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Why Should I Have a Business Valuation Done?

By Jean Murray
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What are the Reasons for Creating a Business Valuation? Why Value a Business?

Certainly every business owner considers getting a business valuation at the time he or she decides to sell the business, but every business needs to have an up-to-date business valuation on hand at all times. Here are some reasons a business valuation should be done at least once a year:

Something could happen to the owner

Something could happen to the business owner that would mean a major change in the business.

For example, the owner might die or become incapacitated. Having a current business valuation would help the family deal with the potential sale or dissolution of the business.

An opportunity to sell or merge

You may find an opportunity to sell or merge which needs to be decided quickly. Having an up to date business valuation allows you to take advantage of opportunities.

Addition of a new owner

You may want to take on a new partner or LLC member, and you need to know the value of your business to determine the buy-in price.

Contemplating an exit strategy

You may be reaching retirement and you need to know the value of your business in order to construct an exit strategy. An exit strategy doesn't necessarily mean the sale or closing of a business. It could mean a restructuring. In any case, a valuation can help determine the strategy.

Expanding the business

You may want to expand or build new facilities, and taking your business valuation to the bank will help them make the decision to lend money.

Exit of partners or shareholders

You may need to separate from partners or shareholders, and you need to know the value to determine how to divide up the business.

A disaster situation

After a business disaster, it is very useful to have a previous business valuation to establish a benchmark against which to compare the value of the business before and after the disaster.

Divorce or other family issue

You may be dealing with a divorce or other family issue, and you need to know the value of the business as one piece in the discussion.

As you can see, things change, and there are many reasons why having an up-to-date business valuation can help you plan and deal with emergencies.

How to Get a Business Valuation

If you have decided you need a valuation for your business, where do you start? Begin by getting a qualified business appraiser. The appraiser should be experienced with business - not just residential - valuations.

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