



Entrepreneurs

How To Profit From The Baby Boom

Melanie Lindner, 09.10.08, 4:10 PM ET

The 77 million baby boomers (adults aged 44 to 62) represent one-quarter of the U.S. population--and a whole lot more of its buying power.

Boomers generate \$2 trillion in annual income, own more than 70% of U.S. financial assets and represent half of all discretionary spending, according to Age Wave, a San Francisco-based demographic-trend tracker. "Although marketers tend to pursue the youth market, that's not where the money is," says Age Wave founder Ken Dychtwald.

There are hundreds of ways entrepreneurs can tap this massive market--from small shops started on a shoestring to larger operations that require serious capital. Not surprisingly, hot areas in boomer-land include anything to do with health and appearance (their own or their parents'), real estate and maintaining a fulfilling lifestyle.

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Embodi, a Chicago-based beverage maker, has boomers in its sights. Its marketing strategy: Sell all-natural, antioxidant fruit juices that promote a stronger immune system and weight loss. Embodi juices, with invigorating names like Tropical Revival, Berry Renewal and Citrus Resurgence, started showing up in 260 Whole Foods Market locations across the country in June. Embodi chief Daniel Waters figures his company will pull in \$500,000 in revenue by year's end and turn a profit within the next two years.

"[Younger consumers] don't have any sort of long-term health focus," says Waters. "They want immediate-impact energy drinks. Baby boomers, our target audience, are focused on health, and they're willing to invest in [it] long-term."

Unlike their parents, who sought (and could afford) early retirement, many boomers will work well into their 60s. That means looking good, feeling healthy and finding enough time to take care of their aging parents, all at the same time.

If you're short on start-up capital but long on food facts, common sense and people skills, consider striking out on your own as a nutrition adviser. There are plenty of weight-conscious boomers looking for help--hence the estimated \$40 billion to \$50 billion diet-products industry.

The initial investment is small--perhaps \$500 to \$2,000, to go toward a computer, marketing materials and reference books--but the profit margins are fat: in the neighborhood of 10%, according to figures collected from 2002 to 2008 by Sageworks, a private-company data provider in Raleigh, N.C.

Little wonder that sales of "cosmeceuticals"--products that straddle the line between cosmetics and drugs, like fluoride toothpaste, Botox injections and specialty skin creams--are growing at double-digit rates. Boomers gravitate to these "hope in a jar" products that promise to keep Father Time at bay.

For aspiring retailers, cosmeceuticals are still viable fodder for brick-and-mortar outlets; customers want to see and smell what they are buying before they shell out the cash. These products also clock juicier pretax margins than retail clothing does--5.5% versus 3.5%, says Sageworks--though the initial investment required to start a store is a bit stiffer than hanging out a consultant's shingle: \$50,000 to \$200,000, including real estate, inventory, fixtures, cash registers and credit-card processing equipment. For a comprehensive look at launching a retail store, check out ["The Fundamentals Of Retailing."](#)

Boomers don't just want to look good, they want to feel great, too. Health-club proprietors that offer low-impact equipment and fitness classes in convenient locations stand to do well. Depending on location, you'll probably need \$50,000 to \$200,000 to get started, to cover real estate, exercise equipment and insurance; club operators post nearly 6% pretax margins. For more on running a health club, check out ["The Secrets And Snags To Franchising Success."](#)

Boomers also crave convenience and options when it comes to maintaining active social lives. Errand services that tackle driving, cooking and maintenance (though not nursing) come in handy. All you need to get started is a computer, phone and a reliable vehicle. Average pretax margin on this kind of business: around 6%.

If you have a serious appetite for risk and a few million to invest, try developing an "active adults" residence. These increasingly popular gated communities are aimed at boomers who want to stay active but would rather pay someone else to cut the grass and plow the snow. Residents also have access to organized events, such as hiking and canoe trips, cooking classes, community service projects and educational lectures.

Del Webb, a unit of Pulte Homes, has built 60 of these communities, each with as many as 7,000 residences, across the country. The ranch-style homes sell for \$150,000 to \$700,000, plus a monthly membership fee of \$100 to \$300. Real estate values are in the toilet, of course, but the strong underlying demographics are undeniable.

"There's clearly a market for this type of business," says Pulte Chief Executive Richard Dugas. "By 2030, we're expecting twice as many Americans to be over the age 55 as there are today. That's twice as many potential residents for us."

Likewise, demand for the next step--assisted-living facilities--should also continue to grow, though the permits and operating challenges there are myriad. For more, check out ["The Fundamentals Of Running A Senior Living Home."](#)

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