

Aging business owners putting firms up for sale

by LIBN Staff

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MELVILLE – The improved economy, coupled with the increase in baby boomers contemplating retirement, is motivating aging business owners to sell their companies, experts say.

Family businesses are no exception. According to The MassMutual Financial Group/Raymond Institute American Family Business Survey of 2003, 39 percent of family-owned businesses will change leadership by 2007 as CEOs retire or semi-retire. But of those CEOs planning to retire that are age 61 and older, 55 percent had yet to choose a successor.

Sometimes that delay isn't a matter of choosing one child or another, but rather an issue of finding an interested, capable party.

"Children often don't want to join the business," said attorney Howard E. Greenberg, who has a practice in Melville. "If it's a manufacturing business, they want to be doctors. A lot of times, owners aren't encouraging their children to join."

Ken Stein, president of The Kensington Co., a Uniondale-based business brokerage firm that matches buyers and sellers, estimates a 40 percent increase this year in business sales through his firm. "It's been the strongest six months in years," he said.

"It's not only because people want to retire," Stein said. "Buyers are less fearful" in today's economy.

Small-business lending is up by about 6 percent, according to the National Federation of Independent Business, a Washington-based trade group, an indication that owners are regaining confidence in the economy. And on Long Island, where housing prices have soared, some sellers, who have reaped hundreds of thousands of dollars on the sale of their homes, show flexibility on the price of their business, Greenberg said. "People are cashing in on real estate. If your parents bought a house for \$40,000, and you make \$500,000 on it, you don't need to sell a business as much," he said. But owners often still want to sell, Greenberg noted, adding that entrepreneurship is "a lot of headaches. There's tremendous competition, and they don't want to do it."

"Financing is loosening up and people looking to retire that missed it in 1998 and 1999 now have to jump on it. At 70 years old, they don't want to keep [running the business]," Stein added. "They don't want to ride the next wave."

But Greenberg said that age isn't always a factor. "If an owner can sell and get the price, it doesn't matter the age. He can sell and get the money and enjoy," Greenberg said.

Also prompting the buying cycle is the glut of laid-off mid-level managers who are choosing entrepreneurship, Greenberg said. The rash of bank consolidations and resulting layoffs, for instance, has left former vice presidents with few options. "They can't get another job," Greenberg said. "They're buying established businesses."

Studies show that family businesses often don't survive into the third generation – another reason owners look upon buyers favorably. "Owners sell so that their toil, blood and sweat gets to survive another generation," said John Lemanski, manager of the litigation, consulting, valuation and bankruptcy services group at Margolin, Winer & Evens, an accounting and business advisory firm in Garden City. By selling, owners see that "at least the fruits of their labor get to the next generation, as opposed to putting kids in the business that are not equipped to run it and [wind up with] nothing," he said.

But not every seller is resettling in Florida or the Carolinas, Lemanski noted. "They can start a

second career that is bankrolled from their proceeds," he said. "Instead of the rigors of an 18-hour job running an operation, they become consultants to the next generations of entrepreneurs and can sell their services."

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