

Managing the Strategy for Your Franchise's
Succession Plan

Mark Leyden & Associates, LLC

Succession
Planning

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It can take years to build a successful franchise and without a succession plan and the ability to carry it out, it could all fall apart. The challenges facing franchisees to exit their businesses are different from those of a family-owned business because the rights and obligations of a franchisee are determined by the franchisor in the Franchise Disclosure Document (“FDD”) and the Franchise Agreement. Unlike other assets or a family business, the transfer of your ownership interest in your franchise has restrictions that need to be incorporated into a succession plan. These complexities often require management of the succession planning process.

Your accounting, legal and wealth management professionals are standing by to carry out their roles in supporting each step of your planning. Developing those steps and being proactive in their execution often requires a different professional skill set. For decades, Mark Leyden Associates has served as the project manager in helping franchisees plan for and fulfill their succession plans while coordinating and collaborating with a franchisee’s other advisors.

There are significant headwinds facing franchisee owner-operators forcing them to focus on what the future of their businesses will look like and to consider exiting on their own terms. Owner-operators are encountering:

- The right of first refusal by the franchisor restrictions
- The grading of longtime operators and the possibility of ‘failing’ to be able to rewrite the franchise agreement
- The franchisor not approving family members for succession
- The franchisor not allowing proven owners to grow through acquisition

As a franchisee, you need to ‘bullet-proof’ your future business plans as much as you can from the whims of the franchisor. Mark Leyden Associates, in concert with a franchisee’s other advisors, will navigate the rules and restrictions of your FDD and



Franchise Agreement in developing a strategy to prepare you for succession – in the near future or in decades to come. By incorporating personal and business analysis, we bring together risk management, tax mitigation and life insurance strategies to your planning.

There are three stages for a franchise – building, growing and transitioning. If you are no longer building or growing, then, whether planned or not, you are transitioning toward some sort of exit and have two choices: switching to growing your franchise or to take control of your transition. If you want to grow, can you do so for the time it will take to generate on-going value and eventually a larger value to reward the years of work this will likely take? If not, it may be time to take the reins of your succession planning in hand and decide what leaving your franchise looks like.

Mark Leyden Associates manages the four steps to a smooth succession plan for franchisees:

1. Prepare a written plan that includes objectives, timelines and milestones.
2. Bring together a franchisee's professional planning team consisting of their attorney, accountant and wealth manager in order to understand all the issues that arise when a franchise is sold, transferred or closed.
3. Choose a successor. This is no easy task since both internal and external buyers may be considered. Internally, family members and non-family managers may need to be evaluated and conflicts could arise.
4. Execute on the succession, including the transition of employees, finances and other franchise functions.



What to do with your franchise is not as straight forward as it may seem. For some, the decision about how to dispose of their franchise comes down to either transferring the business to the next generation or monetizing the franchise from a sale to an employee or outside buyer. It may not be that simple.

Monetizing your franchise gives you a way to value your years of hard work and, financially, can significantly improve your situation. The other side to this dollar is what happens to the next generation. Monetizing may be good for you, but can it support future generations or give them flexibility in their careers? The franchise will be gone and with it, the ability to provide on-going value for your family.

Conversely, what if you planned to transfer your franchise to the next generation but found the next generation to not be a fit to run it? You will need to plan for the financial implication to the next generation that a sale of the franchise will mean.

A thoughtful trusted advisors will guide you through the decisions which may be the most difficult you have encountered as you consider the future of your franchise. As a proud Owner Firm of Lion Street, Inc., a leading national financial services company, Mark Leyden Associates is able to leverage the unparalleled knowledge and expertise of Lion Street's 100+ industry experts and the network of over 200 other elite, Owner Firms to collaborate on sophisticated business success planning solutions. This affiliation allows us to offer our clients and their legal, accounting and wealth management advisors the highest caliber of planning combined with the most competitive solutions.

Start today and take the steps to protect yourself, your family and your hard-earned assets and wealth. Whether you need to develop your first franchise succession plan or update your existing plan, Mark Leyden Associates can simplify the process.



About the Author

Mark Leyden, CLU® is the CEO & Founder of Mark Leyden & Associates, an Indianapolis-based firm specializing in assisting businesses and families in the acquisition and management of life insurance assets. The firm is an Owner in the national producer group Lion Street, Inc. Please contact Mark at mark@mlassoc.com.

About Mark Leyden & Associates, LLC

We serve closely held business owners, high net worth families, and high income professionals. We act as their guide from successful but uncertain, to a place of assurance that their goals for their family and their business will be achieved. Our firm has 35 years experience working with very successful families, including members of the Forbes 400. We work in conjunction with the client's team of legal, tax, and financial advisors.



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