



Many business owners wait until retirement to sell, and as baby boomers are getting older, the numbers of businesses for sale is rising. In fact, 57% of business owners identified their age as the main motivation for considering a sale.

January 1st 2011 was the day the first baby boomer turned 65. Baby Boomers in Australia are those born between 1946 and 1961. Like many other things done by Baby Boomers, we expect that their retirement options will be different from their parents. This is compounded by better health standards and resultant longer life expectancy post retirement.

Baby boomers own 80% of financial assets, control over 50% of consumer discretionary spend, consume 77% of prescription drugs and spend 80% of leisure travel dollar. There are around 5.5 million Australians 50 years or older.

This article got us thinking about the impact on the value of family businesses. Like most corporate advisers to the small/mid business market, we were expecting to see an increase in the number of baby boomer owned businesses come on to the market over the next 5-10 years, but the question not asked is who will buy these businesses? Simple supply/demand economics suggests that as supply of businesses for sale increase and demand for those businesses reduce, the prices will drop. We are less convinced that there will be a rush of businesses on the market particularly as the owners of these businesses have had their retirement savings hit during the GFC and the decline in the value of mid market and smaller businesses means that they are more likely to continue to hold them.

In addition the typical baby boomer owner/manager, if there is such a thing, has not determined what they will retire to so whilst they are healthy and having fun, they will not sell or retire.

We suspect that many family business operators who were expecting to fund their retirement from the sale of their business are going to be rather disappointed. As one founder said "if I am only going to get that EBIT multiple for my business, there is no point selling it." He won't be alone.

A handwritten signature in black ink that reads "Rod Russell". The signature is written in a cursive style and is underlined with a single horizontal line.