

## Making Lemonade out of Lemons with Timely Gifts

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**There is no better time to make gifts to family members of business ownership interests than right now.**

With a sluggish economy and vast swings in publicly-traded securities which are selling at much lower values and multiples of earnings, the valuations of many privately-owned businesses may be at an all time low. *This can allow taxpayers to efficiently transfer business interest to family members for estate planning purposes, getting the most out of their one million dollar gift exclusion or \$12,000 annual gift exclusion.*



These difficult and uncertain economic times lend themselves to lower expectations of future earnings. In addition to lower earnings estimates, the inherent risk in investing in a small business is also higher resulting in lower earnings multiples.

In other words, we are suggesting that for many companies their income is much lower than in prior years and the prospects of future earning are also much lower. These projected lower earnings and increased risk reduce value. The value of underlying assets owned by businesses may also be much lower with real estate, manufacturing equipment and inventories also currently selling at significantly lower values than two years ago.

Adding to this perfect storm is the prospect that Congress may pass new legislation that would disallow discounts for a minority ownership interest or lack of marketability for family owned businesses. If so **this will instantly increase the value of gifts of these business interests by 20% to 45%.**

Our Business Valuation Group has seen an increase in requests to value business interests for succession planning or estate planning purposes. For more information on how our Business Valuation Group can assist you, please contact your engagement services partner or Tom Scharf, Rick Nagy or Paul Weisinger in our Business Valuation Department. We would be happy to discuss this with you.