



Putting the “Success” in Dealership Succession

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As a store or multi-store owner, retirement is in your future. Whether your timeline for departure from the business is drawing near or farther out on the horizon, the question you should ask yourself remains the same – “What have I done to prepare for my future and the future of my dealership?”

Driven by increased sales, more lending options, high valuations and a very active acquisition market, dealers now have more opportunities to secure their future than ever before. Though family succession has been historically favored, it is no longer the only option. Accordingly, new succession trends are becoming more prominent in the industry as investors, private equity funds, family offices and private strategic buyers are diving into the dealership market.

What’s Right for You?

Between increasing regulatory controls, compliance demands, consolidation, competition and other industry pressures, dealerships face challenges regularly. As such, adding an additional succession planning “to do” to the list is not always on the top of every dealer’s mind. Naturally, planning for the future presents an additional suite of organizational, financial and emotional complexities.

As a dealer, you essentially need to “work yourself out of a job”; however, there are several options you can consider to accommodate the level of involvement you want to maintain, if at all. Considerations include:

- Direct involvement in operations
- Involvement that entails indirect impact on the dealership
- Cashing out and eliminating all involvement moving forward

In any of the above scenarios, properly identifying and implementing a solid succession plan can help ensure ongoing business success past your eventual retirement.

Major Considerations When Planning Your Exit Strategy

Primary items you should keep in mind when determining what the future of your dealership looks like include:

Family Future: Consider what the success of your family business looks like in the future. Once you identify the role of your family in your succession, you can adjust your plan to accommodate that end goal. Answer the following questions:

- Are there family members in the business now that you would like to carry the family business into the future?
- Are you looking to get out of the business sooner rather than later?
- Are you interested in leaving a legacy? What, if anything, do you want remembered of your family business?

Relationships: As you build your exit strategy, you should also identify your most trusted advisors. Bring your dealership accountants, attorneys and business consultants on board. These advisors can help ensure success during the transition and into future generations.

Building and maintaining strong relationships is a cornerstone to many dealers' business philosophies. Your succession plan should take into account the relationships you built to make sure they are not lost once you are gone.

- **Manufacturer** – Understanding the relationship with your manufacturer is critical in the event of a dealership sale, as the manufacturer will need to approve the buyer and may set forth “conditions” of a sale (i.e. required facility upgrades). Each manufacturer has different agreements, so consult with those who can make the approval process less painful.
- **Banker/Lender** – If your succession involves the next generation, ensure that the family is introduced early and often in the process to your banker. The banking/lending process is important on both the dealership and personal level. By bringing family in early and with frequency, the transition will naturally be much smoother as the relationship will already be in place when it comes time to transfer ownership.
- **Advisors (Accountant, Attorney, Consultant)** – Investing on the front end can help save you money on the back end. Dealership industry-specific advisors with accounting, legal and business focuses can help ensure you have all your bases covered and your written agreements buttoned up.

- **Key Dealership Employees** – If there are any individuals that will enhance your exit strategy or any potential employees interested in running the dealership, identify them early. These people can help keep the succession planning on track and help in the success of the transition.

Accounting/Operational: On the accounting side, the tax consequences could vary drastically depending on how the transaction is structured. If you plan your exit strategy early enough, you can work to minimize the tax implication when you decide to sell or transfer your business. While this presents upfront costs in the short run, such planning could potentially save millions in the long run. Specific areas of focus on the accounting and operational side include:

- Tax Accounting Implication & Opportunities
- Estate & Trust Planning
- Transaction & Due Diligence
- Business Structuring
- Dealership Valuation

Protect Your Hard Work

The dealership industry is unique in that dealers may not want to leave the day-to-day operations – much less the business – in general. Nonetheless, you need to build a proper foundation of succession before it is too late so that your dealership and family are protected and the legacy of your business and brand outlives your ownership transfer.

Though succession planning requires time and poses certain complexities, assembling the right team of personal and corporate advisors will help simplify the process and smooth the transition. Enlisting the assistance of those who are credentialed to help properly identify, analyze and implement a succession plan will additionally ease many of the challenges that exist.

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