

## Do You Really Know the Value of Your Company?

It is common for executives at companies to undergo an annual physical. Likewise, these same executives will likely examine their own investments at least once a year, if not more often. However, rather perplexingly, these same capable and responsible executives never consider giving their company an annual physical unless required to do so by rule or regulations.



### **Most Business Owners Don't Know**

Recently, a leading CPA firm undertook a study that was quite revealing. In particular, this study concluded that a whopping 65% of business owners don't know the value of their company and 75% of the surveyed business owners had their net worth tied up in their businesses. Phrased another way, 75% of business owners don't know how much they are worth! Perhaps most striking of all was the fact that a full 85% of business owners have no exit strategy whatsoever.

### **Having Recurrent Valuations is a Must**

Business owners should know what their businesses are worth at least on an annual basis. Situations, both personal as well as in the economy at large, can change very rapidly. A failure to have a valuation leaves one exposed if issues suddenly arise involving estate planning or divorce or even partnership issues. These are just two examples of potential problems.

It is also vital to understand how your business compares to last year and previous years; after all, valuations should be increasing not decreasing. A valuation can also help you understand how your business compares to other businesses. Perhaps most importantly, an annual valuation can help you spot and fix problems.

### **“Buy, Sell or Get Out of the Way”**

If you don't know your valuation, then you truly don't know where you are headed. As former Chrysler CEO, Lee Iacocca once stated, “Buy, sell or get out of the way.”

Standing still isn't an option. You need to know your valuation in order to take full advantage of opportunities. You may feel that an acquisition isn't the right move at the moment, but that doesn't mean you shouldn't be ready! Having a current valuation means you're ready to go if opportunity does, in fact, knock!

You never know when a potential acquirer may enter the picture. Imagine missing out on a tremendous opportunity because you didn't have a valuation in place. Often hot offers and hot opportunities depend on speed. The time it takes to get a valuation could mean that the opportunity is no longer available. An accurate annual valuation of your business provides a valuable option whether you choose to exercise it or not.

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