



If you have all your eggs in one basket, you better keep an eye on that basket!

Most people are familiar with the investment rule “don’t keep all your eggs in one basket”. Business owners often don’t follow that rule. For most entrepreneurs, the value of their business represents 80%-90% of their personal net worth. It is human nature to feel better about investing in your own business rather than stocks, bonds, or real estate. However, having a concentration of wealth in your business is potentially risky.

If the majority of your “financial eggs” are in one basket, how do you keep your eye on that basket? First, it is important to reduce as many risk points in the business as possible. These risk points would include:

1. customer concentrations
2. supplier concentrations
3. inadequate systems and processes
4. poor quality of financial information
5. management team strength and succession

Succession planning should be of critical concern to you as a business owner. While it may never be your intention to sell your business, if you don’t have a well-defined succession plan, your company will be exposed to undo risk. In many instances there is no apparent successor within the business. The business owner may be required to look outside the business for his or her successor.

Whether you have an internal successor identified and groomed to assume your role at some future point (or need to look outside), a minority equity ownership in the company by your successor is important. An equity interest of 10%-30% is generally the ownership range for a minority shareholder investment. The usual candidates for a minority ownership interest include; existing (key) employees, senior management, family members or an outside hire. The opportunity to acquire a minority shareholder position at an attractive valuation, and participate in subsequent growth in company value, is a great opportunity for your potential successor, as well as a significant step towards long-term business succession planning.

Florida Capital Bank has experience in advising and funding minority shareholder buy-ins. We can provide the critical thought process and lending resources to potential minority shareholders necessary to achieve your succession planning goals.

Chuck Owston, CM&AA
Managing Director, Commercial Lending/Business Advisor
407.540.5802
cowston@flcb.com

Peter Allport, CEPA
Director, Commercial Lending/Business Advisor
407.540.5806
pallport@flcb.com