



THE 5 THINGS TO CONSIDER ABOUT TRANSITION PLANNING FOR COLLISION REPAIR SHOP OWNERS

This guide will walk you through the areas you should be aware of when looking at growth and expansion for your business.

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A LETTER FROM MATT DIFRANCESCO

HOW TO USE THIS GUIDE?



Hi,

This is Matt DiFrancesco from High Lift Financial.

In my experience, most automotive business owners have the same profile. They start their business from scratch while learning the skill set along the way.

Yet, there comes a time when they look up from under the hood and ask themselves:

- What do I want the rest of my life to look like?
- How do I transition the business?
- Do my kids take it over? Are they capable of running it?
- Do I sell it? To whom shall I sell it?
- What is it worth?
- What roles do the family see themselves playing?
- How can I assist my family in achieving their vision?

By being in the financial services industry for more than a decade, I have spent years helping automotive shop owners answer all of these questions and ultimately assisting them in aligning their family and business for generational wealth.

This guide will walk you through the areas you should be aware of when looking at growth and expansion for your business.

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1 CHAPTER

THE NEED FOR FINANCIAL FOCUS

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THE NEED FOR FINANCIAL FOCUS

The brunt of every business falls on "money". It is the fuel that keeps everyday operations running. Auto Body Shop owners should to be extremely vigilant about all financial matters to stay on the upward growth trajectory.

This guide lists all of the processes and areas to be considered to build a multi-generational legacy. Here are the parts that will be discussed in detail. When getting started with financial planning, use these as a checklist, so no details are overlooked.

- Planning a successful roadmap
- Benefits of regular budgeting
- Basic cash flow calculations
- Cash flow challenges and tips for tackling them
- Multiple financial reviews
- Areas to focus on during a financial review





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CHAPTER

PLAN A SUCCESSFUL ROADMAP

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PLAN A SUCCESSFUL ROADMAP

Auto Body Shop owners have a multitude of tasks that are to be completed. Due to the busy schedule, exercising leadership, and constant hustle, the long-term vision can get blurry. The owners can follow a step-by-step process to analyze the business and family needs to develop a fruitful financial strategy. Here are the steps:



COMMUNICATION OF VISION

Business owners, key family members, and employees gather to discuss what they envision for the future. This initial step aims to develop a roadmap and identify small milestones that will transform the family business into a multi-generational legacy in the long run. During this phase, the owners need to strike a balance between conversations.

A skewed communication that weighs heavily on the owner's side and with minimal input from the rest of the team leads to incorrect plans. Every individual should be given a chance to clearly communicate their expectations, the role they want for themselves, and a quick plan that explains where they want to see the business.

EVALUATION OF OPTIONS

Once everyone in the room has communicated and translated their vision, it's important to go through them and look at the pros and cons. In other words, it's simply conducting a cost-benefit analysis. The business owner can begin with their vision and ask for constructive criticism. By going first, everyone else in the meeting will gain confidence; thus, any distorted communication will resolve. Conducting a detailed analysis of the business, focusing on shortfalls

BUILDING THE ROADMAP

After discussing the options and their setbacks, the group will have come across a plan that is modified by every individual's feedback and suits everyone's expectations. That is the point where the family and key employees create a roadmap. This plan will encapsulate detailed goals that will be further broken down into small milestones. The blueprint will act as a guide to keep everyone in line with the vision and help them achieve it without detours.



IMPLEMENTING THE PLAN

In this step, the growth-oriented plan is implemented. However, before the well-communicated strategies are exercised, some other plans need to be in place. The benefits of holding a thorough meeting focusing on contingency plans and risks such as divorce, disability, and death will prove invaluable as this proactive approach will prevent the company from veering off course. Once all of the additional plans are completed, the key personnel can start the success journey to realize the unified vision.

CONTINUOUS MONITORING

Continuously monitoring the business plan and making the "right" pivots when the business encounters challenges is key to bringing the ideas to reality. Throughout all of the steps, an emphasis has been placed on collective effort, and this phase follows the same model.

It is integral to hold regular family meetings that focus on the business trajectory and analyze any roadblocks that can hinder or disturb the growth curve.

REGULAR BUDGETING

It is never enough to go with the flow of operations. Planning strategies along the bends of a road that "may" lead to the vision may result in incorrect destinations. Becoming a micro-manager in terms of financial planning will stop you from taking a wrong turn.

In addition, setting up meetings that focus on budgeting will help in the following ways. These bullets can be used as meeting points to save costs, effort, and time. The owner and business can:

- Set achievable sales goals for the auto body shop
- Operate effectively and efficiently by keeping the expenses low and productivity high
- Make better investment decisions in terms of equipment and inventory
- Ensure that working capital is utilized and maintained efficiently
- Price all services according to the market standards, budget available, and financial position
- Plan better benefits for the workforce
- Make better tax decisions





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CHAPTER

OVERCOMING THE THREE CASH FLOW CHALLENGES

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Auto Body Shop owners can come across three major cash flow challenges. As cash flows act as blood to the business, it will not be easy to invest in more inventory, keep the employees on a consistent payroll, and grow into a successful family business without a smooth flow.

WHAT ARE CASH FLOWS?

Here is a super easy formula that can give you an idea about what cash flows are:

$$\text{Cash Flows} = \text{Current Assets} - \text{Current Liabilities}$$

The current assets can be:

- Cash in bank
- Current accounts receivable
- Inventory
- The land and facility
- Equipment and inventory

The current liabilities include:

- Current accounts payable
- Bank loans

You have a cash flow problem if your expenses exceed your income. To get a more detailed picture of your cash flow health, you can perform the calculations to get the "cash flow metric".





Cash Flow Metric: Current Liabilities/Current Assets

This formula will give an answer in terms of a cash flow ratio. The aim is to get a 2:1, though this can be difficult for small auto body business owners. When the ratio is 1:1 or lower, it means that you're spending more money doing business than you're bringing in, which can be a warning sign.

Here are three cash flow challenges along with the tips that can help in getting rid of the issue:

- The payback period
- The upfront costs
- The business seasons

P THE PAYBACK PERIOD



For cash flows to be smooth and business to be liquid, the auto body shop must be paid for the services on time. It's common for customers to use their car insurance, and due to this, there are delays in the payments.

When too much money is tied up, this can cause an imbalance in the cash flow. One way to tackle this problem is to pad this time frame into the annual budget. In addition, a revolving line of credit can bridge the gap when you draw upon it during delayed payment periods.

As for the customers, you can give them multiple payment options to collect cash. Moreover, as insurance companies have higher involvement, the auto body shops can partner with one of them to get a steady stream of customers (State insurance regulations will govern this aspect).



THE UPFRONT COSTS

When the cash is tied up in customer accounts due to insurance and other issues, the auto body shop still has to pay all costs upfront for doing the business. This includes paying the technicians, ordering the specific parts for repair, and getting the routine inventory.

As money is constantly going out of business, there will be less cash in hand and banks. As a result, bank loans and other liquidation methods will pose as fruitful to the business. Business owners can use short-term loans to resolve the cash flow problems and pay it back when the payments from clients come in.

However, if this path seems risky, accounting for these upfront costs in the budget will benefit as there will be no surprises or need for swift actions. In addition, to reduce expenses, bulk buying and ordering commonly used parts can also relieve some of the cash stress.

S THE BUSINESS SEASONS



It might seem like auto body shops do well all around the year. However, in reality, this industry has its "slow" and "busy" seasons. For the slower months, owners will have to plan so that they have extra cash in hand that can keep the business operating.

As for the fast and busy months, other than having extra cash, it will be crucial to have a team of technicians and staff that can provide the services. An added benefit of identifying busy and slow periods is that business owners can provide value-added services such as oil change in the peak seasons and cut down on them during the low time.





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CHAPTER

REVIEW YOUR
FINANCIAL PROGRESS
AND POSITION

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Poor financial management or a lack of planning often lead to businesses failing. Business plans used for raising capital often end up on a shelf, gathering dust.

Having sound financial systems in place (or having someone else do it for you) and reviewing them consistently is crucial to your business' success.

Reviews are invaluable for developing effective plans. Mainly because all of the stakeholders come together, meet and discuss the future of the business. In addition, the High Lift Financial team is present at all stages to assist and formulate the roadmap. As this process requires a great deal of communication, analysis, and time, these are divided and conducted by season:

- **Spring Review**
- **Summer Review**
- **Fall Review**



All three reviews help initiate communication and pivot according to the expectations and performance of the key people in the business and the business position itself. They focus on:

- **The financial roadmap**
- **Current year goals and action plans**
- **Tax strategies**

As a business owner, if you are conducting this on your own, then here is what you should be looking at during the review process:

- **Cash flow** - A measure of the flow of money in and out of business. Make sure you review and update your forecast regularly.
- **Working capital** - A measure of operating liquidity available to a business. A review will allow modification if the business needs have changed due to expansion or growth.
- **Cost Base** - Make sure that the costs of your business are included in your sales price. Don't expect your customers to pay for any inefficiencies in your business.
- **Borrowing** - Determine the status and position of lines of credit or loans. See if a cheaper or more appropriate form of financing is a better option.
- **Growth** - How will you modify your financing to accommodate your business' changing needs as it grows?

When it comes to financial planning, many of us get intimidated. Samples with charts, graphs, and spreadsheets leave you thinking, *"I'm good at working on cars, but I can't do this!"*

Don't go at it alone! Establish a team to assist you in developing your plan. Later, this group can assist in executing it.



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CHAPTER

RESOURCES

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Why HighLift Financial?

High Lift Financial was founded as an investment advisory firm. The vision of the business is to provide people with a figurehead that will guide them through any financial or business concern. Consider it your 411 when you require guidance and information concerning finance and your 911 when you come face-to-face with any financial setback.



What Services Does HighLift Financial Offer?

Staying on the right track in terms of finances and financial goals will complement business efforts and help reach the long-term aim. Whether starting a new business or having a successful family-owned Auto Body Shop business, finances remain the core component of the overall success. It acts as fuel for the multi-generational wealth machine.

Here are the services that High Lift covers in great detail:

- Retirement Planning
- Financial Services
- Tax Planning
- Business Succession Planning



Get in Touch with High Lift Financial Today!

A major challenge auto repair shop owners face is the constantly changing economic environment. Since businesses in this industry compete fiercely, it is vital that they have professional assistance to ensure they outperform the competition.

High Lift Financial thoroughly assesses what you and your family want in life and for your family business. Communication is rooted within all plans and processes to turn the business into a multi-generational legacy. Regular family meetings and reviews help plan correct pivots and stay proactive for future challenges.

Your shop's finances are the oil to its engine, and therefore, you need a team that provides a wide range of financial management and bookkeeping services.

Want to dive deeper into your financial plan?

[Schedule a Free 30-Min Consultation](#)

with Matt DiFrancesco Or Call us at 814-201-5855

Investment Advisory Services offered through DiFrancesco Financial Concierge, LLC d/b/a State of Pennsylvania Registered Investment Adviser.



**YOUR BUSINESS
AFFECTS YOUR
LIFE!**

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