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High return industries

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Legal services (5411)	80.5%
Accounting, tax preparation, bookkeeping and payroll services (5412)	78.3%
Offices of other health practitioners (6213)	78.0%
Offices of physicians (6211)	76.6%
Outpatient care centers (6214)	71.2%
Offices of real estate agents and brokers (5312)	68.7%
Employment services (5613)	66.1%
Agencies, brokerages, and other insurance related activities (5242)	64.8%
Personal care services (8121)	63.8%
Average for all industries	39.10%

Source: **sageworks**

Return-on-investment, financial rewards, profit- whatever you call it, most people want to make something off of the money or effort they provide to a venture. And it's human nature to try to get the greatest reward on the smallest input possible.

Knowing which industries generally provide the highest returns is one way to explore investments of time and money. [Sageworks](#), a financial information company, recently conducted a financial statement analysis of privately held

companies to examine which U.S. industries have generated the highest returns on

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ROE is annualized net income divided by total equity (or the difference between assets and liabilities), and it allows you to gauge a company's profit performance relative to the owners' (or stockholders') capital used to make the profit. As The Motley Fool aptly describes it, ROE allows you to "quickly gauge whether a company is an asset creator or a cash consumer." Reviewing industry [benchmarking data](#) can also help individual companies in that field evaluate their own [performance against peers](#).

In general, a higher return is better. But some industries' average ROE is higher than others, and it's helpful to know that before starting a new business, investing in one or loaning to one. For example, industries or companies that borrow more money than others have greater liabilities and, therefore, proportionately less equity. The lower equity in the denominator means a higher return if net income is the same at both companies. High ROE can be driven by good net income, low equity, or some combination of the two.

The private-company ROEs calculated by Sageworks also include some notable differences from ROEs for publicly traded companies. The average ROE for the last 12 months for companies in Sageworks' database is 39 percent, while most people use a 10 to 12 percent range as a typical ROE for public companies.

"In our database, we look at pre-tax rather than after-tax net profit because we think it gives a more accurate reading of [private companies' operational performance](#)," said Sageworks analyst Libby Bierman. "It's how we avoid comparing apples to oranges in a database of companies from different states with different tax structures or with different tax-management practices." Sageworks' estimate of net income also includes owner compensation in excess of their market-rate salaries, another adjustment aimed at providing a more accurate picture of the companies' operational performance.

“As a result of using pre-tax margins, it’s possible that our ROE numbers are slightly

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database.

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