



## **Business Valuation: Baby Boomers Tipping the Scales?**

You, or someone very close to you, are part of 78 million Americans that make up the largest population segment in the United States: Baby Boomers. This generation is classified as anyone born between 1946 and 1964. According to a recent study by BIG Research, 9% of boomers with household incomes exceeding \$50,000 are small business owners. Using simple math that means 7 million companies in the United States are owned by individuals 44 – 62 years old.

If you or a family member fall into this category (baby boomer business owner), what is your exit strategy with your business? Currently, 33% of business owners in America will successfully transfer their family business to the next generation (Family Firm Institute). If you fall into the majority of US business owners (67%), then your children (X & Y generations) have most likely opted to not follow in your footsteps of taking over the family business, leaving you with significant, life shaping decisions.

It is safe to say that 5 million baby boom business owners do not have a son or daughter aligned to take over their privately-held business (due to choice or circumstance). This massive group of societal leaders is now left with only a handful of options:

- Keep the business well into their retirement years, possibly leaving it to estate settlement proceedings
- Dissolve the business should competent leadership not be in place after retirement
- Sell the business to a qualified buyer and have financial stability for future retirement and heirs.

Based on the financial burden Baby Boomers have from their children, parents and own personal lives, combined with the wave of owners reaching retirement sooner rather than later, we recommend the latter -- sell the business.

The Exit Planning Institute has projected that over the next 12-15 years, more than 8 million privately-held US companies will be sold. This is a tidal wave of “for sale” companies flooding the market place, primarily due to baby boomers seeking retirement. The sheer volume of companies for sale will inherently reduce purchase prices due to simple supply-demand economics; tipping the balance of available businesses for sale compared to capable, motivated business buyers. Trying to stand out in a crowd of sellers will be difficult due to a saturated marketplace of other baby boom-owned businesses. Those business owners that truly plan ahead and start executing their exit strategy today, can avoid a major dilemma and be prepared for the future (a flooded marketplace of similar companies for sale).

In order to start the process of planning the sale of your business, you first need to know what that business is worth. Determining the fair market value of your business can be an eye opening and empowering process. Seek out professional, independent expertise in order to conduct an accurate business valuation report. For the purpose of planning and determining fair market value, you should expect business valuation fees to range from \$3,000 - \$7,000, relative to the size and complexities of your small business operation. Once you have identified what the company is worth, you can then make decisions with confidence and choose your future path wisely. You will also be able to better understand value drivers specific to your type of business and industry. If the stars are aligned, you may wish to consider selling the business sooner rather than later. If the value is lower than you had expected, you can strategically grow and refine your business to increase value for your future exit. Timing is everything in the sale of a business.

Don't try to go at it on your own as that can be a long, painstaking process filled with inaccuracies and frequent misses. Rely on trained professionals and advisors to guide you down the exit planning path and give yourself plenty of time to do it right. A typical exit advisory group could consist of an attorney, accountant, business appraiser, business intermediary/broker, and financial planner. For smaller businesses, a couple of these roles can be consolidated for cost efficiencies.

Now more than ever it is critical that baby boom business owners figure out where they stand so they can strategically navigate for the future. You may have heard the adage, *how can you be lost if you do not know where you are going?* Ask yourself where you want to end up in life, not just for yourself but your family. What new challenges or hobbies do you want to take on in the second half of your life? Can you afford to do these things? Determine your ideal destination and end result, then reverse engineer your path to reach those specific goals. For the retirement planning of a small business owner, the starting point in all of this should be a small business valuation. It takes years to build a successful business, don't rush your exit. Know your value, know your business!

FairMarketValuations.com is proud to offer one of the nation's largest footprints of business valuation consultants with an established offering of business appraisal services. For more information, please visit [www.fairmarketvaluations.com](http://www.fairmarketvaluations.com) or our blog, [www.businessappraisalblog.com](http://www.businessappraisalblog.com); we can also be reached by phone at 877-VALU-BIZ.