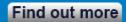
insuranceNEWS.com.au | Life+Health insuranceNEWS | insuranceNEWS (the magazine) | insuranceNEWS Jobs

life+health insuranceNEWS.com.au

Brought to you by:



Stand Out from the crowd





Nation 'unprepared' for wave of Baby Boomer retirements

19 August 2015

A "tsunami" of Baby Boomer retirements will decimate advice practices in the next few years, although the full impact remains unknown, the Productivity Commission has heard.

In a submission to a commission report on business set-up, transfer and closure, GRG Momentum MD Geoff Green says the youngest Baby Boomers are nearing retirement.

"The last of the Baby Boomers turn 50 this year, so the... generation is well and truly heading towards retirement," the business exit consultant told Life+Health insuranceNEWS.com.au.

"A lot of industries have a high level of Baby Boomer owners, and although there is not a lot of data on financial services industry exits, it is no exaggeration [to say] the trend will be a tsunami effect."

Mr Green's submission says 80% of businesses worldwide are owned by Baby Boomers.

"Many business owners who planned to exit their business before the global financial crisis put off their exit plans due to a lack of buyers and reduced business values.

"Many have still not exited, which will steadily increase the level of pent-up exit demand."

Mr Green says practice owners who reach the age of 60 face being forced to sell due to ill health or changing personal circumstances.

More businesses coming to the market will depress prices, with fewer families passing on businesses to the younger generation.

"A lot of business owners will face achieving little for the years of effort they put in to grow the business. Also, a buyer of last resort [the institutions] in the financial services industry may not always be there for the practice owners."

He says many business owners have no exit or succession plan, and many businesses are unfit to sell.

"Good business exits and succession arrangements take far longer to complete than most business owners realise – often a number of years.

"In addition, the anecdotal feedback I get from business brokers is that, at best, only three to four businesses in 10 that they see are in a condition to be sold."

He warns Australia is unprepared for the wave of Baby Boomer exits, and government, agencies and business groups should address the issue sooner rather than later.

Mr Green says issues such as stamp duty on business transfers must be addressed to encourage the younger generation to take over.

His submission also supports the commission's recommendation that capital gains tax rules for small businesses be simplified.

"From the time they were introduced, the small business capital gains tax concessions have been constantly criticised as being horrendously complex.

"No doubt this is beneficial to accountants and tax lawyers who derive substantial fees from helping clients work through the complexity of the concessions.

"However, for business owners, the complexity of the concessions effectively constitutes another barrier to efficiently planning for and completing business exit and succession."

Mr Greens says unless the issue of business exits is addressed, a large number of businesses will close, leading to job losses for many industries, including financial services.

Copyright © 2001-2015 McMullan Conway Communications Pty Ltd All rights reserved.