

Another Boomer Boom: Sales of Small Businesses

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By Anthony Malakian

The U.S. Small Business Administration says that 60 percent of the owners of the country's six million small businesses are at least 45 years old. That means the next two decades are a critical window for banks to help Baby Boomers manage their companies toward a sale, actually exit their companies, and manage the liquid assets in retirement.

To succeed banks need a plan — and soon if they don't already have one. Jeffrey Butterfield, vice chairman at Palatine, IL-based Cornerstone National Bank, which has almost \$350 million in total assets and more than 4,000 small-business customers, says the first step is building client trust. "We try to position ourselves as trusted advisors to our clients, so we hope we are having dialogues with them on an ongoing basis about the future of their companies," he says.

Mark Hogan, president of Bank of America's small-business banking unit, which claims four million clients, says once the decision to sell has been made, his bankers work with the business owners over the next year on five distinct areas: determine why the business is a compelling purchase; ensure that financial reports are in order; identify key customers, suppliers and employees; work out a plan with debtors; and determine an acceptable price for the company.

Then there is the asset-management side, says Dennis Roberts, an instructor for the National Association of Certified Valuation Analysts and chairman and chief executive of The McLean Group, a middle-market investment bank. Based on the book, *The \$10 Trillion Opportunity*, the average small business is worth about \$1.5 million. "That's a huge sum of money that is going to be reinvested and needed to be managed," Roberts says. "Schwab and Merrill Lynch, those types of wealth managers, are keenly aware of this."

Banks that lack recognition as wealth managers need to remedy that, says Mark Halverson, executive director at Accenture. Community banks "need to engage that relationship to show that they have wealth-planning and wealth-management capability so that they are truly credible," he says. "Frankly, many of these banks don't have the same brand that a lot of large broker-dealers have."

In an effort to gain customers' confidence, Cornerstone National Bank's Butterfield introduces clients preparing for retirement to investment bankers at The Christman Group. Giving the client the best advice often means opening doors outside of the bank — but this can deepen the client relationship, Butterfield says. "Our role, in terms of client management, is to help the client maximize the value of their company over time," Butterfield says. "Often times, many of these people have never sold a company before and they are not well prepared to determine value or how to go about getting the best price."

Those banks that don't have a tight relationship with the client may be left out in the cold when he retires, says Richard Jackim, founder of research firm Exit Planning Institute and co-author of *The \$10 Trillion Opportunity*. "About 70 percent of small-business owners end up switching financial advisors after the liquidity event because they believe their financial advisor really didn't play a role," he says. Retail banks need to be proactive. They "can't simply sit on the sidelines and hope that the business owner, after he eventually sells his business, will turn to you to manage those [capital gains]."

Butterfield and BofA's Hogan both believe it's important to keep every department in the bank on the same page — in an effort to make sure the client stays with the bank even after liquidizing their business — and avoid competition over customers among the bank silos. Banks like Cornerstone have incentive plans to ensure that customers remain at the bank, even if they go to different departments, Butterfield says. "We share information about all of our customers with our trust department and our wealth-management people," he says. "So we have a very close relationship and we trust what they do and they trust what we do, so there's no reluctance to share names."

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