

# Transfer Planning – Unlocking the Return on Your Investment

Do you ever stop and ask “how are my investments doing”? We all do that at some point, but when you ask this question, are you thinking about your dealership? If you are like many dealers, your dealership is your largest investment. But knowing how your dealership investment is doing is tough because it isn’t as easy as looking it up in a stock table. Likewise, transferring a dealership cannot be done as easily as using e-trade to transfer stock with a push of a button. Planning is required. Every dealer should be thinking about how to unlock and transfer the value of this investment by asking “what is my exit strategy for this dealership investment”? When doing this, keep in mind the following:

- Start With the End in Mind. A transfer of your dealership is inevitable at some stage in your life. Therefore planning for this transfer should be part of the goal-setting process for your dealership. Try to visualize where you want to end up so that along the way you will make decisions that take you there.
- Be Flexible. You have multiple transfer options. You should follow a path that allows you to change or adjust approaches. A transfer plan is like any long-range plan. It will likely require modifications to accommodate changes that occur in your business and life.
- Know Your Options. Transfer plans or exit strategies take many forms and can be implemented over different time frames. Examples include:
  - Transfers to the next generation by sale, gift or inheritance
  - Transfers to key management employees by sale or compensation arrangement
  - Sale of the dealership to a third party
  - Merger with another dealer

Consideration should also be given to specific aspects of your business that might provide additional flexibility and tax benefits when used in connection with a transfer plan. Examples may include rental of the business real estate or employment, consulting or non-compete agreements.

- Exit Does Not Mean Jumping Out of the Airplane. Transfer plans should not be rushed and may be best when implemented over several years.
- We have worked with a number of dealers who have built their foundation on the transfer of a partial ownership interest to key employees and/or the next generation. Implementation of a transfer over time gives the owner and manufacturer (more on this in my next article) an opportunity to evaluate the new owners while providing them with experience, motivation and additional financial resources.
- As part of a transitional phase in an exit strategy, we have also worked with dealers on merger transactions in which all owners become part of a larger organization. As part of this transaction, you and the other owners need to agree on an appropriate exit strategy for each party. Sometimes this strategy includes a mandatory buyout of a dealer upon reaching a certain age.
- Growing Before Selling. To maximize your investment, you may want to grow first. Growth before a sale can include several different steps, some of which may also include dealership transfers. Examples include:

- Opening a new location or expanding into a different line of equipment
- Buying or merging with another dealership
- Selling partial ownership to investors (e.g, <st1:policysmarttags.cwspolicytagaction\_6 tagtype="5? w:st="on">private equity) to fund future acquisitions and ultimately your buy-out

Running a dealership is hard work. Unlocking the return on your dealership investment is also hard work. But both can be extremely rewarding with the right amount of planning and effort.