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# The Silver Tsunami and Ownership Transitions in St. Louis

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*Applying McKinsey's national-level approach to St. Louis-specific data, we estimate 8,000 regional firms will be viable candidates for ownership transfer over the next decade, resulting in nearly $40 billion of enterprise value changing hands*

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## The National Landscape

Small businesses[1] represent 99% of all registered American businesses, employ approximately half of all working Americans, and generate more than $16 trillion in annual revenue.[1] They are integral to the employment and economy of every city in America, and their existence depends on the millions of owners who wake up every day and shoulder the responsibility and rewards of running an enterprise. Today, more than half of these owners are over the age of 55; one in four is 65 or older. The wave of their retirements is creating an upswell of ownership turnover, often referred to as the "Silver Tsunami."

The Koch Center's flagship research project with the Olin Brookings Commission[2] examined these trends at a national level, focusing on the motivations of owners and the experience of employees going through a transition of ownership. This work highlighted that the Silver Tsunami presents a massive opportunity for economic revitalization of local American economies, but only if managed properly. The path to successful transitions is constrained by a bottleneck: most small business owners report not having a succession plan, which increases the likelihood of closures, forced sales, and distressed transfers rather than smooth transitions that preserve company value.[3, 4] In 2022, ~92% of small business exits nationally occurred via closure, while only 5% were via sales and 3% were via transfers to new owners.[5] The most common pathway for American small business exits is dissolution rather than continuity.

To better support business owners in moving towards transitions that preserve value for owners, employees, and communities, we first need to map the national landscape. Recent studies from McKinsey & Company and the Exit Planning Institute (EPI), alongside our findings from the WashU Olin Brookings Commission, help to lay out this groundwork.



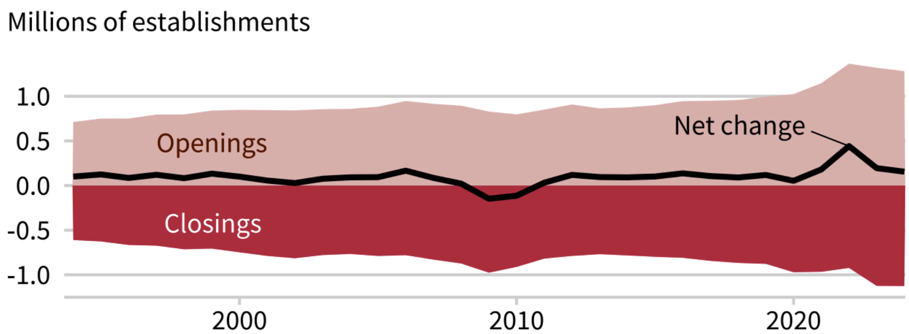
[1] Defined by the U.S. Small Business Administration as firms with fewer than 500 employees.

### The McKinsey Study

To map the scale and economic implications of this transfer, the McKinsey Institute for Economic Mobility published The Great Ownership Transfer: A new era of business stewardship in February 2026.[5] The McKinsey study projects trends over the coming decade, capturing firms that may be ready to transition now as well as those that will join their ranks in the coming years. They estimate that roughly six million U.S. small businesses will face ownership exits by 2035, up from 4.5 million in the prior decade.

Part of this increase is undoubtedly due to the growing activity of small businesses in general. Small businesses open and close every day, regardless of owner age. Some ventures don't pan out; others do succeed, but the owners want to exit and pursue something else. Over the past 15 years, small business openings and closings have both grown significantly. Openings spiked sharply during the pandemic and have consistently kept the lead over closings, maintaining the net change above zero.[6]

**Figure 1: Establishment Opening and Closing Trends**
*2022 Census Data*




Considering these macro trends, McKinsey's projected jump from 4.5 million to 6 million exits cannot be entirely attributed to Baby Boomer retirements. Nonetheless, these retirements are an important contributing factor, particularly to the extent that this age group is exiting at higher rates[2] and approaching their exits differently than owners in other age groups.

McKinsey goes on to highlight that not every business is positioned to successfully change hands and remain operational. They estimate that only a small subset of these businesses will be viable for transfer. Not only do they need to be healthy and economically stable, but they also need to be of sufficient size to attract buyers and access advisers and financing (which McKinsey benchmarks at a business valuation of around $2 million). However, they find that nearly 80% of projected exits will likely occur among businesses that sit below this threshold. This will leave small, locally owned, community-based companies at greater risk of closure, even when they are economically viable.

Given these dynamics, McKinsey estimates more than one million of the six million businesses facing ownership exits over the next decade will be viable candidates for external sale or internal transfer, representing $5.1 trillion in enterprise value. While not all of these businesses will be owned by Baby Boomers, we anticipate there is some correlation between older, more experienced owners and the established, higher-valuation businesses that are more likely to be viable for transfer (or could become viable, with the right resources and support). It will be important to understand what this generation prioritizes in their transitions and how it may differ from younger owners who are exiting for different reasons.



[2] Using labor force participation and Social Security claims data, McKinsey estimates that 7-12% of baby boomers will retire each year.

## The Exit Planning Institute Study

In addition to knowing who is going to exit, we want to understand how they are planning to do it. The Exit Planning Institute's 2025 National State of Owner Readiness (SOOR) report,[7] based on its 2023 survey of over 1,100 small and middle market business owners, provides one granular cut of data on owners' exit intentions. The study captured generational differences as well, giving us a window into how desires and motivations vary between age groups.

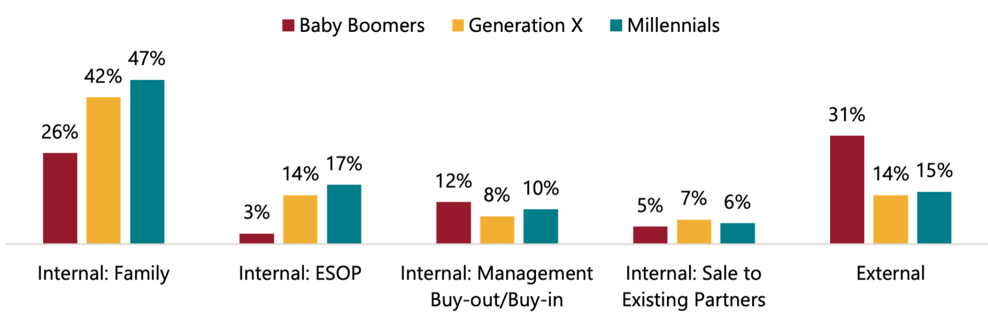
Owners were surveyed on their likelihood of exiting within the next decade. Baby Boomers showed the strongest near-term urgency, with 58% planning to exit within five years, but exit intentions were high across the board: at least 70% of owners across all three generations planned to exit within a decade. This serves as a critical reminder that owners of all ages are looking to exit for a myriad of reasons beyond retirement.

**Figure 2: Owner Exit Intentions**
*2023 Exit Planning Institute Data*

| | **Baby Boomers** Ages 60-75 | **Generation X** Ages 45-59 | **Millennials** Ages 29-44 |
|---|---|---|---|
| Likely to exit within 10 years | 78% | 70% | 74% |
| Likely to exit within 5 years | 58% | 49% | 48% |

The survey also illuminated owners' relative preference for different exit options, including sale to an existing partner, transfer to a family member, transition to an Employee Stock Ownership Plan, management buy-out or buy-in, or external sale.

**Figure 3: Owner Exit Option Preferences**
*2023 Exit Planning Institute Data*




While Boomers had the most urgency, they also had the highest rate of uncertainty about their exit path, with 23% selecting "Not Sure." When Boomers did identify a planned route, external sales were the most common at 31%. In contrast, Millennial and Gen X owners were more likely to favor transfer to a family member than their Baby Boomer counterparts. Our view is that this is some mix of preferences evolving with age coupled with more complete information—older owners already know if the next generation has the interest and aptitude to take over, while for younger parents it may still be aspirational.

## The WashU Olin Brookings Commission Study

Our work with the WashU Olin Brookings Commission[2] goes a step further to assess owner preferences when faced with real trade-offs. In partnership with US Bank, Enova International, and Edward Jones, we collected data from nearly 600 business owners around the country to illuminate how they would approach an exit transaction.

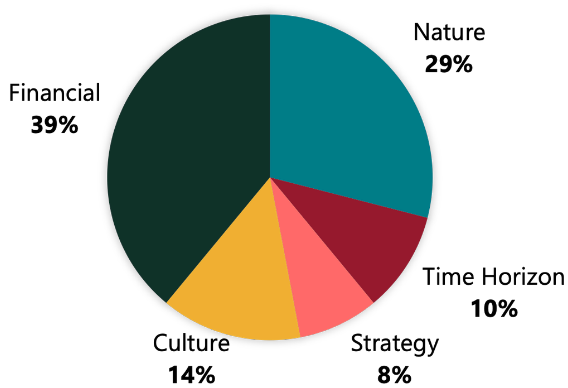
Given how difficult it is to accurately assess owner preferences using simple ratings in isolation from their trade-offs, we applied a conjoint analysis approach to gain deeper insights. Each survey asked a business owner to identify their preference between two hypothetical investors in their current business, each offering a different “package” of attributes. This exercise was repeated 10 times for each respondent, allowing us to aggregate responses and identify the “utility” driven by five different buyer attributes:

1. Time horizon (0-5 years, 6-10 years, or 10+ years)
2. Company strategy (growth, operational efficiency, debt financing)
3. Anticipated changes to company culture (none, few, many)
4. Nature of Buyer (family members, employees, private equity, competitors, private individuals)
5. Financial offer (0, +-7%, +-15% over current market value)

Not surprisingly, owners placed the most emphasis on the financial value of the deal. However, the remaining factors could ultimately add up to be even more important than the bottom line. Among the remaining categories, the owners cared most about the nature of the buyer. Concerns about changes to the company culture ranked next, followed by the buyer’s time horizon and then changes to the company strategy.

**Figure 4: Relative Importance of Buyer Attributes**

*2024 WashU Olin Brookings Commission Data*




Our findings suggest that these utility profiles vary by owner age. For example, relative to younger cohorts, older cohorts tended to place a higher emphasis on the nature of the buyer and lower emphasis on the impact on firm culture. In line with the EPI study, younger owners were more likely to express a preference for a family buyer, while those over 60 showed more openness to an outside buyer.

Owners face significant trade-offs as they consider a potential exit, and they weigh them differently in different phases of life. It will be particularly important to understand the preferences of older owners as we work towards transitions that preserve value for owners, employees, and communities.

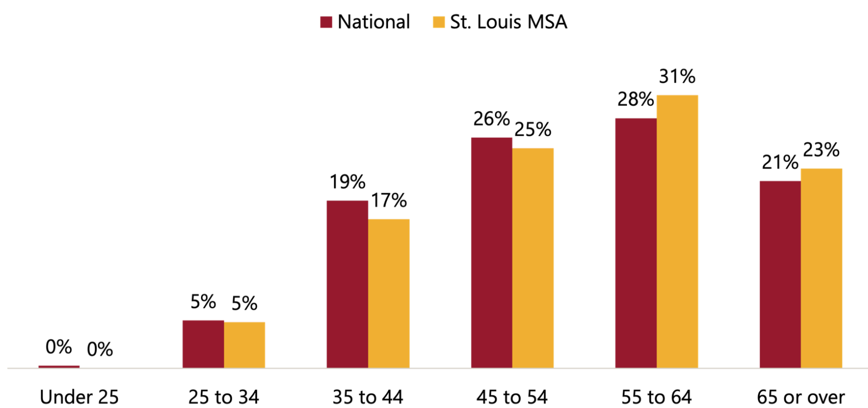
## Implications for the St. Louis Region

The McKinsey, EPI, and WashU Olin Brookings Commission studies give us a good sense of the national trends. As a St. Louis-based institution, we are also interested in how these trends map to the St. Louis area, where ~53,000 small employer businesses employ ~552,000 people, making up 44 percent of metropolitan employment.[8]

The 53,000 small employer firms in the St. Louis area represent 0.84% of the 6.4 million small employer firms nationwide. We posit that St. Louis should have a proportional share of the predicted ownership transitions. To confirm, we used the most recent Census data (2023)[9] to compare owner age characteristics nationally and in the St. Louis MO-IL Metropolitan Statistical Area (MSA). As shown below, St. Louis is generally reflective of the national landscape, with owners skewing slightly older (53.3% over the age of 55 compared to 49.3% nationally).

**Figure 5: Owner Age Brackets**

*2023 Census Data*




While valuable for projecting the volume of transitions, firm count is not necessarily a good proxy for enterprise value. For this, we looked to the 2022 Census,[10] which offers the most recent granular economic data for employer businesses.[3] The survey captures firm counts and receipts (i.e., revenue) by industry and employment-size band for both the St. Louis MSA and the U.S. overall. We applied an industry-specific profitability margin and multiple, offset by a discount for size, across all firms with fewer than 500 employees to estimate enterprise value (see the Appendix for a detailed explanation of our enterprise value methodology). Under this method, we estimate total enterprise value of $17.0 trillion for the U.S. and $128.3 billion for the St. Louis MSA (0.75% of the national total).

We then looked to the McKinsey estimates to extrapolate the potential impact of the Silver Tsunami in the St. Louis MSA.

### Projections for St. Louis

Based on the demographic data for St. Louis, we assume that the region will experience the wave of ownership exits roughly in line with McKinsey's national estimates. If anything, we might expect the trends to be slightly more pronounced in the St. Louis MSA given the slightly older ownership group.

Applying the proportions we identified to McKinsey's national numbers, we project the following.



[3] Economic Census data is collected in years ending in 2 and 7.

**Figure 6: St. Louis Region Projections**

*Extrapolated from 2026 McKinsey Estimates Using 2022 and 2023 Census Data*

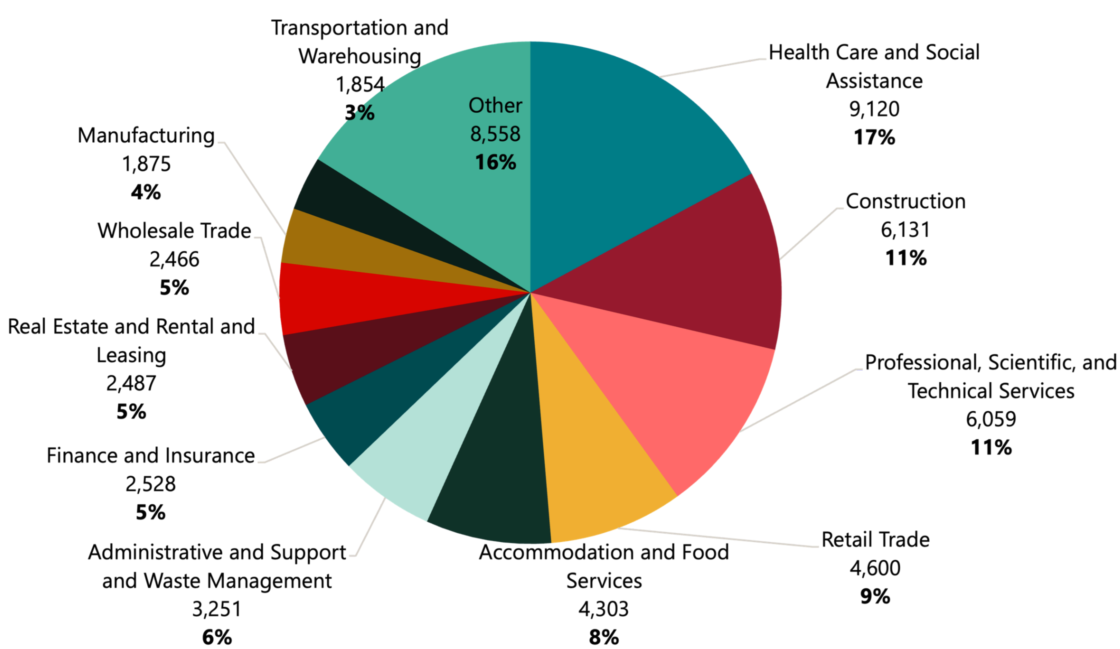
| | National Estimate | St. Louis MSA Projection | Assumption |
|---|---|---|---|
| **Ownership Exits** | 6 million by 2035 | ~50,000 by 2035 | St. Louis accounts for 0.84% of firms, will acount for 0.84% of projected exits |
| **Viable Transfers** | 1+ million | ~8,000 | ~17% of exits will be viable for successful transfer or sale |
| **Enterprise Value** | $5 trillion | ~38 billion | St. Louis accounts for 0.75% of EV, will acount for 0.75% of EV transfer |

## Industry and Demographic Impacts

Beyond the scale of the ownership transfer, we want to know where the impacts will be felt most. The St. Louis small-business economy is concentrated in several key, labor-intensive industries: health care, construction, and professional services.[6] In these sectors, ownership continuity is particularly important for both local employment stability and service availability.

**Figure 7: Industry Concentration of St. Louis Small Employer Businesses**

*2022 Census Data*




[3] Economic Census data is collected in years ending in 2 and 7.

As McKinsey highlights in their report, there is an important demographic overlay to this as well. Minority groups make up a disproportionate share of employment in certain industries (for example, per McKinsey, in healthcare and social assistance, roughly 78 percent of workers are women and about 18 percent are Black). To the extent that these industries form a large share of the St. Louis economy, their employees will be at a higher risk of experiencing the downstream employment effects of failed ownership transitions. This means that certain groups who may already be economically disadvantaged could be hit harder by the Silver Tsunami.

As we consider resources, support, and policy interventions that would facilitate successful transfers in the St. Louis region, we will need to be particularly attuned to the industries, employees, and communities that are at highest risk of disruption.

### Data Limitations

It is important to note that our analysis above is not without limitations. Our work was structured using a top-down approach, primarily drawing on national data. While we supplemented these insights with regional and metropolitan data, reaching more accurate and precise conclusions would require partnership with local economic institutions to add a bottom-up approach. In an ideal world, this work would capture both the broader market size and the granular insights on owner motivations and constraining factors that are likely to shape the transition footprint and form.

## A Path Forward for Ownership Transitions

Businesses open and close every day. It is part of the natural lifecycle of entrepreneurship and small businesses. If anything, the growth of entrepreneurship broadly has accelerated this churn in recent years. That said, the Silver Tsunami is coming whether we like it or not, and the underlying demographic realities will accelerate these shifts. Specific to St. Louis, this trend is likely to be more acute, with the age of owners skewing slightly higher than the national average. As business leaders and owners, policymakers, and educators, we must prepare to manage the impact of the Silver Tsunami so that it strengthens rather than erodes the economies of American cities like St. Louis.

For owners, a key consideration will be doing the proactive planning around their legacy. Legacy, it is important to note, can take many forms. For some, this might center on the continuity of ownership within the family or trusted employees, while others may care more about the ongoing existence of the business regardless of who owns it. Still others may conclude that the business served a purpose for a time, but an exit might allow them the financial freedom to cement their legacy through philanthropy, other investments, or simply prioritizing family harmony. Owners need to consider the true motivations guiding their decisions, evaluate the appropriate ownership architecture to support their intent, and plan and prepare accordingly.

We believe educators and policymakers have a critical role to play in ensuring that businesses have the information and infrastructure to make the best decisions for themselves, their workers, and their communities. Part of that is amplifying the message that certain types of transitions are better positioned to provide economic opportunity for a region. For owners, this may materially affect their calculus of legacy and community impact. Data from the World Management Survey, among others, is clear that both the transition to a professional manager while maintaining private ownership or aligning with a private investor can bring an increased professionalism to the new entity.[11] Regionally, we believe there can be benefits when such transitions allow ownership to remain local—with all its impact on both the philanthropic landscape and the cultural implications of managers being closer to the grounds of operation. Even companies that do not have a viable internal succession plan can consider other models to keep ownership local, whether it be through the rise of young individuals launching search funds and participating in entrepreneurship through acquisition,[12] the relatively strong performance of independent sponsors versus traditional buy-outs,[13] or even the possibility of traditional private capital investors whose ownership group sits more locally.

We would be remiss without also outlining the role of employee ownership in providing an alternative path for firms like this, one where equity in the underlying entity is more broadly shared. For many owners, especially those who do not have a viable transition within the family, the possibility of transition to family-like stakeholders (employees) is an attractive path. While this may require owners to take a potential reduction in valuation, we know from our Olin-Brookings Commission work that owners are thoughtful about these trade-offs. In Missouri, several efforts are underway to provide owners with the resources and support to evaluate whether a transition to employee ownership would be a good fit, including the Missouri Center for Employee Ownership's (MOCEO) Kansas City Task Force on Employee Ownership[14] and the recently launched St. Louis Employee Ownership Initiative[15] (powered by MOCEO and WEPOWER). The Koch Center is a supporting partner on the latter initiative, and we are excited to see how this work impacts the region in the coming years.

In sum, the growing wave of ownership transitions will inevitably be disruptive for local economies like St. Louis, but if engaged in proactively by a range of stakeholders—the owners, the buyers, the policy makers, and educational institutions like ours—we believe it can provide opportunities for the maintenance of ownership in local communities, the professionalization and growth of existing smaller firms, and a wider range of participation in equity growth opportunities. As the oldest generation steps back, it is on all of us to ensure that the value they have worked so hard to build remains rooted in our local economies to grow and thrive for the generations to come.

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# APPENDIX: ENTERPRISE VALUE METHODOLOGY

## Data

Our enterprise value (EV) estimates are built from the 2022 U.S. Census Bureau economic data referenced in the paper.[10] This dataset reports firm counts and receipts (revenue) by NAICS industry and corresponding employment-size band for the St. Louis MSA and the U.S. overall. To mirror the available financial metrics for enterprise value, we restrict the analysis to the 20 non-overlapping, top-level NAICS codes (e.g., Construction; Health Care and Social Assistance; Professional, Scientific, and Technical Services). Specific to the focus of the paper, we also filter our analysis to firms with fewer than 500 employees, consistent with the SBA's small-business definition used throughout this paper.

## Analytical Approach

For each sector and employment-size band, we estimate enterprise value the following way:

Enterprise Value = Receipts × Industry Profitability Margin × Effective EV/EBITDA Multiple

Receipts come directly from the Census, but profit margin and corresponding multiple required additional data. The profitability margin for each industry comes from IBISWorld's U.S. Industry Reports,[16] which report margins natively by NAICS code, and whose numbers reflect a mix of public and private companies. From the 2026 reports, we captured historical 2022 profit margin data to align with the time horizon of the Census receipts data. IBISWorld does not publish a margin for four of the 20 industry groups: Management of Companies and Enterprises; Administrative and Support and Waste Management Services; Other Services; and Unclassified Industries. As each of these categories blends a wide enough range of underlying business types that a single representative figure is not meaningful, we substitute a margin drawn from Aswath Damodaran's (NYU Stern) published data for U.S. public companies[17] for these four industries only.

The valuation multiple (EV/EBITDA) for each industry is drawn from the same Damodaran dataset. Because Damodaran's industry groupings were built around public-market sectors rather than the NAICS taxonomy, this matching required some judgment. For instance, the Manufacturing sector spans everything from food processing to aerospace, and Health Care and Social Assistance spans hospitals, ambulatory care, nursing facilities, and social assistance organizations that are frequently structured as non-profits. We used Claude Sonnet to provide such fuzzy category matching and then confirmed the logic after the analysis.

Finally, because the Damodaran multiples are based on large, publicly traded companies, we apply a discount to reflect the lower valuations typically observed for small, privately held firms. Rather than applying a single discount uniformly across all firm sizes, we scale the discount by employment-size band, reflecting that the gap between public and private valuations narrows as firms grow larger and more closely resemble the public companies that underlie the multiples. These numbers are anchored to the private-company-discount literature: Officer (2007) finds acquisition discounts of 15-30% for unlisted targets relative to comparable public targets,[18] and Koeplin, Sarin, and Shapiro (2000) find private companies trade at 20-30% discounts to public comparables.[19] We apply the midpoint of this range, 25%, to the 100-499-employee band—the firm size closest to what these studies' underlying transaction samples cover—and scale the discount upward for smaller bands using a log-linear relationship to each band's employee count, reaching 75% for firms with fewer than 5 employees.

While the 25% anchor point is grounded in the cited literature, the schedule's steepening below that point is an extrapolation consistent with the general finding, in both the academic private-company-discount literature[20] and separate closely-held-firm transaction data,[21] that valuation gaps to public comparables widen as firm size shrinks. That said, this is not itself a measured estimate, and readers seeking to stress-test our conclusions should treat the smallest-firm figures as more uncertain than the largest-firm figures.

Once each of these computations are generated, values are calculated separately within each of five employment-size bands (fewer than 5, 5-9, 10-19, 20-99, and 100-499 employees), then summed across bands and across the 19 applicable sectors to produce a total for each geography.

### Application

Under this method, we estimate total enterprise value of $17.0 trillion for the United States and $128.3 billion for the St. Louis MSA, with St. Louis representing approximately 0.75% of the national total. We use this 0.75% enterprise-value share (rather than St. Louis's 0.84% share of national firm count, used elsewhere in this paper for exit and transfer projections) to scale McKinsey's $5.1 trillion national transition estimate down to St. Louis, arriving at our approximately $38 billion projection in Figure 6. The modest gap is broadly consistent with St. Louis's average business size trailing the national mix across most industries in our data.

Importantly, McKinsey's $5.1 trillion figure represents its own estimate of the aggregate enterprise value of roughly one million U.S. small businesses it identifies as viable transfer candidates.[5] Their published materials do not disclose the specific valuation methodology used to arrive at this figure, so we treat it as a given input to our own extrapolation rather than a figure we independently verify or reproduce.

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