

Succession Success

Forward thinking expands future options

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Growth is essential for success, and it will probably mean generating significant capital. Explore lending options that can help you achieve your goals to take your businesses to the next stage.

Building your agency is a challenge. What can you offer that others can't? Start by planning for the inevitable changes ahead.

Take a long-term look at your future—beyond how many leads you'll generate next month. You may not be able to compete without growth to create more resources, clout and economies of scale. This growth can occur through expanding the business, acquiring another agency, becoming part of a franchise, being acquired, or by obtaining a higher point contract from your carrier.

This last option could be scary, especially if you fear losing control

or even losing some of your identity. Franchising also involves relinquishing some control—on top of extra fees and restrictions on which products to sell (and possibly being shut out of most profitable products). Both of these options carry additional risks that come with new leadership and a new management structure—all quite unsettling. For some of you, though, being acquired makes sense, especially if you're planning to retire in the near future. Today about 70 percent of agency principals are 54 years of age and older and are thinking about who will be running the agency once they retire.

Most of you will want to remain independent and carve out your future on your own terms. That entrepreneurial spirit is great, but if you don't plan for the next five to ten years and figure out how to raise capital for acquisition or organic growth, your dreams of independence may be just that—dreams.

You need to take a hard look at your agency's assets and available cash, which is especially limited in newer agencies. Even established agencies may have limited cash to invest, despite impressive revenues and production. Cash flow management is critical to maintain current expenses and to realize an annual



profit. Plus, your agency should determine the capital needed to achieve your goals, which could range from \$25,000 for new furniture to \$5 million for a major acquisition.


Banks aren't always the answer. The vast majority of banks don't typically lend to agencies—with limited tangible assets—enough money to achieve ambitious goals. As a result, many agency owners leverage their homes or extend their own personal credit limits to finance their business growth. That's a risk you may not want to take. Other agency principals look to venture capital firms for financing, but that means giving up ownership. This option may not appeal to you, especially if you've

worked hard for years to build your agency and run it as you see fit.

If other business owners could borrow money without dipping into their personal assets, then why can't you? But recently, new lending options have emerged, including commercial finance companies that understand the value of an agency's hidden asset—renewal commissions. By recognizing the anticipated revenues from insurance and annuity sales, these finance companies are allowing agencies to generate immediate cash for expansion, acquisitions, succession planning and more.

Agencies should look for a finance company that specializes in the insurance industry and is able to accurately evaluate lending risks. This should in-

clude reviewing an agency's book of business, its credit history and its carriers' financial strength ratings.

If you're an agency principal, start planning for the future and determine how you'll stand out from competitors. Growth is essential for success, and it will probably mean generating significant capital. Explore lending options that can help you achieve your goals to take your businesses to the next stage. 



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Funding, with 19 years of experience in accounting, finance, business development and evaluation and deal structuring gained through experience as a partner for a venture capital firm and as a Senior Manager for Deloitte & Touche, LLP. Oak Street Funding is an Indianapolis-based commercial finance company dedicated to insurance professionals. The company offers commission-based lending to insurance agents, helping them achieve goals such as expansion, growth and succession planning. Through proprietary technology, Oak Street can accurately evaluate the risks of lending. To find out more, call (866) 625-3863 or visit www.oakstreetfunding.com.