



Baby Boomer Retirement and Businesses for Sale

With nearly 78 million baby boomers approaching retirement, the implications for small businesses are astounding. But one of the big questions on everyone's mind is how the baby boomers' golden years will impact the business-for-sale marketplace.

In previous years, there has been speculation that retirement could drive large numbers of baby boomers into small business. The theory was that once they retired from their primary careers, baby boomers could afford the time and resources for entrepreneurial pursuits that incorporate their business experience and personal passions.

While this has happened to a certain degree, many of the baby boomers who retired into small business have found it to be more difficult than they anticipated. Long hours and limited staff resources took their toll, forcing boomer business owners to exit their fledgling companies sooner than they had hoped.

Yet, there is still an incredible number of businesses that are currently owned by baby boomers. In the next ten to fifteen years, it is expected that more than eight million privately-owned U.S. companies will be sold. When the time comes for the owners to exit these companies, they will face several options.

Some may choose to retain ownership of the business throughout their retirement, but play a passive role in day-to-day operations. This is more difficult than it sounds since most small business owners have the bulk of their savings wrapped up in their companies and need to sell their companies to pay for their retirement goals.

Other boomer business owners may try to transfer the company to the next generation. But in order for this to work, a number of conditions need to be met. The next generation (i.e. kids) have to be interested in owning and continuing the family business. However, even if they are interested, they still need to be qualified to make it work. Successful family transitions require years of planning and preparation, so unless the retiring business owner has a transition plan in place, a next generation sale may be out of the question.

It seems clear that the vast majority of retiring boomers will sell their companies on the open market. And if the market suddenly becomes glutted with boomer-owned businesses, that probably spells bad news for sellers.

To minimize the potential impact of glutted business marketplace, sellers should consider the possibility of selling sooner rather than later. If retirement is looming and you anticipate selling your company in the next ten

years, you will no doubt get a better price if you beat the rush. You might also want to think about taking some proactive steps to increase the value of your company before you list it.

If for some reason you find yourself selling the company in a glutted marketplace, your options will be limited, but if you are smart you can still gain an advantage by reducing the costs of the sale. For example, these days a lot of business owners are bypassing traditional brokerages in favor of a for-sale-by-owner approach. It's a lot more work, but it could potentially help recoup the losses you will sustain in a busy business marketplace.

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