

Baby Boomer Business Transitions

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As a baby boomer, you may be at the point when you are considering the next phase of your life. The media repeatedly reports that baby boomers are redefining aging and retirement. That's not surprising, as they have redefined virtually every stage and aspect of American life throughout the years. Although swimming in uncharted waters can be a frightening thought, the prospect of starting a new chapter of our lives, with new opportunities and challenges, can be tremendously exciting.

Segueing from where you are now to where you want to be takes significant thought and planning. That may involve transitioning your business, the culmination of years of hard work and sacrifice, to your children, your management team or a third party.

In transitioning your business, typically your key goals would be:

- To transition your business to a person or group of people who would foster the continued success of your business or
- To maximize the consideration that you receive (and, through wise legal and tax planning, are able to retain) or
- A combination of those two goals

However, your goals may differ. It is important to give some thought to what *your* goals are, as that may affect the timing.

Transitioning the business to your children is typically effected over a longer period of time and may not require the extent of pre-transaction work that a third-party transaction would entail. In addition, the current economy's negative impact on the value of your business may make now a good time to start that process.

The current economy is not, however, a prime time to sell your business to your management group or a third party. The credit crunch has reduced the availability of funds with which to acquire a business, as well as the number of potential buyers. In addition, the recent lackluster performance of some businesses makes it difficult to justify the asking price that may have been reasonable three years ago. However, now *is* a good time to take the strategic steps to prepare your business for future sale and maximize its value.

Jennifer Arricale, a CPA and the founder of Strategic-Minded Consulting, LLC, in Scottsdale, Arizona, reviews her clients' businesses from a prospective buyer's perspective and helps identify not only problem areas, but recommendations that will impact value in a positive manner. She encourages business owners to engage in "early conditioning," meaning gradual, strategic changes that enhance sustainable future value. She advises that "Implementing strategic changes is typically a gradual process and their impact is realized over a period of time. Buyers also want to see a positive and sustainable trend, typically three years of consistent improvements. This can all be accomplished through 'reverse due diligence' which becomes the checklist for prioritizing value-enhancing changes."

Even taking some simple financial and operational steps may enhance your credibility, facilitate a sale and increase the value of your business. Some steps to consider include:

- Practice good stewardship. Clean up your financial books and records
- Change your mindset: As a small business owner focusing on continuing operations, your mindset may be to decrease profit, thereby decreasing taxes; in preparation to sell your business. Your mindset may need to change to increasing profit, despite an increase in taxes
- Develop your brand through marketing and an effective, optimized web presence
- Refine and institutionalize your business methods and systems
- Negotiate and document the terms of your arrangements with key vendors and suppliers
- Protect key trademarks, domain names and other intellectual property

Now is a good time to consider the next phase of your life, including the various options for segueing from owning and operating your business to whatever that next phase may be. With creative thought and timely, effective planning, you can implement *now* the steps necessary to maximize your business' value and facilitate the sale process. The best is yet to come!

About the author: [Susan E. Wells](#) is a partner at the Phoenix law firm of [Jaburg Wilk](#). Her corporate and business practice encompasses all aspects of [business transactions](#) and commercial relationships in numerous industries, including [franchising](#). She has extensive experience representing both buyers and sellers. Susan can be reached at 602.248.1034 or sew@jaburgwilk.com.

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