



“Boomers” and the Coming Exit

If you and your business are ready to sell, there are opportunities in selling your business now and significant dangers if you delay.

- Do you find yourself thinking about getting out of your business?
- Are you wondering how to groom a successor?
- Is passing your company on to your children becoming increasingly unlikely?
- Are you getting tired of fighting the alligators and want a different challenge?
- Does the whole succession idea seem overwhelming?

If you can answer yes to any of these questions, it is time for you to create an Exit Plan. If you don't know how to get started, you are not alone. Few, if any, business owners know how to leave their businesses in style.

Leaving in style means leaving your business to the successor you choose, for the price you want at a time you pick. An Exit Plan makes all of this possible.

Eric Nielsen

Direct 408-594-1525
enielsen@sunbeltsv.com

Sunbelt Business Advisors

2001 Gateway Place
Suite 230E
San Jose, CA 95110
408-436-1900

www.sunbeltsv.com

For Boomer owners, the clock, the demographic clock, is ticking. Boomer demographics, the Law of Supply and Demand, the state of today's Merger and Acquisition market, the current and historically low capital gains rate, and the "Boomer Mindset" constitute the "perfect storm" for Boomer owners. This means that if you and your business are ready to sell, there are opportunities in selling your business now and significant dangers if you delay.

Have Other Business Owners Had Successful Exits?

There are approximately 78 million members of the demographic group born between 1946 and 1964. This group is larger than any either before or after it. Group size alone has huge implications for Boomer owners as they think about selling or transferring their companies.

The generation following the Boomers is known as Generation X or Baby Busters. This generation is defined by the U.S. Census Bureau as those born between 1968 and 1979. In 2002, the Census Bureau estimated (based on its 2000 Census) that there were 59,802,658 people between the ages of 20 and 34. The direct effect of far fewer potential buyers in the next generation gives additional import to the Law of Supply and Demand.

Various commentators and researchers believe there are more than four million owners of established businesses who are at least 50 years old (Roger Winsby of Axiom Valuation Solutions, 2003) and that the average age of sellers is about 56 (Robert Slee in June 2004 issue Journal of Financial Planning paraphrasing an IMAP survey).

According to a 2005 PricewaterhouseCoopers' survey of 364 CEOs of privately held, fast-growing companies, "nearly two-thirds . . . plan to move on within a decade or less: 42 percent within five years, and 23 percent in five to ten years." ("Wide Majority of Fast-Growth CEOs Likely to Move On Within Ten Years, PwC Finds." January 31, 2005.)

This kind of movement "could result in a glut of companies on the market, driving down valuations and giving new leverage to buyers," said Laura Rich in "Seller's Market" (Inc. Magazine, May 2005).

Interestingly, the largest numbers of Boomers are not yet 50 years old. As these youngsters reach age 50 and 55 they too will be looking to sell their businesses—adding fuel (businesses) to the fire (the glut of businesses for sale by age 50-60 Boomers). Avoiding this added supply means considering the sale of your business sooner rather than later—provided of course that it is (and you are) ready for sale (intrinsic value), the sale cycle is appropriate (extrinsic value), and it is large enough to be sold using the best sale process (promoted value).

The basic Law of Supply and Demand dictates that a glut of sellers will drive down prices. When (not if) this happens, a limited number of dollars will be spent on only those businesses that present the least risk and the greatest potential to the buyer.

Given that your exit from your company is likely to be the most significant financial event of your life, what are you waiting for?

Sunbelt works with your advisors to achieve your personal exit goals.

Each step of exit planning process explains what must be done (and by whom), why a particular action is important, what you can do and what types of advisors are likely to be of assistance. Sunbelt's team members have extensive experience in navigating companies through the exit planning process.

Call us to discuss the design and implementation of your Exit Plan.