Are You Ready to Pass the Baton?

John Biasiello
Managing Director
Sukay & Associates, Inc.
Perspective/Introduction

• My Background
  — Insurance
  — Teaching

• Introduction to Sukay & Associates, Inc.

• What prompted us to start the Company?

• Who is our target Market?
The Rule of Thirds

What is the Rule of Thirds:

• First third of the process is mental.
  – Goal setting
  – Understanding
  – Matching
The Rule of Thirds

- Second Third of the process is financial.
  - Business Value
  - Economic Value
  - Making sure that the future is possible
The Rule of Thirds

• The last Third is the Evaluation of the Options.
  – External Perpetuation
  – Internal Perpetuation
Are you Mentally Ready?

- Have you talked with the Person in the mirror?
- Who are the stakeholders?
- Do you have other interests?
- Will my identity change after I sell my Company?
- How will the community react?
  - General Business Community
  - Peers in the Insurance Business
Are you Mentally Ready?

• Can you handle NOT being the ultimate decision maker?
• Have you committed yourself to the process? Are you just testing the waters?
• Do you have the right team in place?
• Have you selected a successor?
• More importantly, did you tell the successor?
• Do they want the job?
Most of What I Have is Tied Up In the Equity of My Business

- The shoe maker’s shoes!
  - You help others manage risk but don’t want to face your own risk.
  - What would happen to:
    - Clients?
    - Employees?
    - Family?
So what should I do to get Mentally Ready?

• Have you identified your Personal Board of Directors?
  – Who are they?
  – Hopefully they will give you the benefit of their experience.
  – Someone that looks at your business as if they can really tell you what they would do.
  – Someone you can trust that and has your best interest not in mind.
So what should I do to get Mentally Ready?

• Reexamine:
  – Why you got into the business.
  – What inspired you.
  – What keeps you coming to the office.
  – What would you do if you were not the owner of an insurance agency?
So what should I do to get Mentally Ready?

• Figure out what parts of the business you enjoy the most:
  – Client interaction
  – Carrier interaction
  – Management
So what should I do to get Mentally Ready?

• Look around:
  – Can the team you have in place carry on if something happens to you?
  – Does the team you have in place have the financial ability to make sure that you can get your equity out of the business?
  – How would they feel if you sold the business to a third party?
Are you financially Ready?

- Is your Agency in the best financial shape?
  - Peer Measurement
    - Positives
    - Negatives
  - Understanding the real value in your agency?
    - Human Value
    - Geographic Value
    - Line of Business Value
    - Carrier Partner Value
Do you own the Business You are about to Sell?

- Legal Agreement Review. (Business Perspective)
  - Non-Compete Non-Solicitation Agreements.
  - Employment Agreements.
  - Carrier Agreements.

- How attached is the client to the current relationship manager?

- Does any one client make up a large share of the revenue of the business? (More than 5%)

- Does your agency only make a profit because of profit sharing or bonus money from insurance companies?
Internal vs. External Perpetuation

• Internal – Positives
  – Continues the agency in its current form and offers a more local choice.
  – Usually allows the current owner the ability to continue in some way for perpetuity.
  – May offer a legacy to family or long time business partners.
  – Owners keep the agency Independent.
Internal vs. External Perpetuation

• Internal — Challenges
  — Agencies with multiple owners don’t usually totally agree on their ultimate goals.
  — Agencies with multiple owners have different perspectives on value.
  — Funding the agency perpetuation.
**Internal vs. External Perpetuation**

- **Internal – Challenges**
  - Can the current management continue the growth of the agency?
  - Can the current ownership wait for their money?
  - Can the current management afford to get the money necessary to pay the owner.
Internal vs. External Perpetuation

- External – Positives
  - They offer products, services, or carrier relationships that allow you to grow your current business.
  - They offer you the ability to attract and handle more complicated accounts.
Internal vs. External Perpetuation

• External – Positives
  – They offer you the ability to focus on what you like about the business and support what you don’t like.
  – They may offer your employees more opportunities and benefits.
  – They usually can pay you most of the business value up front at closing.
    This helps eliminate some of the risk.
Internal vs. External Perpetuation

- External – Challenges
  - Will this be a good marriage?
  - Does the seller really understand what they signed up for?
  - Inflated financial evaluations.
  - What happens if this is not for me?
Conclusions

1. Owners need to make a committed effort to this process.
2. It is not sexy, but spend time to assess your individual goals and the mental side of the process.
3. The sales process is very involved.
4. There is no time like the present to begin.
Thank You

• Thank you for attending my webinar.
• For more information please visit: http://sukayassociates.com/oakstreetfunding/
• If you have any questions, you can contact me directly at jbiasiello@sukayassociates.com.