

Informal Business Valuation | Buy-Sell Review

Open more doors. Close more sales.

The sales opportunity



Generate sales with Informal Business Valuations and Buy-Sell Reviews

The reports provided through our Informal Business Valuation and Buy-Sell Review services offer important information to business owners about the impact the value of their business and/or the state of their buy-sell agreements can have on many aspects of their financial future. And that, in turn, can lead to additional life and disability insurance sales for you.

Informal Business Valuation. After completing the fact finder, you and your client will receive a complimentary informal business valuation prepared by our Business and Advanced Solutions team of professionals including CPAs, attorneys, and consultants. The report also provides suggested solutions based on the unique needs of the business. In addition, you and your clients will get direct access to this team to discuss recommendations or any questions you may have.

What's the purpose of this service? Our informal business valuation service is not intended to provide the fair market value for purposes of selling a business. Long before a sale occurs, it's important for business owners to know the value of their business for risk protection purposes. This means understanding and protecting the value at risk—for both planned and potentially unplanned events.

Buy-Sell Review. During the fact finding discussion with your client, you'll also want to ask if there is a buy-sell agreement. If there is, ask for a copy to be reviewed. We'll then provide an additional report that includes any recommendations our Business and Advanced Solutions team may have based on any needs uncovered. The review may also include a summary of your client's buy-sell agreement funding and options to help meet any identified funding deficiencies.

What's the purpose of this service? The complimentary Buy-Sell Review is not intended to replace a business owner's valued legal counsel. This service provides a timely review of key provisions in the buy-sell document(s) in order to provide best practices feedback and ensure everything is current and in line with the business owner's expectations. Our goal is to provide suggestions that will help facilitate a discussion with their legal counsel.

Providing these value-added services to your qualified² business-owner clients and prospects can help open a variety of sales opportunities for you!



Snapshot: real opportunity

Owners of growing businesses represent a lucrative market with significant risk-protection needs. Nearly half of all U.S. households with more than \$3 million in investable assets own a business.¹

¹ LIMRA analysis of 2016 Survey of Consumer Finances, Federal Reserve Board, 2017.

² Clients and prospects must meet the qualifications outlined under "Who is a good prospect?" for each service.

What sales opportunities can be uncovered?

Business succession planning and business transfer strategies

- Match up existing agreement, valuation and funding.
 - Identify unmet financial needs for lifetime, death and disability triggers.
 - Align life insurance and disability insurance definitions and ownership.
- Establish and fund new buy-sell plans.
- Unique solutions for single-owner businesses, who often don't think they need buy-sell agreements. It's just as important for them to have a strategy in place, so solutions we offer include Principal Select Buy-Out PlanSM, One Way Buy-Sell and No Sell Buy-Sell.

Business protection

- Key Person (life and disability insurance)
- Loan protection (life and disability insurance)
- Business overhead expense (disability insurance)

Key employee retention and retirement

- Bonus plans for key employees
- Bonus plans for owners (LLCs and S corporations)
- Deferred compensation plans
- Split dollar plans

Legacy & estate planning

- Inheritance equalization
- Family business transfers
- Estate tax calculator

Insurance protection

- Individual life insurance
- Individual disability insurance

Who is a good prospect?

For a Buy-Sell Review:

- Any company with a buy-sell agreement if it's been two years since the agreement was drafted or reviewed.
- Any company with an operating agreement or partnership agreement that includes buy-sell provisions
 - Operating and partnership agreements are generally less comprehensive with regard to buy-sell provisions, such as addressing valuation formulas and insurance provisions.
 - Operating and partnership agreements create great opportunities for you to provide value to clients by helping them implement a buy-sell agreement.

For an Informal Business Valuation:

Profitable, growing businesses with gross revenues of \$500,000 and above. Industries that are a particularly good fit include:

- Manufacturing companies
- Construction companies
- Professional service-related companies (architects, healthcare systems, law firms, dental, engineering, accounting firms, etc.)



Which prospects present challenges?

For a Buy-Sell Review:

There aren't really any challenging prospects from a Buy-Sell Review perspective. We can generally provide value to all business clients requesting a review as long as they have an agreement that includes buy-sell provisions.

For an Informal Business Valuation:

Farms/ranches. Value is generally equal to the value of the livestock, equipment, land, etc., as calculated by the various market indexes. Valuations of farm-related commodities and land require specialized knowledge and data.

Nonprofit organizations. These are generally not intended to be sold for a profit.

Publicly traded companies. Generally, the fair market value will equal the stock price. No value is added by providing our informal valuation.

Non-profitable businesses. These are businesses with negative book value and net losses.

Real estate holding companies. The value of this type of business is generally equal to the appraised values of the respective properties being held.

Businesses with commission as the primary revenue. Valuing these firms is challenging because compensation can vary widely among all parties.

Companies engaging in criminal activity. This includes businesses, such as marijuana dispensaries, where a conflict exists between state and federal law as to the legality of the business.

Rental properties such as bed and breakfasts and hotels. The value of this type of business is generally equal to the appraised values of the property(ies).

Small real estate agencies. These are generally agencies with one to three agents and few staff members.

New companies. It's difficult to trend data with new companies, as there is generally more expense in early years. The investment in the companies is a good place to start. In addition, new companies need to protect their key people and cover any outstanding business debt.

Take advantage of our Informal Business Valuation and Buy-Sell Review services, and start the conversation with business owners today!



Call the Business and Advanced Solutions hotline today at 833-803-8345, or visit us at advisors.principal.com

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