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Fact Sheet

Divorce and Business Valuations Explained

Topics discussed in this paper include

Divorce

Single Expert Witness Report

Family Law

Many people going through the process of divorce are business owners. Family businesses are usually small and can be complex to value. Unfortunately placing a value on a family business is not clear cut and can be an area of contention for many people. This paper looks at the options available which, if approached in the correct way, can result in a cost effective outcome.

Backgrounder...

Business valuations are complicated at the best of times, however when undertaken as part of a divorce settlement, they can become exceptionally challenging. Fortunately, over the past decade there has been a move to a more collaborative approach in relation to Family Law helping to keep settlements out of court and reduce costs.

Divorce and Family Law settlements...

A business valuation for the purpose of a divorce settlement falls under two broad categories; out-of-court negotiations or for use in court.

Valuations for out-of-court use generally cost less to prepare and are the favoured option for most people. They are used in the initial stages of divorce property settlement and provide a fair market value of the business with the desired outcome being acceptance by both parties. Similar to a business valuation for any other purpose, a professional business Valuer will consider a range of factors when undertaking the business valuation including assets & liabilities, profits, size, business and industry forecasts, reliance on owner, key staff, suppliers and customers.

If both parties cannot agree on the valuation, or accept the business Valuer's assessment, a valuation report suitable for Family Law Court use will be required. In most cases the business Valuer is appointed as a 'Single Expert Witness'. A Single Expert Witness is appointed and instructed jointly by both parties. The additional time spent by a business Valuer in acting as a Single Expert Witness will result in higher costs to undertake the valuation. Usually both parties are equally liable for these costs.

It is common for parties to have differing opinions regarding the value of a business and the need for an independent valuation is self-evident. However, even in situations where both parties might be in agreement, a business valuation should still be undertaken. By undertaking a business valuation in these circumstances it avoids any future possible doubts as to the business' value and provides peace of mind that a proper assessment has been undertaken.

In closing...

Business Valuations and Divorce are two very complicated areas which, when combined, can result in a stressful and complex area for all involved. Fortunately there are avenues to have a business valued professionally and independently without the need to involve courts and incur substantial costs.

An independent business valuation compiled by a professional can help.

Contact **BIZVAL to learn more and order your expert business valuation today.**



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