



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



Customer Profile

Matthew Cassedy, MBA, MAFF, CBA, CVA, CMEA and President & CEO of Analytic Business Appraisers, provides a rare level of expertise recognized through certifications with the appraisal profession's leading organizations.

More background on Matt and his services can be found at <https://analyticbusinessappraisers.com>

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 South-western 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 case revolved 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.

For this valuation, she turned to Matt Cassedy of Analytic Business Appraisers, LLC. A veteran appraiser and long-time user of RCReports, Mr. Cassedy was able to identify how to approach this issue immediately. Having previously used other methods of calculating reasonable compensation, Mr. Cassedy knew that he needed a defensible tool that could support his calculation with ample documentation and comparisons. With two attorneys involved (even in a "friendly" divorce) there was still a high likelihood of having to defend the valuation in court.

Solutions

Matt Cassedy utilized RCReports "digital interview" to uncover a series of data points to determine the company's value. Using the market approach, he was able to specify multiple industry, geographic, revenue, and experience elements to come up with comparable salaries for the husband. Once he had determined a more realistic salary, the value of the business could then be calculated. Given the potential for further litigation, it was necessary that the valuation was supported by accurate and defensible data with supporting documentation.

Outcome

The wife was able to use Mr. Cassedy's reasonable compensation report from RCReports to show that her husband's law-firm was more valuable as a marital asset than the prior valuation had determined. Because RCReports' analysis was supported by robust data and she could walk the divorce mediator through how the value was achieved, she was 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 about RCReports visit rcreports.com or call 720-279-8800.