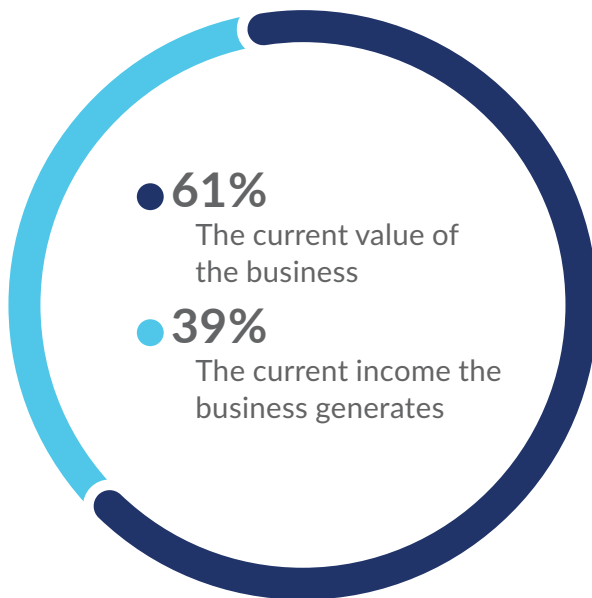
Business owners who are focused solely on current income are typically lifestyle business owners. A lifestyle business owner views the business as successful as long as it's affording their lifestyle today, with little regard to making sure the business can continue beyond their stewardship.



Value-focused

In contrast, a value-focused business owner prioritizes growing enterprise value over income, realizing that when business value grows, the income will be there for today and tomorrow.

WHAT DO YOU VIEW AS YOUR MOST IMPORTANT SUCCESS METRIC?



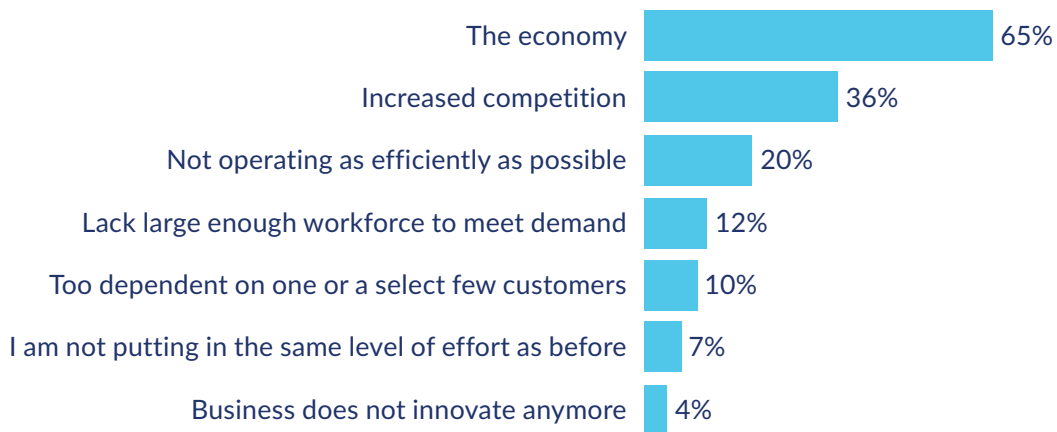
“59% of owners believe they’ve maximized their business value.”

Don't Just Blame It on the Economy

While the majority of business owners view value growth as their most important success metric, just under half still believe their businesses values can grow in the future.

Owners often look at external factors, such as the economy, competition, and regulations, as the culprit for their businesses not achieving its highest possible value. However, there are many internal ways an owner can enhance their value, specifically by strategically improving the way the business is run.

REASONS BUSINESS IS NOT ACHIEVING ITS HIGHEST POTENTIAL VALUE



There are certain drivers that exist in your business that can have a big impact on your valuation. Think of these as the different levers you can pull to enhance the inner workings, and thus the value, of the business. Nearly 30% of business owners believe their business value will grow by strategically improving the operations in the business.

Some of these drivers are in the direct control of the owner, such as:

- ✓ sales and marketing
- ✓ product and customer diversification
- ✓ recurring revenue

While others are market driven, such as:

- ✓ barriers to entry
- ✓ market size
- ✓ competition

When you commit to improving these areas of your business, you not only maximize value today, but have a better chance of being a best-in-class business in your industry and selling at the highest possible multiple of earnings.

Question #4: Have you minimized risk?

As a business owner, you took a risk by simply embarking on the path of entrepreneurship. And even as your business becomes more mature, the risks never seem to go away.

Owners should bucket their risk into these four categories:



Personal



Business



Future



Team

And while our study shows that owners recognize the risks that exist in these areas, few are taking the necessary steps to properly mitigate them.

Personal Risk	76% of owners are concerned about protecting their families if they pass away unexpectedly, yet...	only 56% have life insurance as part of their personal plan.
Business Risk	72% say the business would survive for less than five years if an owner unexpectedly left, yet...	only 36% have identified potential successors.
Future Risk	76% of owners are concerned about having sufficient income in retirement, yet...	only 34% say they are saving enough each year.
Team Risk	76% are concerned with attracting and retaining key employees, yet...	only 34% offer retirement savings plans to their employees.

De-risking requires time, dedication, and resources. To assist, consider budgeting 1% of the enterprise value of your business to address these types of risks. This investment can be used in areas such as financial planning; drafting and funding agreements; estate and succession planning; auditing financial statements; and other business protection and growth activities.

In addition, **82%** of business owners prefer working with a single advisor to address both their business and personal planning. So, it's vital to find a trusted professional who can be the "quarterback" of your broader advisor team.



Areas of Focus for Business Planning

To begin to address the realities of the questions previously posed, owners should focus on four critical areas of planning:

- Planning for the unexpected
- Knowing the value of the business
- Coordinating your business and personal plans
- Exiting the business

Focus area #1: Planning for the unexpected

Business owners should ask themselves another important question: If you died 90 days ago, what would your business be worth today? For some, it could be pennies on the dollar. Without a current, funded, and signed buy-sell agreement in place, a forced liquidation of the business could be the reality should an unexpected event occur.

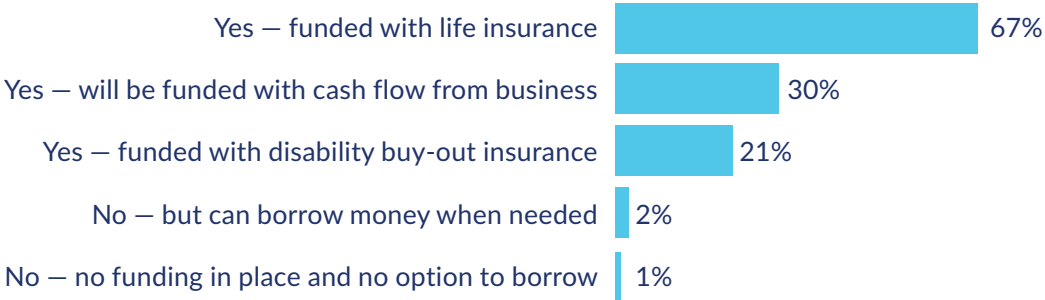


A buy-sell agreement should be drafted to protect the business from the five D's: death, disability, divorce, departure, and disqualification. When properly executed, a buy-sell agreement can help ensure the continuity of the business when ownership needs to change hands. It is a legally binding agreement that requires one party to sell and another party to buy ownership interest in a business when a triggering event occurs.

“About half of business owners have a buy-sell agreement in place.”

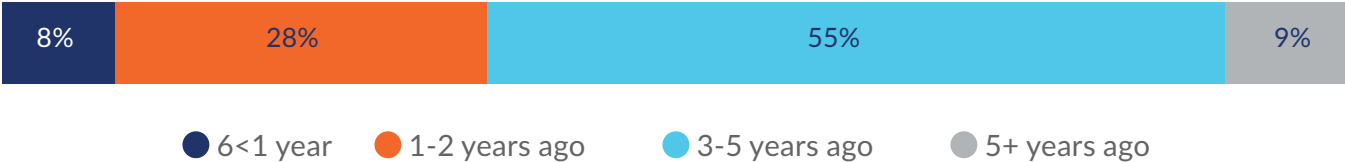
A buy-sell agreement must also be properly funded in accordance with the current value of the business. Funding buy-sell agreements with insurance products, specifically life insurance and disability buy-out insurance, is often the most effective method. Otherwise, remaining owners may be forced to liquidate business or personal assets or take operating cash out of the business to purchase the ownership interest of the departing owner or his/her family. Our study shows that about a third of buy-sell agreements may not be properly funded.

HOW ARE BUY-SELL AGREEMENTS FUNDED?



It’s also recommended that a buy-sell agreement be reviewed at least every three years to reflect any changes, such as business value, family relationships, and ownership interest. Our study shows that about two-thirds of buy-sell agreements are stale.

TIME SINCE LAST REVIEW OF BUY-SELL AGREEMENT



In addition, remember that the business can suffer from the loss of a key employee just as much as from the loss of an owner. Putting benefit plans in place to keep your key employees loyal, as well as safeguarding the business from the death of a key employee, can go a long way toward protecting your business’s long-term success.

IF YOU LOST A KEY EMPLOYEE TOMORROW, HOW LONG WOULD IT TAKE TO REPLACE THEM?



Focus area #2: Knowing the value of the business

Your business is probably your most valuable asset, so it's important that you develop a proper understanding of its value. Business valuation is very much top of mind for most owners, with:

72% saying that **knowing their valuation is important**

70% saying they've **had a valuation done** in the last three years

The reasons given for wanting to know their valuation tend to focus more on business key performance indicators (KPIs) rather than on strategies to protect the business and the wealth it generates. Some business owners also stated they would only need to know its value when they are ready to sell.

There are critical milestones in the lifecycle of a business when an owner needs to have an accurate valuation and these appear to be under-represented according to our study. For example:

- Only 26% considered a valuation for the purposes of estimating any estate tax liabilities.
- Only 22% considered a valuation to know if the business has sufficient value to fund retirement.
- Only 21% considered a valuation for the purposes of establishing a buy-sell agreement between partners.

TOP REASONS TO OBTAIN A BUSINESS VALUATION



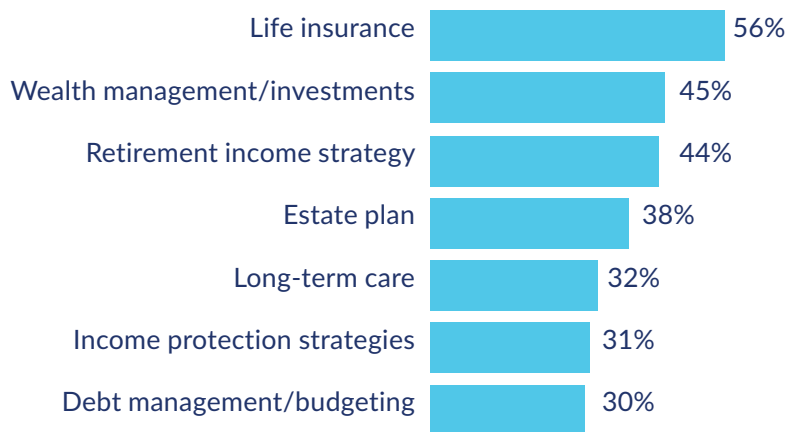
Furthermore, our study indicates that even though over half of business owners believe they've already maximized their business value, two-thirds are still interested in knowing what their future value potential can be.



Focus area #3: Coordinating your business and personal plans

Most business owners recognize that their business and personal financial well-being are interrelated. In fact, two-thirds of business owners say they are confident in the alignment of their business and personal plans. And while over half of the respondents said protecting their loved ones with life insurance is a part of their personal plan, there appears to be deficiencies in other areas, particularly in saving for retirement.

COMPONENTS OF BUSINESS OWNER PERSONAL FINANCIAL PLANS



84% of business owners claim to have a personal financial plan.



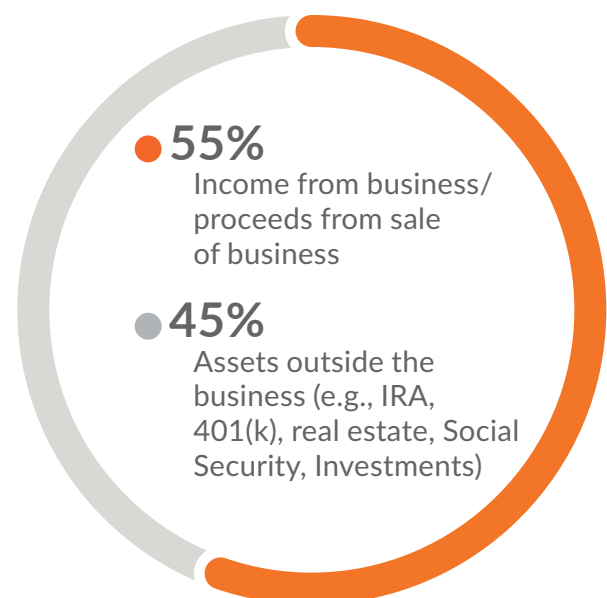


Business owners say funding their retirement will be a 50/50 split between the sale of the business and assets saved outside the business (qualified plans, Social Security, investments, real estate, etc.). **But here's the reality:** the average value of business owners' retirement accounts is **\$919k**. **That means business owners are underestimating** the role their businesses will play in funding their retirements.

It also explains why only **36%** **say they are right on track** with where they need to be with retirement savings.

The difference between the value of your business and the amount of money you need to maintain your current lifestyle in retirement is called your "wealth gap." Knowing this number is vitally important to effectively plan for life after the business, as well as how and when you will exit your business. Our study shows that few business owners have included this analysis as part of their personal financial plan and only 34% have even calculated the amount of money they need in retirement.

MAKEUP OF RETIREMENT INCOME FUNDING



Focus area #4: Exiting your business

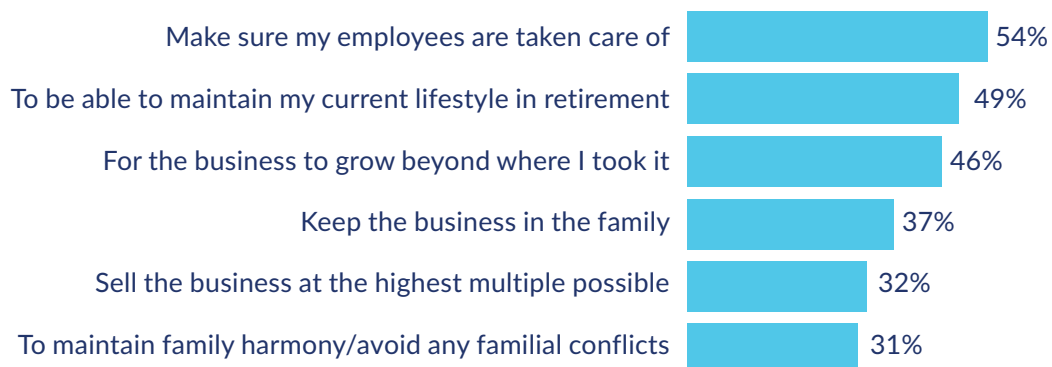
We've shared a lot of research findings in this summary, but there's one statistic we don't need research to prove:

100% of business owners will exit their businesses someday.

Exit planning is an ongoing, comprehensive strategy that allows business owners to leave their businesses when they want, for the money they need, and to whomever they choose. Business owners who view their exit as an inevitability, and plan accordingly, will have flexibility and options for life after the business. According to our study, about half of business owners have started the exit planning process, but only 4% have seen it all the way through.

It's easier to plan for life after your business, and begin the exit planning process, once you've established your personal and professional goals. Our research shows that business owners have a wide range of goals and each have an impact on the business, family, and community.

MAIN GOALS FOR WHEN EXITING THE BUSINESS



To achieve these goals, it's important to understand all the available options – both internally and externally – for transitioning your business. About half of the business owners we surveyed plan to sell their businesses, either internally to a family member or key employee, or externally to a strategic buyer.

IDEAL TRANSITION/EXIT STRATEGIES



There are pros and cons to each exit strategy. You'll need to spend time not only in the selection process but also considering how your chosen strategy will impact your retirement income. The earlier you begin the planning process, the more options you will have to exit the business on your terms.



- **63%** believe their chosen exit strategy will maximize their future income
- **37%** believe a different strategy would offer higher future income vs. their chosen strategy
- **11%** are not sure how their chosen exit strategy will impact their future income

A Pillar in Your Community

A successful business begins with building a solid financial foundation and then planning for all outcomes. Business planning is not something that's done overnight. Our hope is that this research will provide you with the steps you can begin to take today to set your business on the path to a more financially secure future for you, your family, and your employees.

At MassMutual, we recognize the challenges you face and are equipped to help you prepare for the future with more confidence. Our goal is to help you stay focused on the task at hand – running your business – while working in concert with your trusted advisors to help you create a financial blueprint for the long-term success of your business. In fact, we have financial professionals who are trained and certified to work specifically with business owners like you.

Put our qualities of strength, experience, and stability to work for your business. To learn more about how MassMutual can help you protect what you've worked so hard to build, visit www.MassMutual.com/business/business-owners.

The research was conducted by HawkPartners for Massachusetts Mutual Life Insurance Company (MassMutual) via a 20-minute online survey of 819 U.S. small business owners in January/February 2025.

