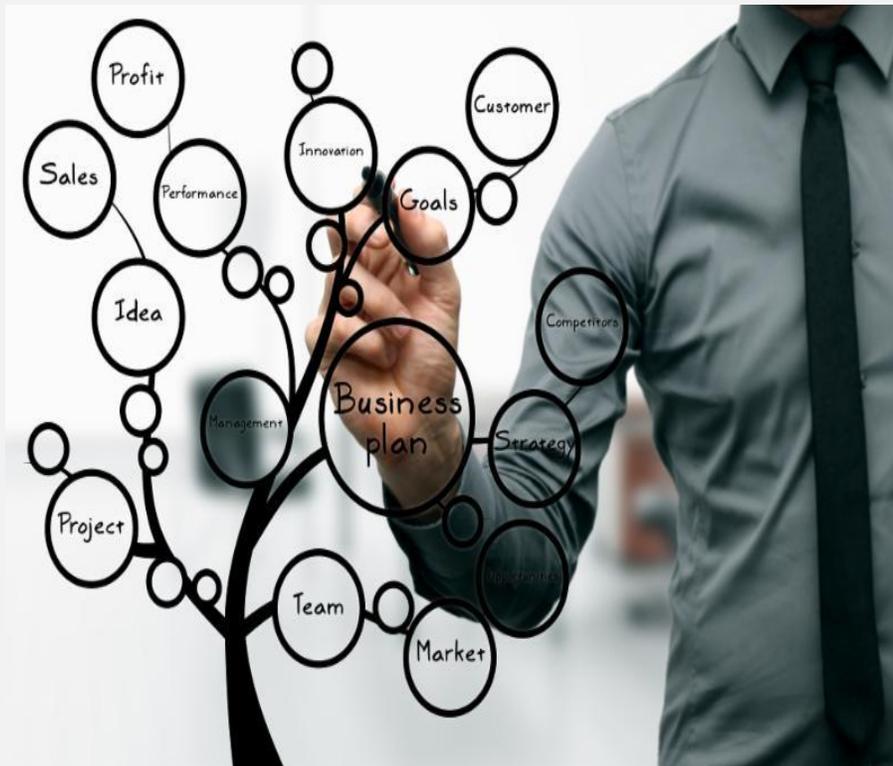


## How to Retain Your Existing Business Clients



As professional advisors, many of us have had long-term relationships with our clients. There is a phenomenon facing a large percentage of our business owner clients – and it is one of advancing age and having their wealth concentrated inside their privately held business.

Everyone has heard the statistics about the baby boomer population approaching retirement age. There are approximately 10,000 people turning 65 every day. While many baby boomers want to continue to work well past the age of 65, there are other considerations that need to be taken into account. Factors such as health, lifestyle, partner disputes, divorce, as well as the personal risk of having a large percentage of one's personal net worth tied to a single asset should all be evaluated as part a business owner's planning decisions.

There are essentially three strategies for a business owner to transition ownership of their business: external sale, internal sale or orderly liquidation.

As professional advisors, we should be having strategic conversations with our clients regarding the following:

1. understanding the current value of their business,
2. what needs to be done to increase the value and lower the risk of the business,
3. the owner's long-term plan for ownership of the business.

There are numerous financial and strategic buyers approaching our clients every day to buy their business. In these situations, often it's too late to address planning needs, or the owner has a set path in their mind to sell externally. By having strategic dialogue with our clients in advance of a sale being contemplated, it puts us in a position to discuss a broad range of planning issues. In proactively discussing these options, business owners may determine that an internal ownership transition plan is a better option for them financially, the employees, the local economy, and for preserving their legacy.

Many business owners do not realize there are a multitude of options available to finance an internal ownership transition. One option growing in popularity is utilizing a Small Business Administration (SBA) loan under the 7a program. These loans can accomplish a management, family, partner or an employee buyout of the owner. SBA 7a loans can also be used to finance the buyout of a majority or minority shareholder as long as the purchasing shareholder(s) will have a 100% ownership interest in the company post transaction. The maximum loan amount under the SBA 7a lending program is \$5 million.

Another option available for an internal transfer of the business is through partnering with a Private Equity Group (PEG). There are literally hundreds of private equity groups nationally looking for investments in privately held companies. There is an abundance of capital looking for the right kind of investment opportunities. PEGs will make minority or majority investments in a company. Proceeds from the PEG investment can be used to buy out minority or majority shareholders, provide liquidity for the owner for investment diversification, as well as capital for growth of the Company. Often times with a PEG investment in a company, the management team and owners stay with the company for several years following the transaction.

Engaging with your clients in a more strategic dialogue will not only reinforce your role as a trusted advisor, it also will lead to long-term client retention. Florida Capital Advisors would be happy to provide professional development training for the members of your firm to help engage your clients in a more strategic dialogue around the long-term plans for their business. Our educational materials qualify for CPE and CLE credit. Let us know how we can help.

**Florida Capital Advisors through Florida Capital Bank provides SBA financing for shareholder buyouts and business acquisitions.**



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