



It's the part you *don't* see that sinks the ship

Is Opportunity Knocking? This Could be the Perfect Time to Buy a Business!!

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“May you live in interesting times” was allegedly an ancient Chinese curse, but like it or not these are indeed interesting times. Ever since the sub-prime mortgage mess started to unravel during the summer of 2007, we have been confronted with increasingly volatile stock and credit markets, and because of the way these loans were securitized, then sold, then re-packaged and sold again...and again...and again (does this start to sound like a Ponzi scheme to anyone else?), nobody really knows how deep this hole goes. It is a chaotic situation.

But from out of chaos comes opportunity, and that is where we would like to focus your attention right now. ***THIS COULD BE THE BEST TIME IN RECENT MEMORY FOR BUSINESS OWNERS NOT YET READY TO SELL OR RETIRE, TO GROW THEIR EXISTING BUSINESS THROUGH MAKING A STRATEGIC ACQUISITION.***

First, think demographics. The leading edge of the enormous “Boomer Bubble” finally took on tangible form in October, 2007 when Kathleen Casey-Kirschling became the first Baby Boomer to file for Social Security benefits. Think Tsunami here: a huge wave that doesn't look all that threatening while it is still out at sea, but as it approaches shore it quickly gets taller and taller. Once the body of the wave makes landfall, it sweeps away anything in its path. Ms. Casey-Kirschling may be the first to reach the shore, but the wave amassing behind her is of unprecedented size. The extent of the damage this wave will cause to unprepared business owners facing retirement is also unprecedented.

Second, realize that a significant number of small business owners are Boomers, and that most of these “Boomer Business Owners” have a significant part of their personal net worth tied up in their business. For these owners to retire successfully and preserve anything like the lifestyle to which they are now accustomed, they are going to *have* to find a way to cash out as a way to fund retirement. As the demographic Tsunami reaches land, and a flood of Boomers (including Boomer Business Owners) head for the retirement exit, an extraordinary number of small businesses are going to come up for sale in a relatively short period of time. All the signs point to a classic buyer's market!

Back to the current situation.

On the Seller Side: Market chaos makes business owners getting closer to retirement nervous, especially the threat that we might enter into a protracted bear market. Note: the issue is not whether we *actually* enter a bear market. What is important is that some business owners worry that we *might* and that this could handicap their ability to sell their businesses and retire when they want to. They are getting nervous, and so they may be much more receptive to making a deal and selling **now** if they are *approached in the right way*.

On the Buyer Side: The opportunity for current business owners who are still a few years from retirement is to start looking **now** for strategic acquisition opportunities that will help grow your existing business quickly and dramatically. As market conditions continue to be uncertain, you *will* find good buying opportunities, *if* you approach prospective targets in the right way, and *if* you think creatively about deal structures.

Remember: For healthy existing businesses, it is usually quicker, and often less risky and cheaper, to grow your business exponentially through acquisition rather than to try and do it organically with existing resources. And...a bigger business will make it more likely down the road for a business owner to attract the strategic buyers who will pay a considerably higher price when his/her turn comes to retire. Strategic buyers for small businesses are not anywhere near as common as most small business owners like to think, and as the Tsunami makes landfall the ones who are out there will have a lot to pick from. ***Grow more quickly now, to sell for more later!***

Lest we be accused of too much optimism, there *is* one big fly in the ointment: a major consequence of the present market turmoil is the tightening of credit in the lending markets. This speaks again to the need for business owners to work with their advisors to approach possible acquisition targets in the right way, and to consider creative deal structures.

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