







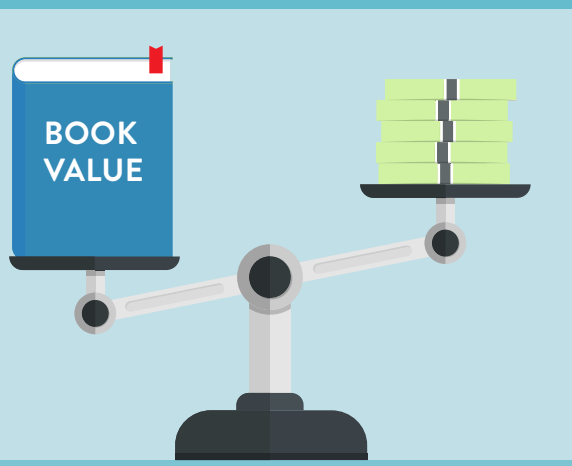

Many business owners fail to consult with independent valuation firms to determine the fair market value of their business, relying instead on book value. Though it can be costly, a proper valuation can end up saving business owners millions of dollars!

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|  <h2>WHAT IS BOOK VALUE?</h2> | <h2>VS.</h2> | <h2>WHAT IS FAIR MARKET VALUE?</h2>  |
| <p>Total assets – Total business liabilities</p> <hr/> <p>Book value</p> | | <p>Price a willing buyer and seller would transact at, often very different from book value</p> |

KEY CONSIDERATIONS

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|  <p>Book value may not account for customer relationships or future business value and growth.</p> |  <p>Business valuation is not an exact science. Having a skilled appraiser is critical.</p> |
|  <p>Fair market value is dependent on variables like the economy, if the owner feels pressured to sell, and how quickly a qualified buyer can be identified.</p> |  <p>Having an idea of what your business is worth is not the same as knowing its fair market value.</p> |
|  <p>An inaccurate business valuation can result in:</p> <ul style="list-style-type: none"> – Underpaying the seller – Not having enough money to live off during retirement or a disability – Not leaving enough money to a business owner's family upon death. |  <p>If an owner's estate is appraised at book value, not fair market value, the IRS may challenge and increase the valuation for estate tax purposes.</p> |
| |  <p>Business owner valuation disagreements may result in a legal dispute when an owner wants to or is forced to opt out.</p> |

POTENTIAL OUTCOMES OF APPRAISAL

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| <p>BOOK VALUE GREATER THAN MARKET VALUE:</p> <p>The assets on the books are worth more than future profits and cash flows.</p> | <p>MARKET VALUE GREATER THAN BOOK VALUE:</p> <p>Consistently profitable companies typically have market values greater than book values.</p> |

WHAT ARE SOME WELL-KNOWN VALUATION METHODS?

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| <p>BOOK VALUE</p> | <p>CAPITALIZATION OF EARNINGS</p> | <p>DISCOUNTED CASH FLOW</p> | <p>COMPARABLE COMPANY SALES</p> |

Speak with your financial representative who can help you find the right resources for you and your business.

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