

Media Release

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Future bleak for small business owners set to retire

Half of small business owners are depending on their business to fund their retirement but a third believe they will have difficulty selling, signalling a bleak future for some looking forward to a comfortable retirement.

These findings are from CPA Australia's latest national small business survey. The survey on succession and exit planning was conducted with 600 small businesses (independent and employing fewer than 20 staff) and 105 CPA accountants in March 2004.

The CPA accountants believe that the number of owners planning to use their business as their primary source of retirement income is even higher, at 66 per cent. CPA Australia's Business Policy Adviser Judy Hartcher said the figures showed cause for concern. "With almost 40 per cent of owners planning to leave within the next five years, we may see an increase in small business owners not being able to sell their business to fund their retirement.

"Currently, 7.5 per cent of small businesses exit the sector each year, but these are offset by new entrants. A significant increase in the number of exits could have major economic consequences if strategies are not in place to ensure a growing pool of viable, efficient businesses," cautioned Hartcher.

"With Australia's ageing population, the number of business owners reaching retirement age will dramatically increase in the next few decades," said Hartcher. According to Australian Bureau of Statistics, the proportion of people aged 65 and over, is projected to double in 50 years, from 12.4 per cent in 2001 to 24.2 per cent in 2051.

"Small business owners need to get smart, plan and prepare for their business succession or exit, years in advance of their retirement, for the best results. Even if they are closing their business, planning will make a big difference to the amount they walk away with. Leaving their exit planning to the last minute is not a good strategy," advised Hartcher.

According to CPA Australia's survey, only 38 per cent of small business owners interviewed have succession plans. Age is the most common motivating factor for the majority of this group (21 per cent). The survey also revealed that four in ten of those with succession plans did not seek professional advice and of those who did, the majority (35 per cent) engaged accountants.

"It is a concern that many small businesses are not maximising their business value by planning their exit in advance or seeking professional help when they have no experience or skills in selling a business. If you sell your house, you would get professional help to renovate it and negotiate the best price on the market. The same rationale should apply to selling a business," said Hartcher.

The survey shows that less than 40 per cent of small businesses would be prepared to take major steps to maximise their business. For example, fewer than four in ten claim they would restructure their business (38 per cent); spend three to five years preparing for a sale (36 per cent); or hire more staff (26 per cent). This finding was supported by 45 per cent of CPAs who said that their small business clients are "not too keen" to invest in their business to maximise its sales potential.

CPA Australia is one of the world's largest accounting bodies, representing 102,000 finance, accounting and business professionals in Australia, Asia and Europe.

Hartcher said, "Many small business could improve their outcomes with planning and professional advice. For example, 26 per cent said they would advertise the business for sale without identifying a buyer, as their most likely exit strategy. In the past, this hasn't always brought the best result for small business owners who may be well advised to look for a buyer amongst customers, suppliers or the industry.

CPA Australia has developed a guide to business exit planning, providing small business with useful information. This guide is available on the website at www.cpaaustralia.com.au. Further information on CPA Australia's survey results on business succession and exit planning is also available at www.cpaaustralia.com.au.

The above guide and survey results are available on www.cpaaustralia.com.au from 27 April 2004.

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