

## PROVIDE BETTER ADVICE AND GROW YOUR REVENUE WITH BUSINESS VALUATION

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Amazingly, 98% of the world's 200 million small businesses don't know what they're worth. In the opinion of the Small Business Association in the U.S. (where 30 million of those SMBs are located), this is one of the two most important challenges these companies and their owners face.

Helping business owner clients get an accurate measure of what their business is worth can open a variety of planning opportunities for practitioners. Whether you're a financial advisor, a wealth manager, an attorney or an accountant, you can grow your firm's revenues by taking advantage of our patented 7 Step Valuation Process.

The foundation of many sound business planning techniques and strategies that advisors typically recommend, implement and bill for starts with an accurate estimate of the value of the client's business.

With this in mind, professional business valuations can be costly, intrusive and time consuming, which may be why only 2% of business owners opt for this approach.

### **Why Business Valuation Matters to Clients and Advisors**

Business owners often struggle with an important question: How much is their business worth? While they'll likely know the approximate value of their primary residence or vacation home, their cars or their retirement accounts, the value of their largest asset – their business – often eludes them. Closely held business owners simply don't have the luxury of looking up their business' value on one of the public exchanges. So, how are you, and they, supposed to know what that business is worth?

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Whether the business is overvalued or undervalued, an incorrect estimate business' value will lead to less than optimal business and personal planning. And the effects of such a miscalculation will be felt most severely in a client's retirement, disability, or death. Let's explore how having or not having an accurate estimate of a client's business' value will impact planning for retirement, disability, or death.

### **How Advisors Can Maximize Revenue Using Business Valuations When Doing Buy-Sell Planning for Disability and Death**

When the Tax Cuts & Jobs Act of 2017 was implemented, the dramatic increase in the federal estate tax exemption squeezed revenue at many accounting, law and insurance firms whose practices focused on estate tax planning. To replace that lost revenue, many firms were forced to refocus their practices, and buy-sell planning is one area that many of those firms have targeted. As a conversation starter, helping a business know what "their number" is can be the very thing that gets them to start the process of implementing a funded buy-sell agreement.

Statistics indicate that 40 million business owners expect to sell their business in the next 10 years. The federal government estimates that about 52 percent of business owners are over the age of 50, which indicates the extent of the exposure many businesses have from the death or disability of an owner. Many

closely held business owners turn to their trusted legal advisors to help them execute buy-sell agreements (or rely on the transfer provisions in their business' governing document) to protect their families, their co-owners, and their businesses in the event of their disability or death.

Having a well drafted buy-sell agreement is good, but that gets the advisor and the client only halfway there. By failing to fund a buy-sell agreement, it remains unknown how much money the business owner or their family will receive for their business interest on death or disability. While appropriately funding these agreements is essential, the proper level of funding is directly related to the value of the client's business. Without an accurate estimate of a business' value, neither the advisor nor their clients can have an informed conversation about whether their buy-sell agreement is adequately funded or whether they'll receive fair value for their business interest upon death or disability.

### **Business Valuations & Modeling Retirement Income Needs**

Whether a client plans to liquidate, sell, or simply "unhang" their shingle, not assessing their business' value at any point prior to retirement may delay their anticipated retirement date and prevent them from experiencing the kind of retirement they envisioned. If asked, many business owners would admit that they consider their business' value to be primary source of retirement funds, regardless of their balance in their qualified or non-qualified plans they might have implemented. In fact, 78% of business owners expect to fund their retirement through the sale of their business.

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An adequate gauge of their business' value - and thus how much money one can realistically expect to get for it if you sell it or liquidate it - will inform appropriate contributions to those qualified and nonqualified retirement plans so that in conjunction with the proceeds from the disposition of their business, they can be confident that their income stream in retirement will support their desired lifestyle. Thus, when professionals start to model their clients' future retirement income needs, having an accurate sense of value can be invaluable.

### **Estate Planning for Spouse & Family Members**

Helping a client understand what their business is worth is paramount in making adequate provision for lifetime income needs of a surviving spouse and/or family member, which may or may not be met from the sale or other disposition of their business interest. If they anticipate leaving their business to one of their children and leaving other assets to another child or children (aka estate "equalization") it is essential that advisors help them know the value of their business so that they can treat each of the children the "same" and leave them assets of equivalent value.

### **Business Valuations: How Can Advisors Get Started?**

There are many different ways a closely held business may be valued. Depending upon the complexity and size of the business, a professional business valuation may be appropriate. That said, a professional business valuation can be costly, intrusive and time consuming, which may be why only 2% of business owners opt for this approach.

One of the most exciting developments in the space has been BizEquity's "democratization" of business valuation planning. BizEquity's patented 7 Step Valuation Process has allowed advisors such as CPAs, attorneys, trust officers and financial planners with absolutely no prior business valuation experience find and engage new clients, differentiate themselves in the competitive financial services industry and provide added value to customers. Advisors can now quickly search and discover millions of "pre-valued" businesses which allows them to deliver and demonstrate value at their first client meeting and generate recurring firm revenue.

### **How We Can Help**

BizEquity provides the technology and support to help an advisor:

- Define their ideal business owner target based on their firm's operating style
- Prospect more effectively using the prospect engagement tool, which has pre-valued over 30MM businesses in the U.S.
- Market their services to business owners with off the shelf white-labeled marketing content and presentation materials.
- Engage a business owner and value their business in less than 20 minutes
- Automatically benchmark the value and operational metrics of the business against their peers.

Not working with business owners today?  
You should. We make it easy. Let us help.