

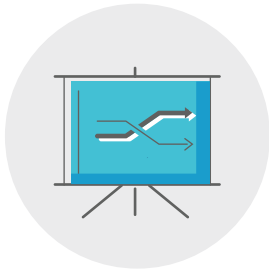
ADVANCED
MARKETS

DELIVERING AN INFORMAL BUSINESS VALUATION

The information you need to help
ensure a successful client presentation.



When it comes to the informal business valuations provided to you by Mutual of Omaha, the way the findings are presented is important. This guide will help you show your client what is included in the valuation - and, more importantly, help them understand what it means for their business. It also provides some thought-provoking questions you can ask to help uncover planning opportunities.



How to Present the Informal Business Valuation

Here is the result of your informal business valuation request. I know there is a lot of information here, and I am going to leave the printout with you, but I want to highlight the actual valuation numbers. *At this point, you will present the page with the valuation numbers.*

This shows four different numbers. In the lower right is the estimate of what you would receive if you had to sell your assets at fire sale prices. Obviously, we hope to appropriately plan so that you don't have to worry about that, so let's focus on the others.

The other three give valuation estimates based on different measures, so depending on your situation, the most accurate valuation probably falls somewhere in the middle.

We have had very good results with this service, but it is an informal valuation. These estimates aren't something that you could use with the IRS or to put a final value on the business to sell it. You should get a formal valuation for that. We use this as a tool to help you plan.



Transitioning to Planning Opportunities

After you introduce the informal business valuation, there are several opportunities to discuss with your client that could lead to a sale.

Let's look at the following planning opportunities more closely:

- Building Wealth Outside the Business
- Key Person Insurance
- Personal Liability
- Buy-Sell Agreement
- Income Protection



Two Things to Remember

- **Ask additional follow-up questions after the ones listed in this guide:** The client has to recognize a problem. Until the client (not you) realizes the pain of writing the check is less than the pain of letting the problem go unaddressed, then you cannot make the sale.
- If life insurance is the solution to the problems above, consider where tax-advantaged accumulations and withdrawals might help. It could be on the personal side for retirement, as a tool for the business to fund future purchases or for a variety of other things where a source of future funds may be needed.

Building Wealth Outside the Business

One area where we see an issue with nearly every one of the small business owners we work with is the problem of where they keep their assets. Most business owners are not diversifying their wealth enough. There is a need to have assets outside of the business to allow business owners like you to retire on his/her own terms regardless of the value of the business.

Let me show you something.

At this point, you will draw a line down the middle of the page. Write the business valuation on the left side and write "other assets" on the right.

- Your business is worth about \$X, what assets do you have on the other side of the sheet?
- When you organized your business as a (corporation, LLC) didn't you do so to protect the assets on the personal side from the creditors that may come up on the business side?
- Of course, putting money back in your business can be a great thing to do, and it seems to have worked well for you so far. But, what are some risks that businesses in your industry face that cause them to fail?

At this point, you will wait and listen

- Would it make sense to get more assets from the business side of the sheet to the personal side in case one of those risks came to pass?
- Would that also help when you retire from the business so that you don't have to rely as much on the sale proceeds?
- If I could show you a way to move some of those assets from the business side to the personal side and protect your family in the meantime, would you be interested?

How to introduce an IUL solution: A maximum funded indexed universal life insurance policy is a great way to provide your client with coverage for personal and business needs, AND provide cash values that can be accessed later in life for retirement.



Key Person Insurance

- Why do people do business with you instead of your competitors?

At this point, you will wait and listen – if any key employees are mentioned then key employee coverage may be appropriate

- What would happen to the business if that person didn't come back tomorrow?
- Would it just be an inconvenience or would it do real damage to the business?
- Would it make sense to look at some options for protecting your business in the event that key employee died prematurely?

How to introduce a life insurance solution: Using life insurance to protect the business from this unfortunate event could mean the difference between losing significant business and the ability to keep things afloat while a new person can be identified, hired, trained and fully functioning in the business.

Personal Liability

- When you set up the corporation or LLC, did you do that because you wanted to protect your personal assets from your business creditors?
- The last time that you borrowed money, signed a lease or entered into a big contract with a vendor, did you have to give a personal guarantee?
 - **If yes:** That's very common. Other companies don't want you to walk away from a debt just by shutting down your business, so they require a personal guarantee. If you weren't here to run the business, how would your family pay off those loans and vendors?
- If you leased your business property, how would your family make the rest of the lease payments?
- We need to talk about whether your family would need an infusion of cash to prevent them from going bankrupt trying to pay off the debts of a business they no longer benefit from.



Buy-Sell Agreement

(only discuss if there is more than one owner)

- Do you have a buy-sell agreement?
- **If yes:** How is it funded?
- **If you didn't get a clear answer, try saying it this way instead:** If you or one of your partners were to die today, where would the money come from to buy their share of the business from their families?
 - **If they say cash flow:** Do you have enough cash flow now that you could easily buy out a partner today?
 - Why would that be easier after one dies?
 - Would you rather have your partner's family as your new partners or would it be easier to set aside a little bit in advance so that the money would be there when it is needed?
- **If there is not a buy-sell in place:** How are you protected if a partner:
 - Died or became disabled?
 - Left voluntarily?
 - Got divorced or filed for bankruptcy?
- A buy-sell agreement can dictate the terms so that both the departing and remaining owners are treated fairly and the business can continue. We would be glad to work with your attorneys and accountants to make sure that your needs are being addressed. Would that make sense?

Income Protection

- Does your family rely on the income from this business?
- If something happened to you, would the business continue to provide that same level of income? How?
- Would someone else run it and continue to give the profits to your family?
- Would your family be able to sell it for its full value?
- If the answer to these is no, then you need to make sure that you have enough life insurance so that the family is taken care of if they lose you and the business you run. Would you agree?

Closing Conversation

At this point, after having touched on all of the above, it is time to determine if the client would like to discuss any notable concerns in more detail, or if a follow up meeting is needed to adequately prepare and discuss.

Based on our conversation today I would recommend that we dive deeper into [topics of main concern], and examine what kind of solutions we can provide to help your business. If we determine additional information is needed to adequately discuss and evaluate in more detail, are these [dates and/or times] good for you to schedule a follow-up meeting?



There are several small business solutions that you as a financial professional are capable of offering to your clients. If there is any additional information or scenario development you feel would be beneficial to prepare, our Team of Advanced Markets Experts are available to help ensure you have all your bases covered prior to the meeting.

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Why Mutual of Omaha

Over 50 years of Mutual of Omaha's Wild Kingdom taught us that the animal kingdom and the human kingdom have something in common ... an instinct to protect what matters most. Through insurance and financial products, we help people protect their lives, protect their families, protect their kingdoms.

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