

# What Your Business Is Worth, And Why You Need to Know!

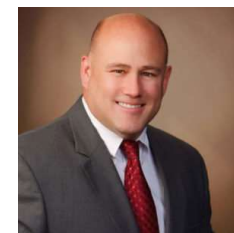


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# Agenda

- Why Valuation Is Important
- Methods of Valuation
- Increasing Your Business Value
- What To Do With Your Valuation
- Planning Strategies



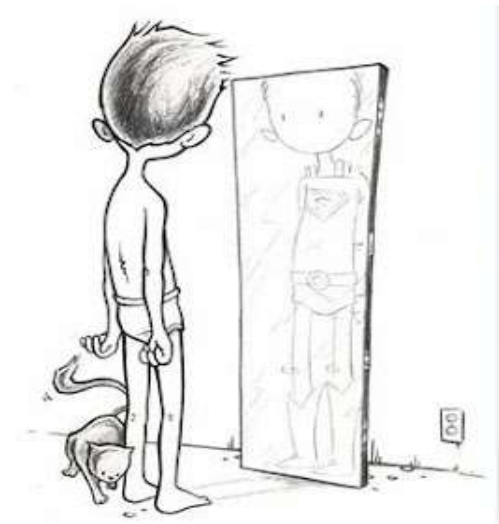
# The Problem – Business Valuation

- Many business owners have never had their business valued
- Often times a valuation is only done due to a “trigger event”.
  - Death
  - Sale
  - Dispute
  - Divorce
- Owner’s estimates of business values are often unrealistic



# Overvalue Business?

- Jeopardizes retirement lifestyle
- No Buyers are interested
- Long Time on the “market”
- “Best” Buyers don’t take you seriously



## Under Value Business?

- Not properly rewarded for your efforts
- If you only receive 1 offer, how will you know it is fair?
- Impacts your estate or gift tax liability
- Could force a sale just to pay estate taxes

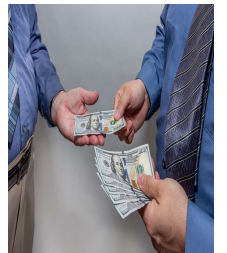
- See
  - Joe Robbie
  - Wrigley Family
  - Lawrence Tisch



# Valuation Methods

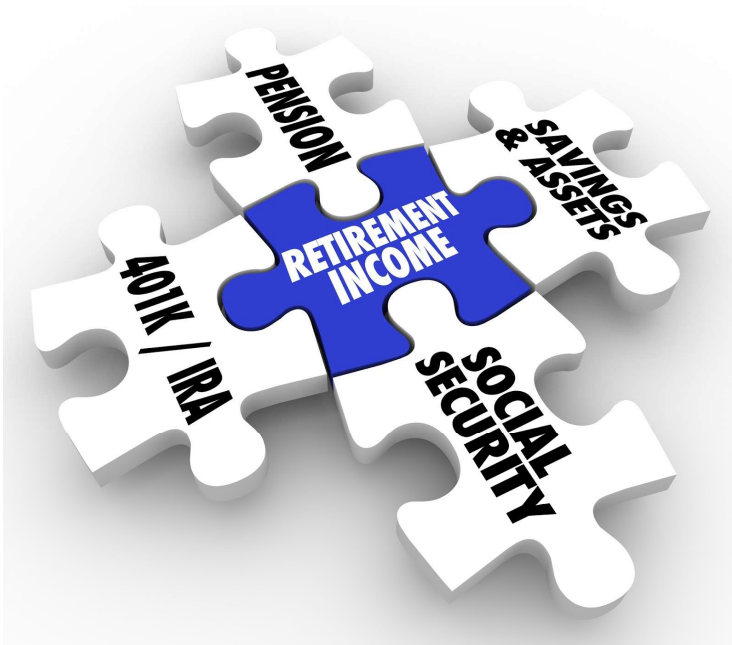
# What to do after receiving a Valuation?

- Plan for retirement
- Plan for Sale to a Third Party
- Plan for a transfer to active family member or key employee
- Plan for your estate/death





# Planning for Your Own Financial Well-Being



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*Never Take Action Without  
Knowing The Long Term Impact  
on **Your** Financial Situation.*

Selected Plan

**Base Facts** ▼

**TECHNIQUES**

[Modify](#)

☒ 5.7% Hurdle Rate of Return

☐ Reduce Spending \$5k/yr

☐ Retire 1 Year Later - Age 63

☐ Sell Vacation House 2020 for \$250,000

☐ Special Vacations until 75 \$30,000

☐ Gifting \$50,000/yr at age 75

☐ Reduce Soc Sec by 33%

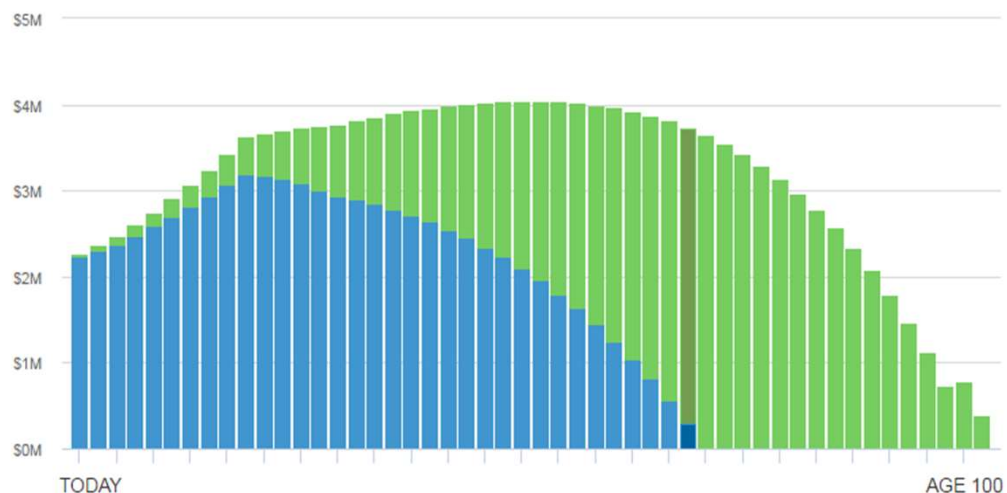
☐ 5 Yr. Long Term Care Expense-\$100k/yr

All On · All Off

Selected Report

**Lifetime Cash Flow** ▼

[View in Present Value](#) ?



ASSETS LAST UNTIL  
**Age 100**

FUNDING GAINED  
**↑ 16 Years**

VALUE GAINED  
**↑ \$3,438,854**

Source: Emoney, Assumes Robert & Sally Smith age 62, Living Expenses \$150,000/year, Retirement Age 65, Retirement Plan earns 6%, Taxable Investment earns 4%

# Planning For A Sale to a 3<sup>rd</sup> Party

Run Your Business as if you are going to sell tomorrow – plan for 2+ years to close

- Board Meetings
- Up to Date Minutes
- “Clean” Financial Statements
- Employment contracts/HR Best Practices
- Missing Documentation

➤ Sloppy Books leads to reduced valuation

# Sell During Lifetime

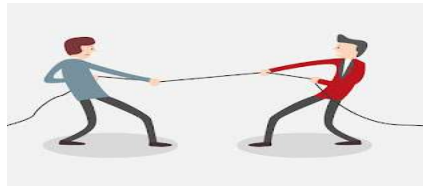
## When?

Now  
Future  
Retirement  
Forced



## To Whom?

Family  
Partner  
Key Person  
Competitor  
Private Equity  
ESOP



## How?

Cash  
Installment  
Stock Sale  
Asset Sale  
1031 Exchange



## Example – Selling to an Outside Party for Maximum Value



# Planning For A Transfer To Family Members

## Issues

### ➤ Gift Tax Laws

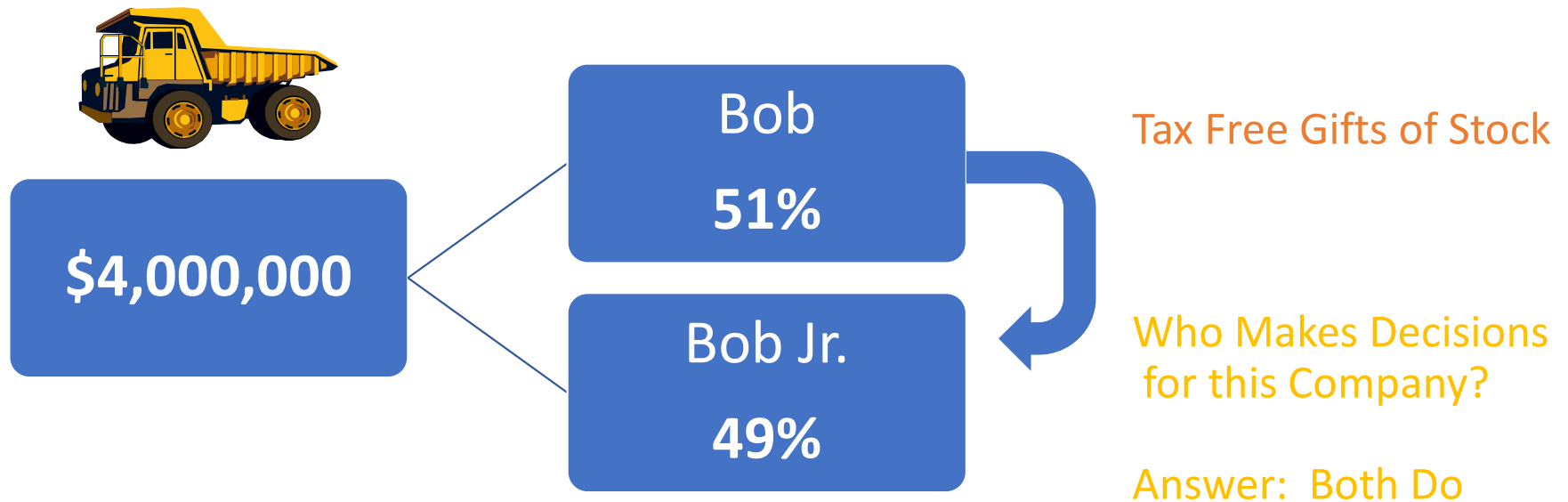
- \$16,000/year annual gift tax exclusion per person
- \$11,700,000 lifetime (or death) gift opportunity
  - Dropping to approx. \$6.0 ml. after 12/31/2025 (or sooner)

### ➤ Revenue Ruling 59 – 60

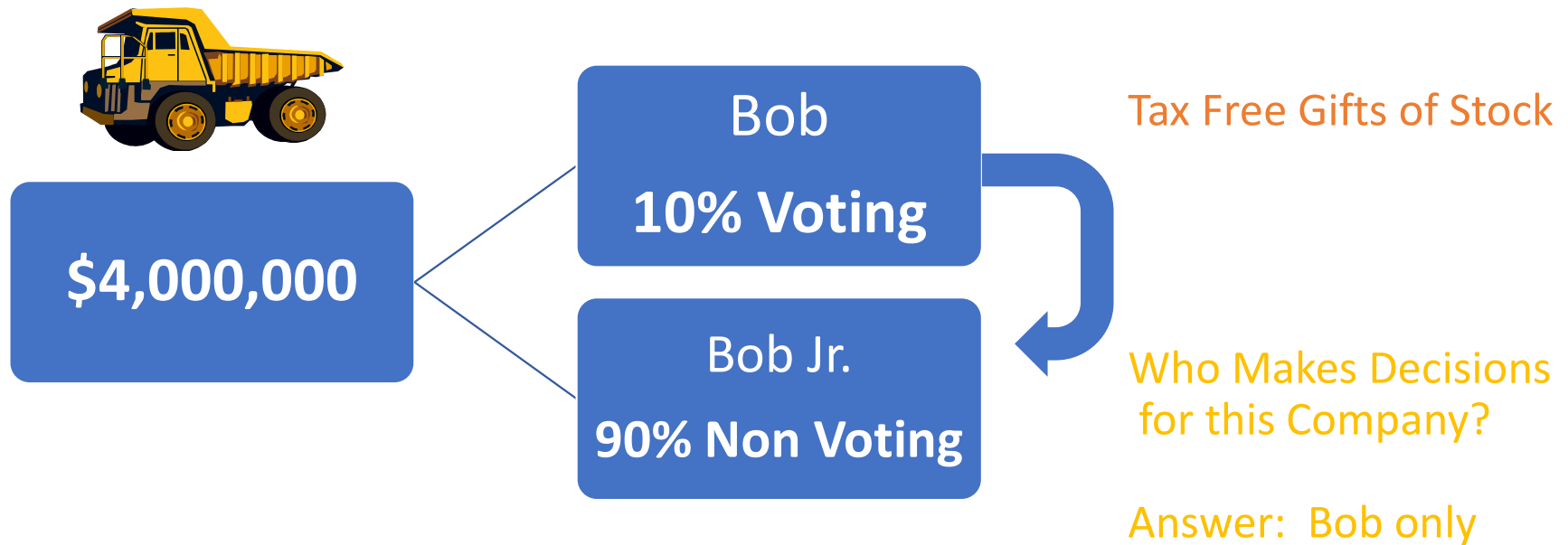
- Minority Discounts due to lack of control and lack of marketability
- When can a gift of \$2.8 million be reported to the IRS as a gift of \$2.0 million?



## Creative Planning Using “Discounting” Techniques



## Creative Planning Using “Discounting” Techniques





# Planning For Your Estate/Death

Do You Have a Will/Trust?

- Who is Your beneficiary under your Will/Trust?
- Probably Your Spouse
  - Does Your Spouse really want to own a business?
  - How do the employees, bonding company, suppliers, feel about that?
- Second beneficiary is to your Family (equally)
  - Do all children “share” equally?
  - Family Conflicts
  - Are your children “savers” or “spenders”?

Do You have liquidity to pay the estate taxes, and “equalize” non active children?



# Pending Tax Law Changes

- Higher Capital Gains Tax – up to 43.8%
- Loss of “Step Up” in Cost Basis
- Increased Income Taxes
- Acceleration of the Sunset of the Tax Cuts and Jobs Act personal provisions
  - \$11.7 ml. exemption vs. \$6 ml. (estimated)

# Summary

Determine if you need to know the value of your business for planning purposes:

- Your Retirement
- The future sale of the business
- If new owners or family members want to join the business
- Or to avoid any unnecessary estate taxation

## Business Planning Seminar

I am interested in hearing more about:

- \_\_\_\_\_ Business Valuation
- \_\_\_\_\_ Third Party Sale Options
- \_\_\_\_\_ Utilizing my business for personal fringe Benefits
- \_\_\_\_\_ Attracting and Retaining Key Employees
- \_\_\_\_\_ Family Business Transfer Options and Equalization
- \_\_\_\_\_ Employee Stock Ownership and Succession programs
- \_\_\_\_\_ Review of Estate and Business Legal Documents
- \_\_\_\_\_ Receiving a Monthly e-newsletter on business and financial techniques

Name \_\_\_\_\_

Company \_\_\_\_\_ # of Employees \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_ Email \_\_\_\_\_

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