

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

to support the sale of her business to her son. She claimed to know already the value of the business – \$2.5 million – and simply needed McDaniel to prove that ...

Nov. 28, 2016



Several years ago, a business owner called Tim McDaniel seeking a business valuation to support the sale of her business to her son. She claimed to know already the value of the business – \$2.5 million – and simply needed McDaniel to prove that value to the bank for a loan backing the deal.

[Reprinted with permission from [Next-Level Accountants: Your guide to growing a firm of trusted advisors.](#)]

“I asked her, ‘How’d you come up with that figure?’ and she said, ‘I belong to two country clubs, and that’s how much I need to keep up the country club lifestyle,’” recalls McDaniel, principal and director of business valuations at [Rea & Associates](#), and the author of [Know and Grow The Value of Your Business: An Owners Guide to Retiring Rich](#).

The actual valuation showed the business was worth closer to \$800,000, and while

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

compliance-related valuations is static, opportunity abounds for valuation professionals to [help business owners understand and grow](#) the value of their biggest asset.

“It’s important for the business owner to know five or six years before retirement what the actual value is and ways to maybe improve that value,” McDaniel says. “We’ve been preaching a lot that your business is your biggest asset, so you should know what the value is. You shouldn’t guess at it, and you should have a plan to increase its value.”

Indeed, McDaniel’s firm has a valuation product called “Know & Grow Valuation,” which takes a plain-English approach to explaining valuations and helping owners develop strategies for maximizing business value. Selling valuations that are event driven (such as those related to death or divorce) is less challenging, but the Know & Grow Valuation projects are more enjoyable.

“It’s not driven by need; it’s driven by their desire and wants,” he says. “You’re teaching owners about one of their most prized possessions outside of their families. They get to understand their business more and what it’s worth.”

In addition, these engagements sometimes feed into other consulting areas of the accounting firm, such as IT, risk management, internal controls, tax solutions and operations improvement.

McDaniel has the following tips for growing a valuation practice aimed at business owners:

1. **Have a solid “elevator pitch” ready.** McDaniel recommends that you prepare to explain briefly the potential [return on investment of a valuation](#). Among the areas where knowing the value of your business can be beneficial:

- Estate and personal planning

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

and effort writing about the things they already know, and this reduces the cost of the valuation.” The valuation does, however, clearly explain all financial assumptions and all three valuation approaches in its calculation.

3. Focus on face-to-face selling. McDaniel says he does a lot of public speaking and CPE classes, provides thought-leadership articles and has a lot of lunches with prospects and professionals outside his firm who may provide referrals.

4. Train the firm's partners on the importance of valuation. “Your best sales force is internal,” McDaniel says. “Make sure you engender the confidence of your partners that you're competent, and train everyone to recognize opportunities.” Rea & Associates holds training to help others remember, for example, that if they're talking to a business owner, they should ask how many owners there are. If there is more than one, the accountant should ask to see the buy-sell agreement. “Most of these agreements are old, not updated and have terrible valuation provisions in them,” he says, providing an opportunity for the firm to help.

Mary Ellen Biery is a research specialist at [Sageworks](#), a financial information company that provides financial analysis and valuation applications to accounting firms.

Accounting

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us