

2021 Principal Business Owner Insights

# Insights to help you plan for the future

# We asked what's on the minds of business owners like you



Small businesses are an important part of communities and can help strengthen the U.S. economy. While business and financial planning may not always make it to the top of your busy to-do list, putting plans in place may be easier than you think.

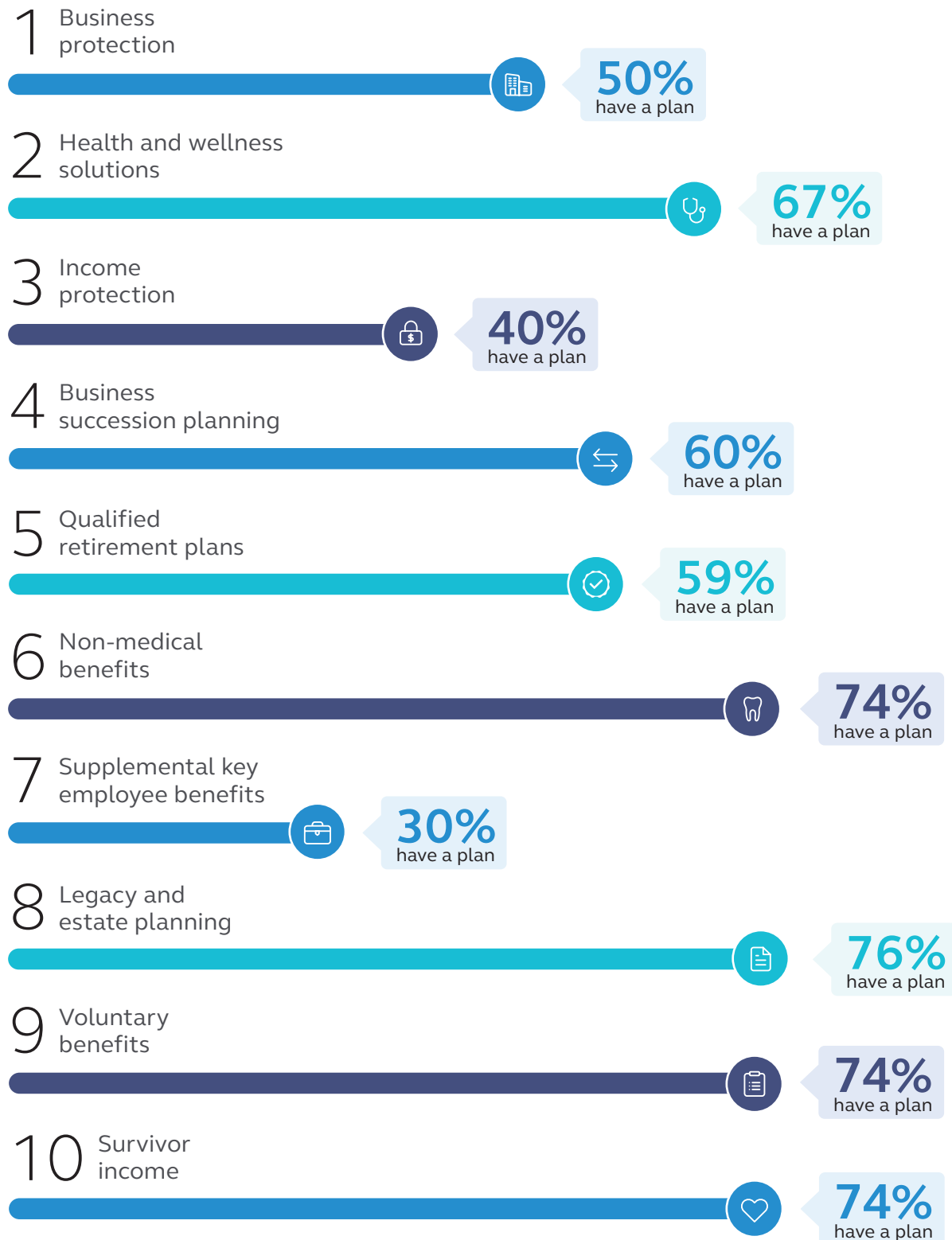
See what other business owners said in the survey. These insights can give you an inside look at what your peers are doing and provide some benchmarks to consider as you create your own priorities and action plan.

## Using this guide

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# Snapshot of top priorities and realities

We asked business owners to rank their top priorities and whether they had a plan in place today. Even though business owners rank these as important, many still need help protecting what matters most.



# Are your priorities similar to or different from your peers?



## Solutions for your business

Protect the future of your business

### > Business protection (#1 priority)

Helps safeguard the integrity, cash flow, and value of the business if unexpected events like death and disability occur to a key person or business owner.

**What we heard** — Among business owners who have a plan in place to protect their business, key person life and disability insurance are the most popular, with significant growth in disability overhead expense and key person disability insurance.

**Planning tip:** Principal can help calculate the value of a key employee and then offer insurance solutions to protect the business due to a death or disability.

### > Business succession planning (#4 priority)

Formal agreements help ensure everyone involved is on the same page when it comes time to transition the business.

**What we heard** — The results show more than half have 2 to 4 owners. And close to two-thirds (66%) are family-owned. Of the family businesses, just over half are first-generation owners.

**Planning tip:** Don't forget to have the proper funding vehicles — like savings or insurance — to exercise the plan, and to review everything periodically.



## Solutions for your employees

Stay competitive by offering benefits

### > Health and wellness solutions (#2 priority)

These are employer-sponsored programs that provide health-related benefits and organized activities to help employees maintain or improve their health.

**What we heard** — Comprehensive health insurance remains the most common solution (60%) with employee assistance program (EAP) and emotional & wellness programs showing growth.

**Planning tip:** These solutions work together to keep employees healthy and working, and can be designed for your needs and budget.

### > Qualified retirement plans (#5 priority)

These are retirement solutions, including 401(k) plans and traditional defined benefit plans that are generally available to the majority of employees.

**What we heard** — The 401(k) plan continues to be the most popular option offered.

**Planning tip:** Principal offers expertise in the major plan types, as well as service—to make it easier on you to maintain the plan. Talk to your financial professional to help you choose retirement benefits that work for your employees and business.

## Solutions for your employees (continued)

### > **Non-medical (#6 priority) and voluntary benefits (#9 priority)**

Offered at the worksite, they can be employer-paid or employee-paid (voluntary) and typically include benefit options like dental, disability, life, and vision insurance.

**What we heard** — Most business owners say their employee benefits package helps with employee retention.

**Planning tip:** These solutions can be designed to fit your needs and budget.

### > **Supplemental key employee benefits (#7 priority)**

These are typically targeted to key employees who are critical to the success of the business.

**What we heard** — Disability income is the most common (35%) followed by deferred comp-future benefit (27%), and executive bonus plans (26%). When looking at what benefits to offer these employees, affordability and ability to attract/retain are key considerations.

**Planning tip:** Principal can help find a plan to fit your business type and overall goals with funding options tailored to your need.

## Solutions for your lifestyle Protect yourself and your family

### > **Income protection (#3 priority)**

Helps replace a portion of income and provides continuous cash flow if you're too sick or hurt to work.

**What we heard** — Owner use of individual disability income insurance has grown steadily—34% in 2017 to 42% in 2021.

**Planning tip:** Individual disability income insurance can provide you with monthly payments when you're too sick or hurt to work. Find out what you need to protect your income and how much it might cost using this simple calculator: [principal.com/dicalc](https://principal.com/dicalc).

### > **Survivor income (#10 priority)**

Life insurance helps provide for your family in the event of death, and can be used to help you achieve other financial objectives.

**What we heard** — You'll be in good company when you buy life insurance — 75% of your peers own it.

**Planning tip:** Be sure to consider the type of life insurance you buy — both term and permanent insurance can be helpful to meet your objectives. Find out how much life insurance you need and how much it might cost using this simple calculator: [principal.com/lifecalculator](https://principal.com/lifecalculator).

### > **Legacy and estate planning (#8 priority)**

When properly funded, these plans and/or agreements can help ensure there are assets—both personal and business—to meet your lifetime objectives.

**What we heard** — Wills remain the most common wealth transfer strategy (57%), but family trusts, family limited partnerships and irrevocable life insurance trusts are examples of other strategies that continue to be used.

**Planning tip:** Be sure to review your will and other plans annually to make sure they still accurately reflect how you want your assets distributed.



## Do you have the right team helping you?

73%  
of business  
owners use  
a financial  
professional.



34% use a CPA and 22% use an attorney to assist with insurance and employee benefit needs.



27% don't use a financial professional.

**Those who are looking for a financial professional factor in expertise and cost.**

Working with a trusted financial professional, CPA, and attorney can provide the complete support you need to move your business forward. Their background and insights can work together to give you a more holistic perspective. Is your team complete? If not, ask one of them for a recommendation.

**Your goals,  
our purpose**

No matter what's important to you, Principal® is here to help you identify and implement solutions that are right for your business needs.

# What are the next steps?

## Step 1: Determine your priorities

### Solutions for your business

- Business protection
- Business succession planning

### Solutions for your employees

- Health & wellness solutions
- Non-medical and voluntary benefits
- Qualified retirement plans
- Supplemental key employee benefits

### Solutions for your lifestyle

- Income protection (disability insurance)
- Survivor income (life insurance)
- Legacy & estate planning

## Step 2: Connect with your team:

Financial professional: \_\_\_\_\_

CPA: \_\_\_\_\_

Attorney: \_\_\_\_\_

Other: \_\_\_\_\_

# Online tools for business and benefit planning

## Assess your business needs

Use the Principal® Business Needs Assessment to get your personalized report to explore best practices for helping protect your business, your employees, and your lifestyle. [principal.com/businessneedsassessment](https://principal.com/businessneedsassessment)

## Compare your benefits

See how your benefits compare to what other organizations of your size, industry, and region offer their employees with the Principal® Benefit Design Tool. Are you competitive? [benefitdesigntool.principal.com](https://benefitdesigntool.principal.com)

# About the survey

Dynata conducted 1,011 online interviews from Jan. 11 through Jan. 22, 2021.

Respondents qualified to take the survey if they met the following criteria:

- United States resident age 21 or older
- Currently employed, either full time, part time or self-employed
- Business owner of at least 5 percent of the company
- Actively manage their business
- Own a company with between two and less than 500 employees

Results are weighted based on the number of employees and annual sales. Potential respondents were selected from those who agreed to participate in Dynata surveys. Because the sample is based on those who agreed to be invited to participate, no estimates of theoretical sampling error can be calculated.

 **Let's connect** | Contact your financial professional or go to [principal.com/ownerinsights](https://principal.com/ownerinsights).



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