

Building a legacy

The fiscal practices of today's
African American business owners



We'll help you get there.®



“The choices we make about the lives we live determine the kinds of legacies we leave.” — **Tavis Smiley**

Aspiring for greatness

More and more each day, African Americans are creating new opportunities for themselves, their families and their communities. New opportunities that are helping them live the American Dream and achieve success. As business owners, they are making strides toward building successful companies that will open new doors for their families, give back to their communities and eventually become part of their legacies.

But turning those goals into reality in light of the economic downturn and the rising cost of living can become even more challenging without a solid financial strategy.

Although the African American business community has shown an increase in entrepreneurship at triple the national rate and doubled its revenue between 2002 and 2007¹, these businesses tend to remain small and have the lowest survival rate of any ethnic group. Just 61% of African American-owned businesses survive four years.²

A 2011 study of business owners and entrepreneurs conducted by GfK Custom Research North America for Massachusetts Mutual Life Insurance Company

(MassMutual) looked at attitudes and concerns among general population and multicultural business owners. The survey reveals that African American business owners are emotionally invested in their businesses, which they view as a way to get ahead and to access opportunities for themselves and their families. The African American respondents were mostly males, and almost all were first generation businesses (90%), with three-fourths having been in business for more than 10 years. There was a wide range of businesses across industry type and number of employees, along with a wide range of owners across age, with 60% having at least a bachelor's degree.

The research shows African Americans started their businesses to follow their dreams, give back to the community and have something tangible to pass on to their children. But the need for financial education and lack of a long-term strategy could compromise the legacy they want to leave.

To ensure that the African American businesses that many worked so hard to build continue to thrive and support their families and communities well into the future, African Americans will need to work equally as hard to advance their fiscal practices.

¹ U.S. Census Bureau, Survey of Business Owners: Black-Owned Businesses: 2007

² U.S. Small Business Administration

Creating their own path



“I’m living my dream, and I want my children to live theirs. My business allows me to provide them opportunities that help ensure their future success.”
– Dorothy, cafe owner, St. Louis

Preserving and building upon family histories is important to African Americans, and they view a thriving business as one way to leave their mark. They started their businesses with a passion and drive to follow their dreams and get ahead, take control of their lives and pursue their interests. They have a dream of being able to share their success with and leave a legacy for both loved ones and their community.

African Americans are far more likely than general population business owners to attribute following their dreams as a major reason they went into business. Similarly, they are also motivated by passion for their line of work. These two emotional factors may be a basis for the belief that owning a business is the only way to get ahead, which 56% of African Americans cited as a major reason why they own a business versus only about one-third of general population business owners.

In addition to being motivated to follow their dreams to get ahead, African Americans want to take charge of their lives and be in control. We find this in their desire to be their own boss (72%) and to have control over their life and time (71%). Instead of taking an easy road or settling for what’s available, African Americans are interested in opening a business to live the dream on their own terms, not someone else’s.

Major reasons for owning business

	General Population	African American
Provide financially for family	77%	77%
Be own boss	57%	72%
Have more control of life, time, etc.	53%	71%
To follow your dreams	36%	75%
Something tangible to pass on to children	35%	53%
Only way to get ahead	32%	56%
Give back to community	21%	53%
The business aligns with your education	26%	51%



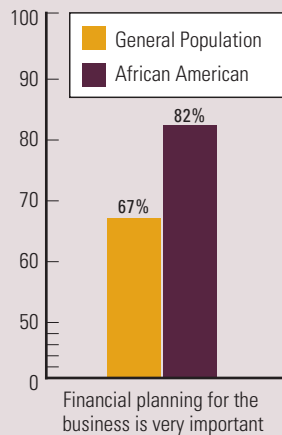
While building the dream, African American business owners want to support their families and pass on their success to their communities.

In fact, African Americans are far more likely than the general population of business owners to have gone into business to have something tangible to pass on to their children (53% versus 35%), as well as to give back to the community (53% versus 21%). Additionally, many are providing jobs for other family members and, like the general market, are trying to provide financially for their families.

Clearly, African Americans are motivated by a number of factors for which they opened their business and why they want to be successful. There is a culmination of their passions, their aspirations and their desire to create their own path and to leave a legacy for their families and communities.

Navigating the business of owning a business

Views of financial planning



“The success of my business will dictate the legacy I leave. It’s up to me to make sure it’s on the right track.”

– **Beverly, boutique owner,
New York City**



Perhaps not surprising given their reasons for owning a business, African American business owners understand the importance of financial planning in protecting what they’re working so hard to build. But almost a quarter of African American business owners shared that their business finances keep them up at night. Despite knowing what they should and want to be doing, many African American business owners just aren’t taking the necessary steps to protect their business.

African American business owners spoke of several areas of concern regarding their business, most of which they haven’t done anything about.

- About one quarter want to grow their business but feel they lack the financial knowledge to do so, compared with just 14% of general population business owners.
- Sixty percent are concerned with keeping employees loyal to the company, but only 26% have special benefits in place for key employees.
- About half are concerned with how their business would be affected by death or disability of a co-owner or key employee, but less than 20% have a buy-sell agreement in place to ensure the business continues if that person is no longer able to continue working in the business.

These gaps in concern and action may be due to a lack of time, information and available resources. We see that African American business owners are less likely than general population business owners to rely on bank loans and more likely to rely on other avenues like personal savings, family and friends and even venture capital. This may support the idea that there is a general lack of resources available and provided to help African American business owners grow, plan for and protect their businesses.

Another area where we see a gap between intention and action is in business succession planning – planning for the transition of a business from the current owner to the next.

- An impressive 83% have decided whom they'll pass the business on to or if they'll plan to sell it (only 12% plan to sell).
- What's positive is that 80% have talked to the person they plan to pass the business to about their intentions.
- Yet we see that only 30% have a succession plan in place, and of those with a plan in place, 31% created the plan themselves or just with their business partner.

If African American business owners want to ensure the business and legacies they're working to build are protected for the next generation, they will need to plan accordingly using help from a team of professionals. Not doing so may put their hard work in jeopardy.

On the bright side, African American business owners are more likely than general business owners to understand how important it is to value their business. In fact, almost half have done so within the past three years and have often relied on outside help. The importance placed on business valuation may be a result of using their businesses as a source of credit for their personal finances, which we'll learn more about next. For their businesses, African Americans should identify trusted professionals who can listen to their concerns and help them learn about ways to address those areas of concern.



Financial concerns & actions taken

	General Population		African American	
	Major Concern	Action Taken	Major Concern	Action Taken
Keeping key employees loyal to business ¹	53%	30%	60%	26%
How business would be affected by possible death of you, another owner, a key employee ²	44%	32%	46%	18%
How business would be affected by possible disability of you, another owner, a key employee ³	40%	25%	53%	19%

¹ Special benefits for key employees

² Buy-sell agreement for death

³ Buy-sell agreement for disability

How work comes home



Much of what we understand about African Americans as business owners is reflected in their views, actions and concerns about personal finances. We see again that they're looking for control over their finances, but tend to have fewer products and services in place to help. And perhaps due to all of their current worries, not much time or attention has been spent thinking about planning for retirement.

Nevertheless, many African Americans have a strong desire to be actively involved and in control of their personal finances.

- Eighty-eight percent want to be actively involved in all decisions regarding their personal finances.
- Just over half tend to do their own research and make their own decisions about insurance and investments.
- Yet 28% wish they were in more control of their finances, and about one in five report they don't know where to go for sound financial advice.

Perhaps not surprisingly, then, we see generally lower levels of ownership of financial products and services among African Americans. Though they want to be in control, and many are doing much of their personal financial planning on their own, personal financial concerns are heightened among African Americans compared to the general population. This again points

Personal financial products owned

	General Population	African American
Individual life insurance that is purchased on your own	85%	81%
A will	79%	69%
A qualified retirement savings plan, such as a 401 (k) , or an IRA	76%	60%
An estate plan	47%	37%
Group life insurance from work	45%	33%
Group disability insurance from work	36%	27%

to the value that trusted professionals can have in helping them with their financial plan and determine potential solutions for their many financial concerns.

African Americans will need to become prepared for retirement. One in three does not know when they'll retire, and, in general, African Americans tend to expect to retire earlier than the general population. They are more likely to say they will retire at age 65 or earlier. We also see that African Americans are more likely to believe that Social Security will be their primary source of income in retirement and less likely to believe that the proceeds from the sale of their business – the legacy they've worked so hard to create – will be a primary source of retirement planning. About half are concerned with funding their retirement. This illustrates how a lack of business planning may directly affect personal finances.

As was true for their business finances, African Americans express a desire to be involved and do well with regard to their personal finances but need help in doing so. Perhaps a lack of financial education and time to dedicate to finances is the cause. In order to create a legacy for their families, communities and even themselves in their own retirement, African Americans need access to the information they want and need to navigate their finances. Finding someone they can trust to help them may be an important step in preparing for their futures.

“I admit – I worry a lot. Owning a business comes with a lot of added responsibility and considerations, especially when you’re counting on it to position yourself and your family for success. Working with a financial professional has helped ease many of my concerns. She showed me the solutions that are out there for my specific needs and helped me put together a plan that’s realistic and will help me reach my goals at work and at home.”

– Will, construction company owner, Detroit

Financial topics of concern		
	General Population	African American
Protecting your assets and remaining as independent as possible if you would require long-term care	47%	69%
Protecting your family in the event of an untimely death	45%	62%
Protecting your family in the event of your disability – even for a short while	40%	57%
Paying down debt	39%	66%
Funding your retirement	37%	54%
Creating a long-term financial plan	28%	52%
Developing a college savings plan	10%	20%



Leave your legacy

A sound financial strategy can get African Americans one step closer to leaving the legacy *they want to leave*. Working with a trusted financial professional can help them build thriving businesses, make informed financial decisions and attain greater overall fiscal knowledge. Most importantly, it can help them leave an imprint on their family history and community.

A successful business begins with planning for and building a strong financial foundation. The financial professionals at MassMutual work closely with business owners to help focus on what they value most, clarifying what they want to achieve, then identifying solutions to help them work through the obstacles that may stand in their way to building a strong financial future.

MassMutual has been helping customers with their financial needs for more than 160 years and has financial strength ratings that are among the highest of any company in the industry¹. As a mutual company, we focus on providing long-term value for our policyholders and have proudly paid dividends consistently to them since the 1860s.²

We have always believed that good decisions are the foundation of every sound and secure financial future. We also believe when choosing a company to work with, ownership, strength and stability matter.

Visit massmutual.com/africanamerican today to contact a MassMutual financial professional in your area and learn how to take the next step in creating a solid business strategy so that you can leave the legacy you want to leave.

“I’m building a legacy – I have a successful business doing what I enjoy, along with a healthy family and supportive community. Now, I need to make sure I’m protecting it all. I’ve put my blood, sweat and tears into my business, and I’m not willing to risk losing everything.”

– **Josephine, bakery owner, Chicago**

Quotes are hypothetical and for illustrative purposes only.

¹ Financial strength ratings: A.M. Best Company: A++; Fitch Ratings: AA+; Moody’s Investors Service: Aa2; Standard & Poor’s: AA+. Ratings apply to Massachusetts Mutual Life Insurance Company (Springfield, MA 01111) and its subsidiaries, C.M. Life Insurance Company and MML Bay State Life Insurance Company (Enfield, CT 06082). Ratings are as of 8/1/2013 and are subject to change.

² Dividends are determined annually, subject to change, and not guaranteed.

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