Business Valuation Basics | Maximizing the Value of Your Business | Transcript

Harold Kremer & Dan Schlachter
January 2026

Harold Kremer:

So to get us kicked off, Dan, why don't you tell us a little bit about what a business valuation is?

Dan Schlachter:

Sure. So it's all about answering that question what is a business or a business interest worth? And it's a difficult question. It's not always a science, it's more of an art. There's a lot of different factors that come into play. The national economy, the industry, financial performance. There're different methodologies we can take. So there's a lot of different factors that come into play and we want to look at all those and apply it to this specific business. It's definitely not a one size fits all approach. Like I said, more of an art than a science.

Harold Kremer:

Okay. Are there things that we look at when doing a valuation for tax purposes that we wouldn't necessarily do for a valuation for other purposes?

Dan Schlachter:

Yeah. So there's a few things that come into play when you talk about the gifting purposes. Those things are discounts that you would put on the valuation of the business. For example, if you look at just the shares of a business for gifting purposes, you're not going to necessarily be able to readily sell that tomorrow. So we'll apply what's called a discount for lack of marketability. It'll take that value down a little bit.

And the same thing applies with the discount for lack of control as another common discount. For example, that'd be if a shareholder is only gifting maybe 20% of the business. They don't have the control to make decisions. They don't own all the voting stocks. There's going to be some form of a discount for lack of control for that as well.

Harold Kremer:

Okay. That makes sense because those shares would be worth less than a control share.

Dan Schlachter:

Exactly. Exactly.

Harold Kremer:

Excellent. Excellent. That's good to know.

Dan Schlachter:

So you brought up a purpose earlier, exit planning. Can you talk a little bit about exit planning, what that is and how it relates to business valuations?

Harold Kremer:

Yeah. It's kind of a new buzzword here in the last few years, exit planning. I mean, it is what it sounds like. It's planning for an exit, kind of retirement planning for a business owner, but it's more than just retirement planning. So step one is really understanding what you have today. Step two is understanding what you need at your projected retirement date. And step three is how do we get there from A to B?

And so we get very involved, especially on the front end, in understanding the value of your business. Obviously, we take care of that and we would do that from a fair market value perspective of what do we think they'll be able to sell the business for in a transaction. So we help the business owner understand the value of their business. At the same time, we have a wealth management division that can help the business owner understand what they have outside the business. So we're looking at inside the business and outside the business what holistically does this business owner have right now kind of toward their retirement goal?

And then the next step, like I said, is to kind of fast-forward to their retirement event. And people approach us at many different times. So that event might be a year out, it might be five years out. Obviously, the sooner you start planning, the better, but sometimes life comes at you fast.

Dan Schlachter:

Right.

Harold Kremer:

So we look at when do you need to retire, want to retire, and what do you need to have at that point in time? So a lot of time our wealth management folks can help them understand, look at the future, look at what kind of retirement nest egg they need.

And then we look at what they have now, what they need, and at least on the business valuation side, we can help them understand what creates value and how they can possibly grow their business to the value they need it to be at the point of retirement. And then at the same time, we're looking at the outside assets and how those can grow and understanding the tax impact of not only the sale of the business ultimately, but also the liquidation of their portfolio of investments because that has tax impact as well.

Dan Schlachter:

Great. So then you get to the point of we need the business valuation done. Can you talk a little bit about what that involves for the business, how labor-intensive it is, how much stuff we need?

Harold Kremer:

Yeah. Most of the stuff we need is readily available, I'll say, especially if you keep good books. I mean, you have to a file tax return every year. So you're going through a process at every year-end to kind of clean up your books and have a good set of records. We generally look at three to five years of financial activity, financial statements. And so those don't have to be audited. It's nice that they're audited or reviewed because that's just, you know, they've been through a process of review, but oftentimes we use internal financial statements as well. So obtaining five years of financial statements, say, is step one, which is usually pretty easy.

We have a standard list of things we request, but most of it is inquiries about the business, and they vary really based on the size of the business. Some small businesses that have one owner might have more personal items flowing through the company. They might have their personal car in the company or something like that or run some personal expenses through. So part of our process is to peel out anything that's personal and be looking at just the business valuation of the business itself with no personal impact. So a lot of our questions and requests revolve around getting if I were a buyer, what am I buying and what would continue and what wouldn't continue?

Dan Schlachter:

Right. So I think a lot of people think buying and selling of a business when it comes to business valuations. So what kind of services do we offer when it comes to buying and selling?

Harold Kremer:

Okay. Yeah, no, that is true. A lot of folks think about mergers, acquisitions, buying and selling when they hear the words business valuation. So we do a lot of business valuation work revolving around a transaction or a merger. We'll help people understand their value and kind of plan for a transaction. We have tax consultants that help think about this before a business owner would enter a transaction and then there is a transaction.

We do everything but the buying and selling of the business. So we will help them understand their value on the front end and then during the transaction, get involved in the due diligence, understanding that the other company's books are in good order. There's something called a quality of earnings report, a Q of E. We do those. That's kind of like due diligence, but even deeper, a deeper dive and sometimes includes a report.

But then the other thing we do kind of at the tail end of a transaction is that we have a wealth management group that can help invest the proceeds and we even involve them on the front end so that they can kind of plan so that the tax impact is minimized during the transaction.

Dan Schlachter:

Well, Harold, I couldn't let you go without asking about your recent award. You were named one of the top valuation CPA professionals in the country. Can you tell us a little bit about that and what that means to you?

Harold Kremer:

Well, thank you, Dan. I'm very proud of that award. When they told me about it, they said there were thousands of nominations. So I'm really humbled by the experience and honored to have been recognized for this. It's great to have the recognition. I've been doing this a long time. I got certified and you said you just took your CVA test and I passed mine over 25 years ago. So I've been doing this a long time, so it's nice to have some recognition.

Dan Schlachter:

Great. Well, thanks for tuning in. We hoped you learned a little bit about business valuations and we hope you join us next time.