

IT'S YOUR LIFE

Why Is Knowing Your Business Value So Important?

Understanding the value of your business is essential for strategic planning, decision-making, and [business succession](#). Yet, a recent survey found that 98% of businesses didn't know the value of their companies.¹

The Benefits of Common Valuation Methods

Knowing your [business' value](#) can help in several ways. It allows you to prepare for the future, helps ensure fair business value, and can prevent potential disputes and conflicts. However, getting a formal valuation can be expensive and time-consuming. Instead, it might be worth considering common approaches to calculating value, such as:

- **Book Value:** Looks at net worth based on assets and liabilities
- **Adjusted Book Value:** Incorporates current market values into the equation
- **EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization):** Focuses on your business' profitability
- **Sales Multiplier:** Compares your revenue to similar businesses
- **Asset-Based Valuation:** Considers both tangible and intangible assets
- **Market Comparisons:** Shows comparisons to how similar businesses are valued

A Smart Way to Estimate Value

Federated Insurance® offers a solution: the Value EstimatorSM tool. This helps to estimate your [business' worth](#) without the high cost or time commitment of formal valuations. Using three to five years of financial data, the tool applies multiple value methods to provide an informal estimate. This can help provide financial insights to help make informed decisions for your business' future.

To learn more about the importance of business valuation, and how the Value Estimator tool can help you, talk to your [Federated Insurance marketing representative](#) for a referral from Federated's network of independent business succession and estate planning attorneys.

1. CNBC. Most Small Business Owners Don't Do the Math on Their Most Valuable Assets. <https://shorturl.at/tUi7d> Accessed 3/17/25.

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