

# ALLSTATE MANAGEMENT NEWSLETTER

Lending Notes from **PPCLOAN**

Volume V, Issue VII

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## Keep in touch



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## Meet the Author



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## Welcome to a new issue

We hope that your year is off to a tremendous start. There's a lot of time remaining in 2016 and we believe it's going to be a great one for Allstate for both agents looking to sell their business, and potential buyers pursuing agency ownership. In this month's edition, we want to discuss a few topics beginning with the importance of establishing a relationship with a financing source, and secondly, some key points for current agents who are selling their agency.

### A Relationship You Can Bank On

As a business owner, it's vital for Allstate agents to build a solid relationship with a financing source to ensure current and future financing needs. Keeping this line of communication open is essential when an Agent is seeking quick access to capital to take advantage of a new agency acquisition, implementing new marketing plans, expanding their staff, or office renovations. PPCLOAN has helped thousands of agents over the last 16 years with their specific financing needs and this year will be no different. We are striving to build and maintain more long-lasting relationships with new and current Allstate agents.

### Market Value vs Sentimental Value

In PPCLOAN's unique position, we get the opportunity to speak with and advise both buyers and sellers on a frequent basis. With that being said, we have been asked numerous times from the folks at Allstate to discuss the importance of why sentimentality should stay out of the sale price negotiation. These days, people tend to undervalue things they do not own, and overvalue things they do own. This is called the "Endowment Effect."

It's no different when it comes to Allstate transactions. As a seller, we understand it is difficult to be objective about what purchase price is acceptable because of the emotional attachment, hard work, and time you've expended while building your business. However, sentimentality must not play a role when determining that price. The buyer is making a business investment and they cannot over leverage themselves from a debt repayment standpoint to the point where it would negatively affect the cash flow of the business. (continued on page 2)

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On the other end, as purchaser, you must realize it is an ideal time to sell an Allstate agency. Even in the economic time we live, agencies are selling for strong multiples. There must be realistic goals on both ends of the negotiation.

This is where PPCLOAN comes in. Since 2007, our President and CEO, Paul Clarke, has published an extremely helpful quarterly report regarding valuations of Allstate agencies. This report provides the multiples paid over the scale of every Allstate agency book size in the previous year and a half. Our most recent Allstate Agency Value Index is the [4th Quarter 2015](#), but the 1st Quarter of 2016 will be released shortly in April. You can also sign up at the top of the page to receive the quarterly report. This is a great referral source for buyers and sellers.

## Recent Deal Highlight

Within a four week time span, PPCLOAN was able to underwrite, obtain approval, and close a loan for a customer. PPCLOAN provided an outside buyer in Illinois a loan to purchase a \$5.19M earned premium Allstate agency. Based upon the buyer's request, the loan from PPCLOAN covered 80% of the purchase price and the difference was met by the buyer making a 6% cash injection and the seller holding the remaining 14%.

## Customer Testimonial

"My experience from start to finish was exceptional! During one of the most stressful periods of my life (making a large business purchase), PPCLOAN and its staff made my purchase so much easier and less stressful. I would HIGHLY recommend this company."

**Chris Erno**, Allstate Agent  
York, PA



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