

Baby Boomers.....Do you have an Exit Strategy?

Can you hear the rumble in the distance? That is the Baby Boomers - they are getting ready to retire. On January 1st, 2011 the very first Baby Boomers turned 65. Baby Boomers in Australia are those born between 1946 and 1961.

In America baby boomers **started turning** 65 at a rate of 10,000 a day — a trend that will last for the next 19 years.

Unlike previous generations, baby boomers are looking forward to a longer, more active retirement - which will require more money. 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.

If you are the baby boomer in business and hoping to sell in the coming years, will you be selling into a market already saturated with businesses of similar types?

If so, you have even more reason to plan to take into account this very situation. With careful planning and a good exit strategy you can make your business more attractive to a purchaser, giving you the edge in the market place.

Ten years ago, succession planning was much talked about and whilst topical, no-one really did much about it: the economy was hot; retirement was off in the distance and, the baby boomers in their prime.

Fast forward, things have changed, we have had a GFC, we are all ten years older, business has been difficult for the last few years, retirement is looking attractive, however, and the super funds have taken a beating. Most baby boomer family businesses will be coming on the market in the next five to ten years and the reality is, most of them are un-sellable at the vendor's desired price.

The vast majority of baby boomers in this profile have no exit strategy out of their business either through a sale or transfer to other family members. In fact a 2006 study by RMIT found at that time the average age of business owners in Australia was 55 and 81 percent intended to retire within 10 years but 75 percent had no exit strategy. Most of these people have their retirement plans tied up in one asset - their business. Therefore it is critical that business owners have a game plan.



Rod Russell, Principal of Savvy Business Sales explains by implementing an exit strategy you have the opportunity to leave your business on your terms.

Every business is bound to change hands sooner or later and if you wish to have it happen on your terms you need a plan to cover all circumstances, even on occasions that may be out of your control.

You should operate your business so that it is ready for your exit every day of the year because you never know when circumstances will force your hand.

We are fortunate on the Sunshine Coast that we have good population growth which is consistently bringing in buyers for businesses. In recent years it has been (and still is) a sellers' market for good quality businesses. This could change drastically if the anticipated numbers of businesses flood the market, due to the volume of retiring baby boomers.

If this happens we suspect that many family business operators who were expecting to fund their retirement from the sale of their business are going to be very disappointed. The business sales market is cyclic, current conditions are guaranteed to change.....it is just a matter of when!