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# Exit Tsunami

Are you prepared for, what many are describing as, the greatest wealth transfer in history?

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**T**he business world is awash with debate about the increasing impact of industry disruption, artificial intelligence and automation. There's a big sleeper, though, something no-one is talking about, that is likely to have just as much impact over the next 10 to 15 years – the so-called 'baby boomer business exit tsunami'.

As the last of the baby boomers have turned 50, they are on the road to retirement and, not surprisingly, many baby boomer business owners plan to leave their organisation in the next few years. While it's unclear at this stage exactly what this exit tsunami will look like, there's no doubt that it will have significant implications for the business community in particular and society in general.

Inevitably, there will be big winners and losers.

To gain a better understanding of the scope of the exodus, we need to turn a spotlight on the baby boomer generation itself. As they have made their way through life, baby boomers have had a massive impact on every aspect of society, including the education system, housing and employment markets, and, increasingly, the health system and the aged care industry.

During their lives, they have amassed unprecedented levels of personal wealth. While most of this is tied up in housing and investments, it's not so well known that they also own the vast majority of private businesses – up to 80 per cent in many developed economies.

## THREE POSSIBLE SCENARIOS

As the generation reaches retirement age and looks to leave the businesses, it will lead to many more organisations being put on the market over a relatively short period of time.

### 1

The number of businesses passed on to the next generation will be far lower than in the past. The number of children taking over family businesses has been steadily declining.

### 2

More buyers will be required to purchase the increased number of businesses available. It's unlikely there will be sufficient buyers at various times to satisfy the level of selling demand.

### 3

If you're a baby boomer business owner, then the impending exit could have serious consequences that impact you directly. It will also, however, have significant implications for the business community as well as society.

In particular, it's likely to result in a higher level of businesses closing or failing than would normally be the case. This will inevitably lead to:

- Job losses
- A lessening of competition in some markets
- A loss of innovation as a consequence of businesses failing or closing
- The inability of many private business owners to adequately fund their retirements (which will effectively move the burden back to government)
- A decline in key services in some sectors (such as professional advisory sectors and health services, in which many smaller businesses are owned by baby boomers).

While the consequences of the tsunami are likely to be as significant as developing issues like industry disruption, artificial intelligence and automation, for astute business owners and executives who take the time to focus on the implications of the exit, there are also likely to be major opportunities.

## MONEY MOVEMENT

Over the next 20–30 years, we will see a transfer of enormous wealth from baby boomers to the next generation. Many are describing it as the greatest wealth transfer in history.

While the general transfer of this wealth will probably happen in an orderly way, the transition of private businesses owned by baby boomers to new owners has the potential to be more challenging.

According to recent research on the US market by the Exit Planning Institute:

## 76%

of business owners (mostly baby boomers) plan to leave their business over the next 10 years (this equates to 4.5 million US businesses with over US\$10 trillion in business value)

## 49%

of business owners have no clear strategy for succession planning or exiting their business

## 70%

of businesses put on the market don't sell.

The position is similar in Australia and most other Western economies. ■