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# Dividend Policy for Family Businesses

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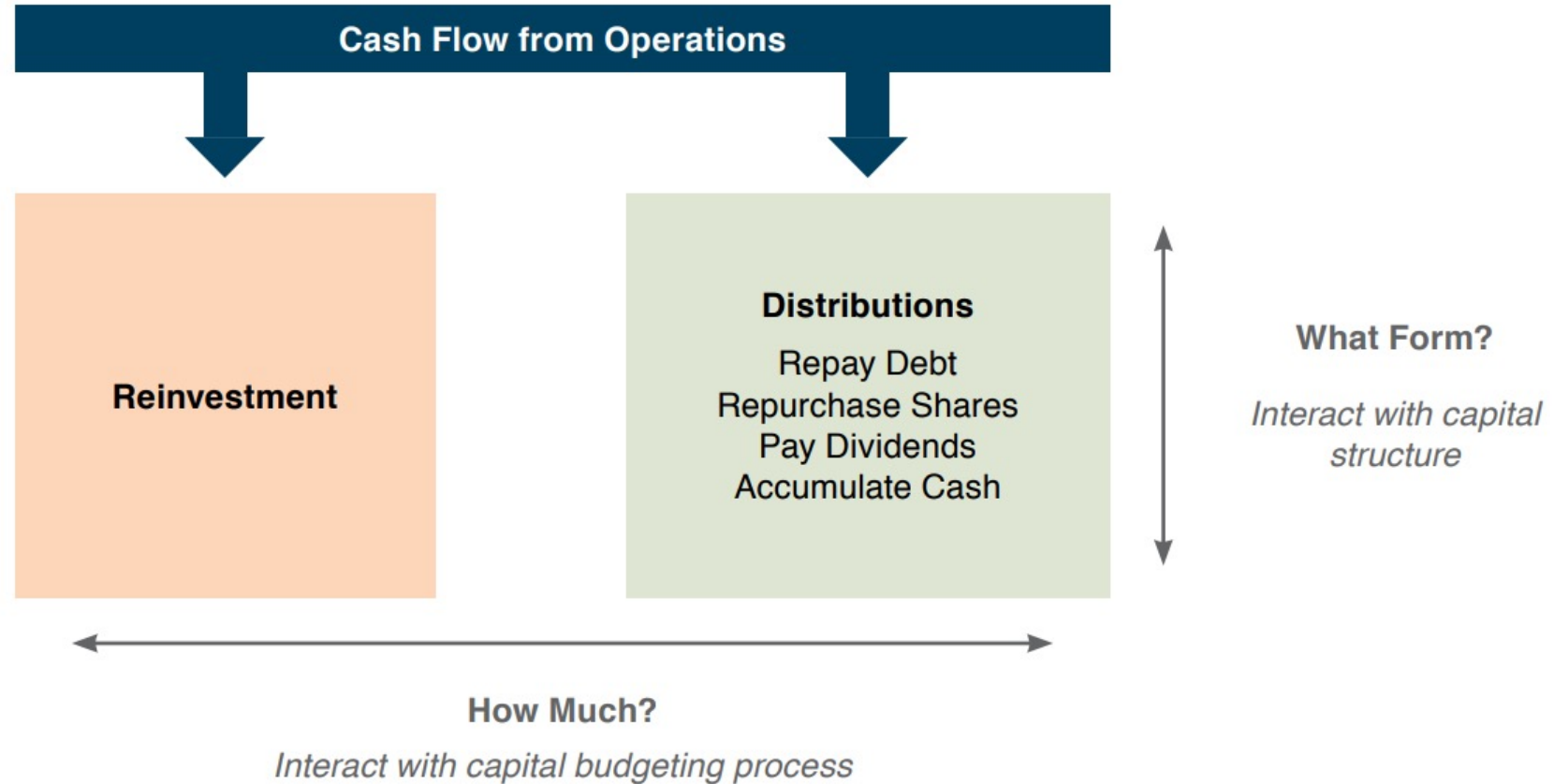


BUSINESS VALUATION &  
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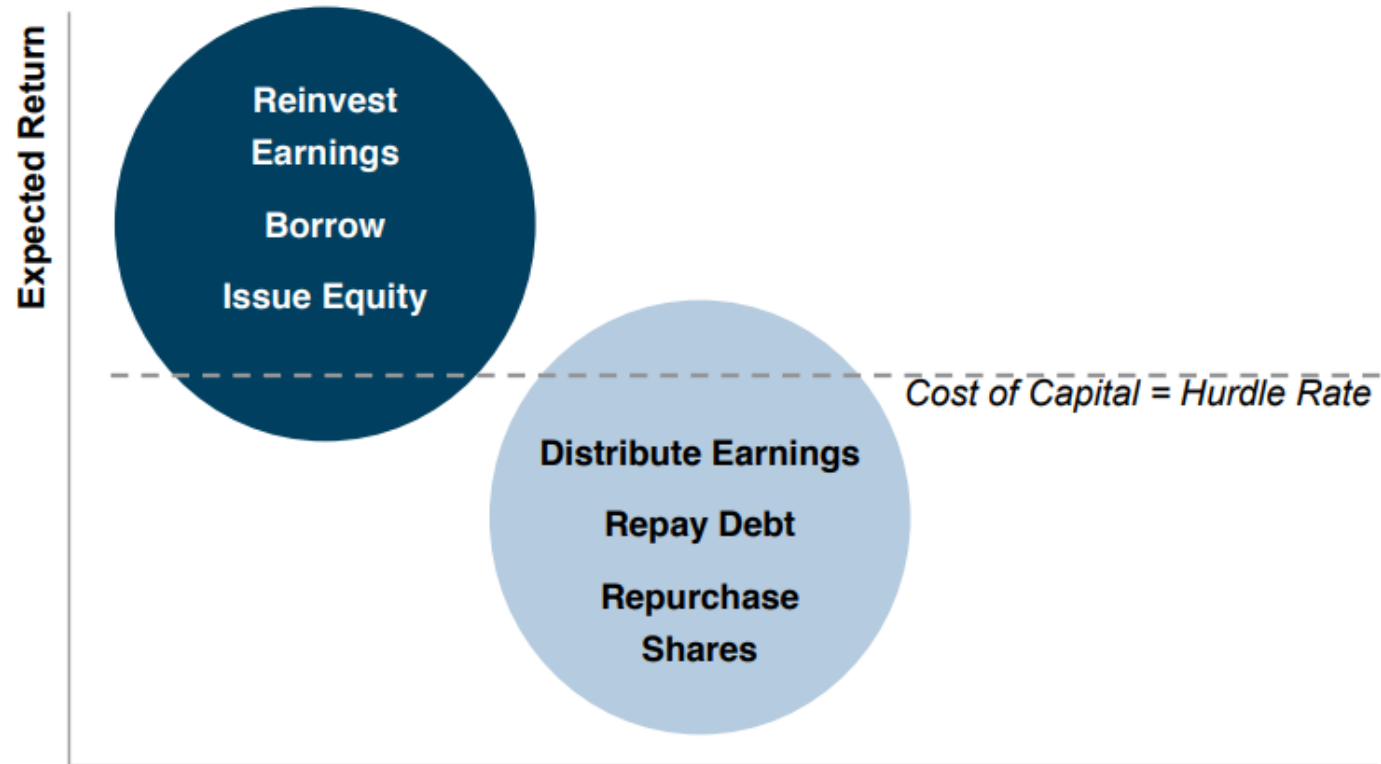
# The Scope of a Dividend Policy

Dividend policy encompasses both the “How Much?” and “What Form?” questions



# Distribute or Retain?

At the margin, the availability of attractive investment opportunities informs appropriate dividend policy



# Shareholders Matter, Too

Shareholder attributes influence dividend policy for family businesses

## Lower Current Yield Higher Capital Appreciation

Shareholders have sufficient income from other sources to fund desired lifestyles

Shareholders' other income sources have no or low correlation with the company's financial performance

Shareholders have limited alternative investment options with comparable risk-adjusted returns (i.e., high reinvestment risk)

Shareholders have reliable mechanisms for achieving liquidity on a predictable basis

Shareholders enjoy favorable tax treatment on capital gains

Shareholders have limited near-term cash needs

Shareholders have broadly diversified investment portfolios

## Higher Current Yield Lower Capital Appreciation

Shareholders have limited income from other sources

Shareholders' other income sources correlated with performance of the family business

Shareholders have abundant alternative investment options

Shareholders face uncertainty regarding when/if liquidity event will occur

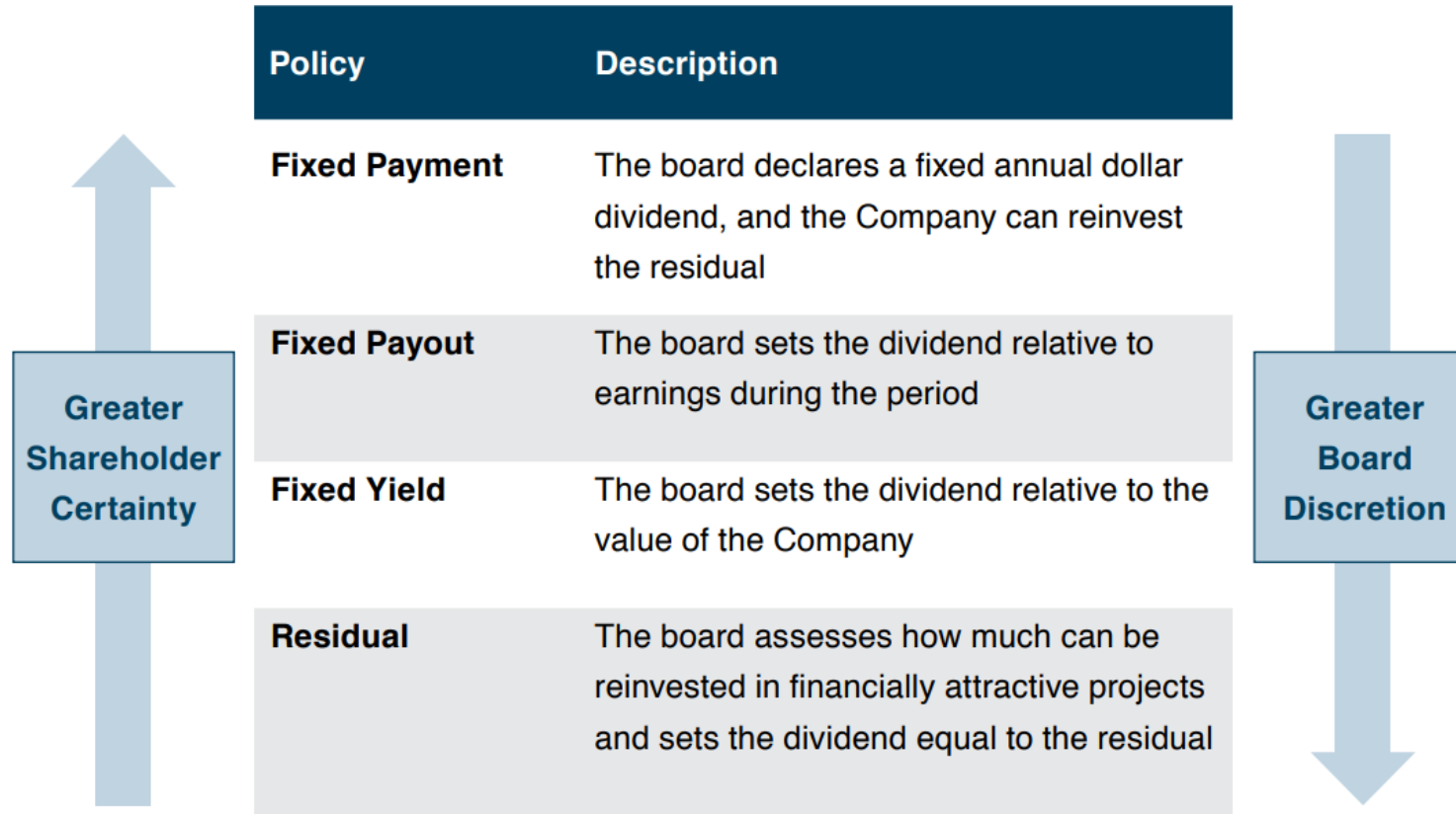
Shareholders enjoy favorable tax treatment on dividend income

Shareholders have significant near-term cash needs

Shareholders have concentrated investment portfolios

# One Size Doesn't Fit All

A clearly communicated dividend policy enhances predictability for shareholders





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Travis W. Harms leads Mercer Capital's Family Business Advisory Services Group. Travis's practice focuses on providing financial education, valuation, and other strategic financial consulting to multi-generation family businesses. The Family Business Advisory Services Group helps family shareholders, boards, and management teams align their perspectives on the financial realities, needs, and opportunities of the business. Additionally, Travis is a regular contributor to Mercer Capital's blog, *Family Business Director*.

[>> Click here to learn more about Travis](#)

# Mercer Capital's Family Business Advisory Services

Mercer Capital provides financial education services and other strategic financial consulting to family businesses.

## Services

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- Customized Board Advisory Services
- Management Consulting
- Independent Valuation Opinions
- Transaction Advisory Services
- Confidential Shareholder Surveys
- Benchmarking / Business Intelligence
- Shareholder Engagement
- Shareholder Communication Support

We help family ownership groups, boards, and management teams align their perspectives on the financial realities, needs, and opportunities of the business.

We also help family business boards and management teams explain strategic financial decisions to shareholders and help shareholders communicate preferences to boards and management teams.

We have had the privilege of working with successful family and closely held businesses for the past 35 years. Given our experience, we are convinced that an engaged and informed shareholder base is essential for the long-term health and success of a family or closely held business. Yet, cultivating an engaged and informed shareholder base is often difficult. We can help.

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