

## Family misfortunes: Business owners have no confidence in their relatives’ ability to keep business booming

- 43% of owners who are planning to pass on their business to their family admit to having little to no confidence that those family members will continue its success.
- Over a third (37%) of those who are planning to hand their business over intend to give their company to a business associate
- 26% will give their business to just one of their children despite having two

More than two fifths (43%) of business owners who are planning to pass on their business to their family admit to having little to no confidence they'll continue its success, according to research from wealth manager Charles Stanley.

The research, which surveyed 500 UK business owners and entrepreneurs, has revealed the manners in which business owners intend to step back from their businesses, fuelling concerns over the lack of coherent and thought through exit strategies among UK business owners. The findings show that keeping the business in the family is often a priority. This is despite evidence indicating that business owners’ confidence in their family members’ ability to keep their businesses successful is low.

Although well over a third (37%) of those who are planning to hand their business over intend to give their company to a business associate, the research shows that business owners are decidedly keen to keep their enterprises in the family. Two in five (42%) intend to pass their business on to their children and grandchildren, and a further 13% will give their business to a friend.

When it comes to who in the family they intend to hand the business over to, owners are split – 26% of people with two children will give the business to just one of them, as will 17% of those with three children. A further 14% of all owners will pass the business down to all their children. While this may seem like the fairest route, in practice this could present complications on how the business is run in the long-term.

Similarly with grandchildren, almost one in ten (8%) owners will give their business to just one grandchild, while 5% will hand their business to all their grandchildren.

### How business owners plan to step back:

I will keep the business within the family / pass the business down to my children	20%
I will invest	19%
I will step down/away but will stay on the board	13%
I will sell the business but to an individual / business who I think will benefit the business	12%
I will merge the business with one in my portfolio	11%
I will restructure the business	10%
I will sell the business to the best offer / highest bidder	10%

The research also reveals the nature of family involvement in owners’ businesses. Among those who are planning to pass on their business to their family, almost one in five (19%) say members of their family hold positions on the board. A fifth (22%) say members of their family hold a managerial position, while 16% say that although no

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family members work for the business, some do provide ad hoc consultancy as required. A further 22% say members of their family are part of the wider workforce.

However, despite an apparently widespread level of family involvement, a quarter (25%) of owners say their family members are not involved in their primary business. This would indicate potential handover concerns.

**Andrew Meigh, Managing Director of Financial Planning at Charles Stanley, said:** *“As much as individuals may wish to pass on a legacy to their families, business owners still worry about how their enterprises will fare once the keys have been handed over.*

*“Our Fortune Favours research has revealed a staggering lack of preparedness when it comes to business succession planning and exit strategies. This is even more important when loved ones and family relationships are involved.*

*“Having a plan in place and navigating difficult conversations with loved ones is an important factor of a successful handover. Not only will it help ensure sound financial planning and the future success financial success of the business, perhaps more importantly, it will help face off the potential for huge family ructions.”*

Charles Stanley is on hand to provide a financial planning perspective to business owners and their advisers as they decide the best way to fund their business. It works with legal, tax, and accountancy teams to help owners structure and manage owner wealth outside their business, and ensures that a wealth plan aligns with a holistic plan for life including philanthropy, new business causes, and personal life and retirement.

To access Charles Stanley’s *Exits in the UK* report, please visit: <https://www.charles-stanley.co.uk/insights/knowledge/exit-in-the-uk>

**ENDS**

**Methodology**

Research was carried out for Charles Stanley by Censuswide. It surveyed 503 UK Business Owners and entrepreneurs - with a household income of at least £100k – between 02.08.2023 and 07.08.2023.

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