



Leading business appraisal firm uses RCReports to assist with its client's divorce settlement



Customer Profile

Roland Davis, M&AMI, BCA, SBA, CMEA and President of Davis Business Appraisers, provides a rare level of expertise recognized through certifications with the appraisal profession's leading organizations.

More background on Roland and his services can be found at www.DBAvalue.com

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Background

Who do attorneys call when they get divorced? A business valuator, naturally. No, this isn't a terrible joke, but a real example of how reasonable compensation can affect a business valuation.

Two attorneys were getting divorced in a self-described "friendly" manner. They knew the struggles of a long, drawn-out court divorce, so they wanted to get things done quickly and with little acrimony. The husband was the single-owner of a medium-sized law firm in the Southwestern United States. The wife, also an attorney, was at a different law firm. When it came time to value the husband's business – surprise! – the valuation showed a market value salary for his profession that was impressively high, leaving the law firm with no enterprise goodwill. In order for the wife to get her fair-value for her stake in the business, she needed to ensure that the company was valued properly and her husband's compensation was reasonable.

Challenges

The primary issue with this type of case revolves around the husband's reasonable compensation and the value of the business. If the initial valuation were to stand and the husband's salary was high, the company (the largest marital asset) would be worth significantly less. As such, the wife sought out a second opinion for a valuation of the business.

Roland Davis of Davis Business Appraisers, a veteran and certified appraiser for RC Reports, is able to identify how to approach this issue immediately. RC Reports provides a defensible tool that can support this calculation with ample documentation and comparisons. With two attorneys involved (even in a "friendly" divorce) there is always the likelihood of having to defend the valuation in court.

Solutions

DBA utilizes RCReports "digital interview" to uncover series of data points to determine the company's value. Using the market approach, we are able to specify multiple industry, geographic, revenue and experience elements to come up with comparable salaries for the husband. Once this is determined, a more realistic salary will be used to calculate the value of the business. Given the potential for further litigation, it is necessary that the valuation be supported by accurate and defensible data with supporting documentation.

Outcome

The wife will be able to use Mr. Davis' reasonable compensation report to show that her husband's law firm is more valuable as a marital asset than the prior valuation had determined. Because RCReport's analysis was supported by robust data and provides the method to the value achieved, the wife's attorney will be able to negotiate a more equitable settlement than the one initially proposed.

About RCReports Reasonable Compensation Solutions

RCReports provides instant and accurate insights into Reasonable Compensation for closely held businesses to ensure your clients remain compliant, minimize risk and realize maximum payroll tax savings. With in-built industry, legal, IRS criteria and salary data intelligence, tax advisors, valuers and forensic accountants gain access to credible and independent Reasonable Compensation calculations with guaranteed cover in the event of an IRS audit or litigation. Access reports for planning, compliance or normalization within minutes through an intuitive, cloud-based platform, removing all guesswork and providing full documentation and transparency around your clients' compensation

For More Information Contact Davis Business Appraisers at 757-410-3851 or dbavalue@gmail.com