

On Track

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Restructuring Insurance Policies Offers Huge Savings

Anthony Freeman



Cost savings: in today's world of the disappearing margin, it's the Holy Grail of CFOs, CPAs and their clients, yet one of the easiest ways to save a client or a company money is often overlooked: restructuring existing life insurance policies.

Whether for an individual client or for a company's executive compensation plan, most insurance agents will steer you towards replacing these policies, when restructuring can actually accrue greater cost savings.

Why? Because from the agent's point of view, there's money to be made in replacing a policy, but no incentive for restructuring an existing policy.

It's the classic churn and burn. An agent knows he can always find a less expensive policy by a different provider, and in switching you to a new policy from a new provider, the agent can earn new commissions that aren't available to the agent if you simply opt to restructure the existing policy.

And more often than not, an independent, third-party analysis of the existing policy will find a variety of ways to restructure that policy to save real dollars while protecting the coverage amount and avoiding the need to switch providers or agents. That means there's no need to get a medical exam, and the insured can be of any age.

Among the things a life insurance policy analysis should look for:

- Was the right type of policy purchased in the first place?
- How are the premiums paid?
- Does the policy include benefits that either aren't needed or can't be used?

For example, some policies enable the policy owner to reduce or eliminate the "build-up" of cash within the policy and can save the owner a substantial amount of money over the life of a policy. In other cases, a policy that might have made sense five years ago simply doesn't meet today's needs.



“Factory initiatives can have a direct affect on the profitability, both short- and long-term of a dealership, and should be a significant part of any due diligence analysis.”

Factory Initiatives To Auto Dealerships Are A Must To Identify *by Robert Bass*

In the years leading up to 2000, the auto factories introduced a form of Plan 2000 for their respective dealership networks. Some of these plans were benign, however, many were lethal—one only has to compare the dealer census published by Automotive News in the mid-1990s with the census published just after 2000 to see the effects of these initiatives.

It has been five years since the Y2K, and one might have expected the number of dealership initiatives to have decreased. This is not the case since it is evident the factories continue to roll out a variety of initiatives that affect auto dealers everywhere.

Identifying the impact of these initiatives is a must to successfully help auto dealers with their strategic planning—both operational planning and acquisition planning. All initiatives come with a price to the dealer. Careful analysis of an initiative is particularly important when exploring the sale or purchase of a dealership. Factory initiatives can have a direct affect on the profitability, both short- and long-term of a dealership, and should be a significant part of any due diligence analysis.

Sellers need to understand what the factory may require as part of its approval of a dealership buyer. In some states, the franchise laws are such that the factory cannot impose an initiative as a condition of approving a buyer. A selling dealer should contact a lawyer with a background in motor vehicle franchise law to discuss what the dealer's rights are with respect to transfers of ownership interest in a franchise. Is there statutory protection from the initiative? Selling dealers must also try to quantify the cost of initiatives and be realistic concerning the effect such costs have on the desirability for acquisition of a particular franchise and, more specifically, on the value of the goodwill of the dealership.

Likewise, a buyer of a dealership must incorporate into its due diligence analysis a careful review of factory requirements and dealer initiatives. Working with its accountants, a buyer must incorporate the economic effect of initiatives into the buyer's sales and profit forecasts and investment pro formas. These initiatives should also be taken into account as part of negotiating a price for the dealership. In the case of subvention money, buyers must also check to see if such assistance remains available and incorporate that into the analysis. How many buyers of Volkswagen stores were surprised to learn that VW had stopped providing monetary assistance to dealers participating in the marketplace facility program? Would their analysis of the deal have been different had they had access to this information? Would they have paid the same price for goodwill?

Now, more than ever, it pays to do your homework. Careful study of factory initiatives should be a standard part of developing a dealer's strategic operational plan. Buyers and sellers of dealerships must understand the economic effect of factory initiatives. A comprehensive due diligence plan should address dealer initiatives. Dealers must stay informed and understand these beasts to achieve success in today's marketplace.

For more information about the relationship between factory initiatives and your auto dealership, contact one of the professionals in your area from the Driving Force Auto Dealer Consulting Group listed on the last page of this newsletter or go to the Auto Driving Force website (www.autodrivingforcecpas.com).

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Insurance continued

Additionally, changes in tax codes, or even in the insurance providers' own policies and procedures, may offer additional opportunities for savings – a good reason to suggest that life insurance policies be reviewed periodically.

But just how much money are we talking about? Take a look at this real-life example. A 61-year-old dealer/owner needed \$10 million of personal life insurance. He had taken the required medical exam when his accounting firm called for a third-party review of the proposal. The analysis revealed the proposed premium of \$110,000 misrepresented the true cost of providing the coverage. A re-proposal was requested, and it showed the premium to be \$197,000, nearly twice the amount quoted by the agent. The client canceled his application and a new program was designed, which resulted in a \$78,000 annual savings, an amount that exceeded the annual fee charged by the CPA firm.

Individuals and businesses alike are operating on razor-thin margins in today's competitive environment. CPAs, CFOs and controllers can become the client's or the company's hero simply by recommending an objective analysis of the existing life insurance coverage by an independent third party.

The best part: you can tell them it won't cost them a dime.

Anthony Freeman is Managing Member of Premium Advisors LLC, which specializes in reviewing and restructuring life insurance policies. For more information visit www.pa-llc.com or contact him at tony@pa-llc.com or 312-807-3700.

Marketing Magic For Your Dealership's Website



The next time someone (read: potential customer) clicks on your dealership's website, you may want a pop-up window to open on the visitor's computer screen, but not just 'any' pop-up, yet certainly this particular one: it's a sure-fire website draw and an excellent marketing tool to help your dealership increase its customer base. More traffic to your website and more showroom floor traffic: a win-win deal, and all from this one "marketing magic" pop-up window!

What's so great about this pop-up and why should your dealership subscribe to this service? Two reasons come to mind immediately:

- Increased exposure to your website and product inventory
- The program tracks pertinent contact data from each potential customer and transfers it to a targeted inventory/customer profile database that the dealership can refer to for future business and customers

The brainchild of this pop-up technology is none other than Cameron Johnson, a young man of about twenty now, who has been an entrepreneur and successful business person since the early age of seven! Cameron's Dad, Bill Johnson, chairman of Magic City Ford in Roanoke, Virginia, remembers Cameron being interested in cars and business since he was a toddler. Cameron's grandfather started Magic City Ford in 1938, eventually turning over the reins to Cameron's father, Bill. Cameron started working with his father at the dealership in 2000. Cameron's dad staunchly takes no credit for Cameron's immense entrepreneurial success from such an early age, saying, "He's done it all on his own."

This pop-up window technology, called "AutoCertificate Service," is available through Cameron's Internet company, **Zablo.com** (www.zablo.com), which services the automotive industry with this marketing tool and other similar "traffic-driving" Internet marketing concepts to increase dealerships' exposure and bring in a higher customer base. All of Cameron's online marketing tools are technically sophisticated, yet very user-friendly, and competitively priced.

How It Works

AutoCertificate Service is a plug-in program that "pops up" behind a user's browser whenever a person clicks onto a particular car dealership's website. The behind-the-browser certificate stays in view once the customer clicks off the dealership's website so the customer will then see it.

The Hook

This certificate is specific to your dealership and offers an instant \$100 off the purchase of a new or used vehicle to the user. It could also offer some other dollar increment service or after-market discount. Each dealership decides how to design its certificate. To 'use' the certificate, the person must enter viable information (read: tracking) like name, address, phone, etc. After the customer prints out his/her certificate, the information that he/she provided online is simultaneously uploaded into the dealership's database that is linked to Zablo.com's AutoCertificate Service software, and voilà! – the dealership has pertinent information to contact the person in the future regarding additional purchases, or to ask the person to refer others to the dealership, or to invite the person into the dealership for after-market sales items and service. All very low-key, all very high-tech, and all very effective and profitable to the dealership.

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Several highly satisfied dealerships have reported that after subscribing to Zablo's AutoCertificate Service, increased sales leads have become evident. Jerry Reynolds, general manager of Prestige Ford in Garland, Texas enthuses, "AutoCertificate has provided us with 'caller ID' for our website, and it's generating at least 400 new leads a month."

And, right on the heels of Zablo's AutoCertificate Service, it just recently launched a state-of-the-art web-based service that interfaces with the Federal Trade Commission's posted opt-out/do-not-call lists and regulation guidelines for telemarketing calls. This new innovation from zablo.com is aptly called "Do-Not-Call-List-Manager." Having this program at your dealership is a huge advantage in preventing your dealership from mistakenly calling a number on an opt-out/do-not-call list that could cause possible legal hassles regarding privacy. Learn all the details about the AutoCertificate Service and Do-Not-Call-List-Manager pop-ups at www.zablo.com.

What's Cameron up to nowadays? He still lives in his hometown of Roanoke, Virginia with his family, and is still involved in the automotive industry while also managing his many Internet businesses and accepting an occasional speaking engagement for a graduation or business seminar. Cameron is just a typical entrepreneur and business person doing what comes naturally - thinking up new marketing and business ideas and transforming these ideas into innovative and beneficial marketing tools.

www.zablo.com

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