

Fixed index
universal
life insurance



Determining the worth of your business

The first step in business
succession planning

Business succession planning is vital to a company's success and survival.



**What is your
business worth?**
Use our online
calculator to
get started.

Suppose you want to sell the company to a business partner or family member when you retire, or have concerns about providing for your family if you die prematurely.

No matter what your specific needs or strategy, obtaining an estimate of the value of your business – or business valuation – is a good first step in the business succession planning process.

There are different ways you can obtain a business valuation. Some methods are based on business assets and debt, historical earnings, future earnings, industry standards, risk, or a combination of these (and other) factors.

Check with your accountant on which method or combination of methods may provide the most accurate approximation of your business valuation.

TRY OUR ONLINE BUSINESS VALUE CALCULATOR.

To provide a rough determination of the value of your business, Allianz Life Insurance Company of North America (Allianz) and CalcXML created an online calculator. Use this with your financial professional to create an estimate. This tool applies the discounted cash flow and earnings method to calculate an informal estimate, based on an analysis of:

- The discounted potential future cash flows of your business, with consideration for excess compensation paid to the owners
- Level of risk
- Possible adjustments for small size or lack of marketability

For the information you'll need for your calculation, see other side.



GATHER THE FOLLOWING INFORMATION TO CALCULATE A PRELIMINARY VALUE FOR YOUR BUSINESS:

1. Annual earnings before interest, taxes, depreciation, and amortization: Generally, using an average of the last three years can help avoid valuations that are too high or too low.

2. Excess compensation paid to owners: Excess compensation is the difference between total compensation paid to you, the owner, and total compensation paid for the same job(s) if you were not the owner of the business. This applies when total compensation paid to the owner is greater. If you have excess compensation, calculate the average of the last three years' compensation.

3. Anticipated rate of earnings/compensation growth: Provide a growth rate between 0% and 100%. Use 0% if level.

4. Number of years earnings are expected to continue: A maximum of 10 years will assume perpetuity.

5. Discount factor based on level of business/industry/financial risk: The income approach analysis uses a level of financial risk for a business or industry to determine a discount factor in the calculation. For example, a business in a new industry may reflect a higher risk of failure.

It's important to remember that certain industries may have higher levels of risk than others. Levels of risk and corresponding discount factors used in the income approach are:

- No level of risk (3%)
- Low (6.5%)
- Average (10%)
- Considerable (13.5%)
- High (17%)

6. Discount for lack of marketability: This may be appropriate for businesses that are difficult to sell, such as:

- Small or private businesses
- A business with environmental problems or hazards, etc.
- A business whose value is closely linked to special relationships of current owner

NOW WORK WITH YOUR FINANCIAL PROFESSIONAL TO MAKE THE CALCULATION.

Once you have an idea of your business's worth, you can start discussing your options for business succession with your financial professional.

Depending on your situation, **one solution could include funding a buy-sell agreement with life insurance**, such as a fixed index universal life insurance policy.

For further assistance, you can also seek advice from your accountant or a professional business appraiser.



Ready to plan for the future of your company? Contact your financial professional to complete a formal estimate of your business value and begin succession planning discussions.

Life insurance requires health and financial underwriting.

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