



# Generation X - Navigating the In-Between

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Born between the mid-1960s and early 1980s, Generation X (“Gen X”) stands as a pivotal cohort that bridges the gap between Baby Boomers and Millennials. Often dubbed as the “latch-key generation” – referring to growing up with double-income parents and coming home from school to an empty home – Gen Xers were shaped by their Baby Boomer parents who instilled in them the value of hard work and self-reliance. Despite being dwarfed in population size by those of the Baby Boomer and Millennial generations that bookend them, Gen X’s impact on society is just as important to the fabric of our country and the economy. Their unique experiences and adaptability have positioned them as silent influencers, shaping the modern workplace and cultural landscape in ways that belie their smaller demographic footprint.

### **The Early Years for Gen Xers**

Gen X experienced significant economic and social shifts early in their lives, shifting their perspectives on the world today. For example, this generation witnessed the end of the Cold War and the fall of the Berlin Wall as children and teens. They also experienced the Dot Com bubble and the 2008 Global Financial Crisis just as their careers were ramping up. These experiences have forged a cohort of approximately 65 million individuals, comprising of 31% of the U.S. labor force, and known for their self-reliance and entrepreneurial spirit.

This cohort often embraces independence, which has led to a high prevalence of small business ownership – a striking 55% of startup founders are Gen Xers. They also account for 25.6% of the wealth in the country, but unfortunately, they have saved less than preceding generations. Therefore, more than other generations, a business sale represents a path to playing catch-up. Unlocking the value of their businesses looms large.

As Gen X entrepreneurs enter their 50s and early 60s, they find themselves at a point where they begin to think about next steps. They are in a coveted spot to be able to structure transactions that fit their ideal picture of the next phase in life. Here’s what we mean by that.

## Considerations for Entrepreneurs in their Mid-Life: “The best way to predict the future is to create it.”

With careful planning, Gen Xers can determine which type of acquisition makes the most sense for their desired lifestyle and work toward making that transaction happen. For example, the Gen Xers on the older end of the spectrum may not wish to continue involvement with the business post-sale, whereas those on the younger end may still want to have a heavy hand in day-to-day decisions. Those in either camp can take steps now to craft the type of business that is attractive to a particular buyer and make that happen. Contrast this with Baby Boomers, now in their 70s, who must almost exclusively focus on transactions with a significant cash payout to allow them to “ride into the sunset.” Gen X has the luxury of time to plan for the transaction they’re hoping for.

If the goal is to stay involved, a strategic buyer or private equity firm looking to create a roll-up may be a fit. In this context, the Gen X seller can stay on post-transaction and play a leadership role, working with the private equity or strategic buyer to drive the roll-up process as the CEO of the expanded business. With this route, a Gen X seller is more likely to be open to post-exit engagements with the buyer and/or stricter non-compete provisions, in return for a higher payout. (Read more about roll-ups [here](#).) The terms and conditions can also be negotiated to allow for earnouts that could secure a second, and potentially bigger, bite at the apple. If the goal is to fully exit and prioritize a “life after,” perhaps a tuck-in acquisition or an outright sale is a better option.

In either case, the Gen X entrepreneur needs to start identifying what steps can be taken now to optimize the business for the type of buyer that can deliver the outcome they are looking for.

### Preparation is Key

Regardless of the goal, one thing is certain: the more time there is to prepare for any type of transaction, the more careful and precise decisions can be made. At this point, Gen Xers typically have the benefit of a longer time frame to prepare compared to Baby Boomers today. However, many business owners commonly make the mistake of navigating the exit process and handling negotiations independently. This is not the optimal way to achieve a successful exit. The first place to start is to identify the quarterback, the most trusted advisor. That individual could be a financial advisor, CPA, or attorney who is trusted and whose advice is considered.

Before entering into any negotiations surrounding a business transaction, a holistic planning process should take place to address any personal financial and estate plan issues. This step is crucial for Generation Xers, as the post-tax proceeds from the sale will often constitute the majority of their wealth.

As mentioned, a longer runway of planning allows for strategic thinking. For example, the QSBS (Qualified Small Business Stock) exclusion is the ability to exclude up to \$10M (or 10x basis, whichever is higher) of gain on equity sales from eligible companies if the equity is held for five years or more. This comes with some constraints, such as the requirement for the business to be a C-Corp, among others. If a business is currently an LLC or Partnership, it’s possible to convert to a C-Corp, but that five-year holding period clock resets. Gen Xers are more likely to have sufficient time to complete a strategic move like this, and the tax savings can be incredibly meaningful. This is just one example of techniques that can be used to avoid taxes and/or help structure the seller’s personal wealth effectively.

For Gen X, the life after plan can take on different forms when compared to other generations. The Gen X seller may have an inclination toward further entrepreneurial activities. A profile as a serial entrepreneur

represents a viable pathway. The liquid assets gained from the sale of the first business can be used as seed capital to fund a new venture. Adequate levels of capitalization can jumpstart the development of the venture.

Another path that is suitable for the Gen X seller can be the role of passive investor in other businesses. This level of activity allows one to be relatively engaged without the burdens of running a business on a day-to-day basis. This compromise between full and partial engagement is a plausible option.

Lastly, the role of philanthropist can also be different. The Gen X approach to philanthropy can be distinguished by hands on engagement in the various charitable and other not-for-profits that they support. Rather than providing support by simply writing a check, this generation has the ability to contribute both time and talent.

As Generation X entrepreneurs contemplate the sale of their businesses, they must consider the value of remaining engaged in some capacity. By leveraging their experience and knowledge, they can facilitate a smoother transition while positioning themselves for a more secure financial future. The unique challenges and opportunities faced by this generation underscore the importance of strategic planning, both for the sale of their business and for retirement. Gen Xers should take advantage of the opportunity for holistic planning well ahead of any sales transaction. With the right planning and support, Gen Xers can successfully navigate the sales process to their benefit. This pivotal moment in their professional lives should lead to an outcome that ensures that both their businesses and personal finances thrive in the years to come.

## Sources

<https://www.marshmma.com/us/insights/details/gen-x-in-the-workplace.html>

<https://www.investopedia.com/terms/g/generation-x-genx.asp>

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