Principal®

Informal Business Valuation | Buy-Sell Review

Open more doors.
Close more sales.



Generate sales opportunities with Informal Business Valuations and Buy-Sell Reviews.

The reports provided through our complimentary 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. That, in turn, can potentially lead to additional life and disability insurance as well as accumulation sales for you.

Informal Business Valuation

After submitting a Request for Proposal (RFP), you and your client will receive a complimentary informal business valuation prepared by our Business and Advanced Solutions team of experienced professionals including CPAs, attorneys, and consultants. The report includes 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 address any questions you may have.

The purpose of this service is to provide a business valuation for risk protection needs. It's not intended to provide a 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 to adequately protect it. This means understanding and protecting the value at risk—for both planned and potentially unplanned events.



Snapshot:
Real opportunity

Owners of growing businesses represent a favorable market with significant risk protection needs. There are more than 33 million small businesses.[1]

Buy-Sell Review

During the fact-finding discussion with your client, you'll also want to ask if they have a buy-sell agreement. If they do, ask for a copy to be reviewed. Our Business and Advanced Solutions team will review the agreement and provide a report including recommendations 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 shortcomings.

The purpose of this complimentary service is to provide a timely review of key provisions in the buy-sell document(s), so we can offer best practices feedback and identify if everything is current and in line with the business owner's expectations. It isn't intended to replace a business owner's valued legal counsel, but instead to provide suggestions that will help facilitate a discussion with their legal counsel.

Providing these value-added services to your qualified[2] business owner clients and prospects can help open a variety of sales opportunities for you.

[1] SBA Office of Advocacy, 2022 Small Business Profile, based on 2019 Census Bureau data.

[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 and 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
- Innovative solutions for single-owner businesses. These owners often don't think they need buy-sell agreements. But it's just as important for them to have a strategy in place. We offer solutions, including Principal Select Buy-Out Plan℠, 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 exposure calculator

Insurance protection

- Individual life insurance for business owners, their key employees, and families
- Individual disability insurance

Who's a good prospect?

For a Buy-Sell Review:

- Any company with a buy-sell agreement that was drafted or last reviewed two or more years ago.
- 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 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
- Construction
- Professional service-related (architects, healthcare systems, law firms, dental, engineering, accounting firms, etc.)



Which prospects present challenges?

For a Buy-Sell Review:

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 can be 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.

Let's connect

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

Principal®

principal.com

For financial professional use only. Not for distribution to the public.

Insurance products issued by Principal National Life Insurance Company (except in NY) and Principal Life Insurance Company®, and the companies available through the Preferred Product Network, Inc. Plan administrative services offered by Principal Life. Principal Funds, Inc. is distributed by Principal Funds Distributor, Inc. Securities offered through Principal Securities, Inc., member SIPC, and/or independent broker/dealers. Referenced companies are members of the Principal Financial Group®, Des Moines, IA 50392.

All investments involve risk, including the loss of principal.

Not FDIC or NCUA insured
May lose value • Not a deposit • No bank or credit union guarantee Not insured by any Federal government agency

Principal®, Principal Financial Group®, and Principal and the logomark design are registered trademarks of Principal Financial Services, Inc., a Principal Financial Group company, in the United States and are trademarks and service marks of Principal Financial Services, Inc., in various countries around the world.

BB10350-10 | 02/2024 | 3358405-022024 | © 2024 Principal Financial Services, Inc.