



Powered by Clickability

Click to Print

[EMAIL THIS](#) | [Close](#)

What's Succession Planning?

By Don Ray

Ward's Dealer Business, Dec 1, 2007 12:00

PM

Years ago I was in a tax class lead by Samuel Dyckman of The City University of New York. Don't stop reading. The class wasn't boring and hopefully this article won't be either.

Dyckman offered to give us students the answer for any tax question we may ever encounter. When we accepted his offer, he obliged. He declared that the answer to any tax question is simply: "it depends."

ADVERTISEMENT

After thinking about the merits of this answer for a while, I decided "it depends" is not only the correct answer for all tax questions, but is the correct answer for questions in many fields; but maybe none so much as succession planning.

In the event that you had to transfer your dealership to someone in the event of death, disability, desire to downsize, desire to fish or golf more, divorce, etc., what does succession planning mean to you as a dealer?

Well, it depends. Here are some of the things on which the answer to this question depends:

- To whom do you want to transfer your dealership?
 - A child?
- Do you have multiple children?
 - Are they involved in the business?
 - Do they get along?
- Do you have children from multiple marriages?
 - A spouse?
- A dealership manager?

- Is he or she able to get financing?
- Would you provide some or all of the financing?
- Another shareholder or other owner?
 - Is he or she able to get financing?
 - Would you provide some or all of the financing?
- Anyone with access to money?
- Do you want to:
 - Sell it?
 - Gift it?
 - Trade it?
 - Die with it?
 - Take it public?
- In what type of legal entity is your dealership?
 - C Corporation?
 - S Corporation?
 - Limited Liability Company?
 - Partnership?
 - Proprietorship?
- Do you want to minimize taxes?
 - Gift taxes?
 - Estate taxes?
 - Income taxes?
- Do you also own the dealership real estate?
- Do you want to transfer it too?
 - Do you want to transfer it to same person as the dealership?
- Is it held by the same entity as the dealership?
- What type of legal entity holds the real estate (see above)?
- How would a transaction be financed?

When discussing these thoughts with my good friend and a passionate succession planner, Loyd Rawls of the Rawls Group, his response was laden with generations of experience. He said:

“Don, I totally agree with your ‘it depends’ contingency. However, in the ground-level world I serve in,

business succession simply 'depends' upon commitment.

"You give me enough commitment and I can find a way through any succession jungle. In the absence of commitment every little vine looks like a poisonous snake."

So how much commitment is enough?

Enough commitment means you refuse to quit until reasonable answers are returned for reasonable questions.

This does not mean all situations will result in the same answers. It means the questions are dealt with head on.

There are a lot questions surrounding succession planning and certainly the questions raised here are not all inclusive.

But are there good answers to the questions surrounding succession planning?

Yes, and it depends on commitment. Do you have the kind of commitment it takes to lay out a fair plan for your business, your associates and your family?

The answer to that question depends on you.

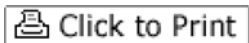
Don E. Ray is a CPA and a senior vice president at AutoStar. He can be reached at 901-907-0134.

Questions or comments about this column? Send us an e-mail at Dealers@wardsauto.com.

© 2009 Penton Media, Inc. All rights reserved.

Find this article at:

http://www.wardsdealer.com/ar/auto_what_s_succession_planning/index.html



[EMAIL THIS](#) | [Close](#)

Check the box to include the list of links referenced in the article.

© 2008 Penton Media, Inc. All rights reserved.