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## Take it seriously

The issue of the proper payment of overtime is one of the most often contested areas under the FLSA, and many car dealers have more legal exposure than they realize. The Department of Labor will aggressively pursue wage and hour claims, and it collected over \$165 million in back wages in 2004, up 48 percent from just

three years ago. In addition, recent court decisions have resulted in large dollar judgments when non-exempt employees were not paid properly for all their overtime.

Given the successes of the Department of Labor and plaintiffs' attorneys in pursuing wage and hour cases, you cannot afford to be complacent. So, take care and do not let one of the oldest employment laws on the books sneak up on you. ❖

# Tips for deciding when it's time to sell the store

by Nancy Phillips

Deciding the right time to sell a family business, like a dealership, can put car dealers through both an emotional and financial wringer.

**P**lanning an exit strategy isn't just essential – it's inevitable. Consider these important factors as you explore the right time to sell your dealership or acquire a new one:

## Who should sell now?

- ▶ You, if you wish to retire within the next several years.

Why? Prices are as good as they have been in recent years and for the next foreseeable few.

- ▶ You, if you are not currently making a profit.

Why? Because loss of cash reserves is a financial and emotional roller coaster. You will suffer psychological stress, interspersed with rays of hope, during the months you are on the plus side. When your overall quotient begins trending on the minus side, it's wisest to get out before you have to. You'll achieve a higher sale price and avoid losing control over the direction of your business.

- ▶ You, if you hold a premium franchise like Honda, Toyota, Mercedes or BMW.

Why? Top dollars are being paid by major players – consolidators, key independent dealers and other dealer groups looking to strengthen their organizations with the best franchises. Multiples for these franchises are more than twice as high as others and you can, in fact, retire well on what you'll receive when you sell.

## Who should not sell now?

- ▶ You, if you own a mainstream franchise and are making an average of two percent or better as a return on sales.

Why? Sale prices on franchises of average value remain, for the most part, relatively constant, commanding multiples of two to four times your net profit *potential* in primary market areas. Whatever this amount may be, after expenses and taxes, is not going to be comparable to your earning potential when combined with ownership benefits over the next five years.

- ▶ You, if you own a severely impaired franchise (and there are a few of those in the secondary import market today.)

Why? Whether you are profitable or not, you will barely receive a multiple of anything for franchises in this category. If your goal is to recover your investment or minimize future risk, then sell. However, if you are also expecting a high amount of goodwill, it's probably not the best time to sell.

*Nancy Phillips is president of Nancy Phillips Associates. She provides comprehensive and highly personalized professional brokerage and valuation services for franchised automobile dealerships throughout the Northeast. If you would like to ask her a question, please call her at 603-929-0006 or 866-929-0006. ❖*