

# Demographics Driving change in private sector ownership ...

Several weeks ago, I attended a presentation on succession planning for family-owned businesses which covered financial/tax issues, estate planning and insurance/risk management. The panel members were recognized experts in their fields and covered the waterfront thoroughly.

## **But for most business owners, one question remains... Where's the cheque?**

The reality of most succession buyouts is that their value pales in comparison to the sale of the business to a strategic acquirer. To comfortably retire, the vast majority of family business owners need to convert the tangible assets and goodwill of their business to cash and the best way to do this is usually through divestiture.

Our company has just completed another record year through our focus on the divestiture of privately held, Ontario-based businesses. More than ever, the owners of family businesses are now finding themselves in a "Asset Rich / Cash Poor" position and, as such, many are seeking divestiture as the vehicle to fund their retirement.

To a large degree, this change in ownership is being driven by demographics. With the median age of business owners in Canada now 58, within the next ten years, more than half of the owners of Ontario's 70,000 private companies with annual sales over \$500,000 will retire. Many of these owners are finding that their children have little interest in the family business or have pursued other careers. In the absence of succession, divestiture often represents the most practical and economically viable alternative.

On the "Buy" side, we predict that the values of these businesses will steadily increase over the next two to three years. Many investors and some financial institutions are still recovering from the high-tech meltdown over the last two years which saw too much money lost on questionable business plans. With this harsh reminder, a solid business with a track record of profits looks like a sound investment,

In terms of outlook, we predict that the numbers of sellers will continue to dramatically increase and values will also escalate as more purchasers become aware of the vast number of quality companies for sale.

By Carson O'Neill



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