

UNDERWRITING DURING TAX SEASON

“How to Save/Make \$100,000”

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BHPH environment is extremely competitive:

Question: How can your BHPH operation stand out from other BHPH dealers?

Answer: Have a Tax Marketing Program. Have a tax season strategy!

Benefits:

- ✓ Control refund dollars
- ✓ Get paid first
- ✓ Increase down payments
- ✓ Increase cash flow
- ✓ Decrease risk
- ✓ Reduce repossessions

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Tax Season Update

Average refund will go up AGAIN due to more tax credit increases

IRS Open date = January 30th

NOT a new time-frame

Same as the last 2 years

This is actually GREAT news! Less tax fraud.

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Who is Tax Max?

- Founded in 1995 with a portfolio of over 3,000 dealers that include all 50 states and overseas military bases
- 18 years of experience in the automotive industry, including
 - The top BHPH companies in the country
 - hundreds of franchise dealers
 - special finance dealers
 - single store retailers

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Facts About Tax Refunds

\$5,300

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Facts About Tax Refunds

- Vast majority of recipients spend nearly all of the refund within 24-48 hours of receiving it
- Most customers ‘promise out’ their refund ahead of time
- Average BHPH/Special Finance refund in 2013 with children was over \$5,300
- 40% of refunds are over \$6,000

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More Facts...

- 10% or more of refunds are OVER \$9,000
- The Federal Government pays out OVER \$58 BILLION in Earned Income Tax Credit
- \$30+ Billion in Child Tax Credit & College Education Credits
- OVER \$100 BILLION will be paid out in total

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Why do over 3,000 dealerships use a Tax Marketing Program?

- The dealership is in charge of the process which ensures the dealer gets paid FIRST
- According to our 2 largest dealers (combined 300 lots), tax deals account for the best performing deals in their static pool analysis
- Our tax preparation fees of \$129 are 40-50% cheaper than H&R Block (\$196 for 2013) and Jackson Hewitt (\$208 for 2013)
- Saves customer up to \$300 in check cashing fees

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Tax Refund Quiz

- Single Parent
- 2-3 Children
- \$20,000 in reported income

How much will the refund be?

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Quiz Answers & Facts

- Refunds range from **\$8,000** to **\$11,000** or more
- 3 children with ZERO withheld is \$8,000
- 2 children with \$1,500 withheld and daycare credits gets you up to \$10,000
- *Can you get a \$2,000 down or catch up a delinquent account with this?*

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The 3 Tax Seasons

- Tax Season for those of us who owe money back is
April 14th & 15th
- Tax Refund Season is January and February
Peak is January 10 – February 20
W-2s start arriving on January 2nd
- The NEW Tax Season is:
October through January

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Quick Basics

- You need \$1,500 down & the customer only has \$800.
What do you do?
- Consists of using pick-up payments & deferred downs
- Defer PART of the down payment
Zero down is rarely recommended
- Capture the sale before the refund check prints
- **STEAL MARKET SHARE**

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The Why's

- More than just pick-up payments
- Ties down payment to a cash source
No juggling payments in the coming months to catch up shorted payments
- Eliminate getting shorted in 2 months due to other bills being caught up

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The How's

Customer will still make regular weekly or bi-weekly payments

- Employ payment protection devices
- Move old inventory
 - 7 day cars = \$1,500 down
 - 30+ day cars = Tax Refund Advance
- Customers will *not* return if you expect to take more than half of their tax refund

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Do's


- No W-2s yet?
Create a perceived obligation to bring back W2 forms
“Your taxes have been started. All I need are your W2's and we are done!”
- Tie part of the sales commission to the W2 coming back
- Giveaways for bringing W2's
Gift Cards, Oil Changes, Flashlights
Tax Filers entered for a Flat Screen TV
- Call (800) 304-3107

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Do Use an Underwriting Checklist

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CHECKLIST	
	
Check “Yes” or “No” to the following questions.	<u>Yes</u> <u>No</u>
CUSTOMER IS APPROVED FOR NORMAL UNDERWRITING CRITERIA?	<input type="checkbox"/> <input type="checkbox"/>
WOULD WE DO THE DEAL WITHOUT A TAX REFUND?	<input type="checkbox"/> <input type="checkbox"/>
DOES THE FMS HOTLINE INDICATE “NO DEBTS”?	<input type="checkbox"/> <input type="checkbox"/>
ARE WE TAKING LESS THAN 30% OF THE TAX REFUND?	<input type="checkbox"/> <input type="checkbox"/>
IS THE CUSTOMER BEING SETUP FOR SUCCESS WITH THE SALE OF THIS VEHICLE?	<input type="checkbox"/> <input type="checkbox"/>
DOES THE CUSTOMER HAVE ADEQUATE INCOME TO COVER THE WEEKLY PAYMENTS WITHOUT THE TAX REFUND?	<input type="checkbox"/> <input type="checkbox"/>
IS THE CUSTOMER PUTTING CASH DOWN OR HAVE A TRADE IN BEFORE THE TAX REFUND?	<input type="checkbox"/> <input type="checkbox"/>
IF ANY QUESTIONS ARE ANSWERED WITH A “NO”, PLEASE PROCEED WITH CAUTION WHEN APPROVING THIS TAX DEAL.	

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Collections

- Call NOW!!
- Holiday's = \$\$ Shortages
- Promise-To-Pay with a W2
- Resume weekly payments
 - Catch up delinquency due February 20th
- PROVIDE A SOLUTION!**

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Vehicle Repairs

- Cars in disrepair don't generate weekly customer payments
- Use W-2s to pay off older notes
- Due Date = February 20th

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Bonus Payments

PRIOR customers can benefit at tax time

- Make extra payments to lower principle
- Large bonus payments can = REFI
- Lower Risk & Future Repossessions
- Increase Cash-Flow & Revenue!

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Success From The Top

- Competition with 20 Group Members
- Competition with sister lots
 - Number of W2 deals processed
 - Percentage of W2 returns from 4Q deals
- Partner with other dealers here at the conference

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Internal Success

- Departmental Bonuses based on W2 deals processed
 - Salespeople
 - Collection Agents
 - Payment Takers
 - Mechanics

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Employee Education

- The number 1 downfall to ANY promotion
- Employees do not need to know HOW to do taxes, just **WHERE** and **WHY**
- Properly motivate employees
- Who is the “Go To” person on the lot at tax time?

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Marketing Success – DriveNowNetwork.com

Real Time Leads

MINUTES old

Emailed directly to you as the customer shops

NEVER re-sold weeks & months later

Tax Refund & Tax Season Specific

Tax Refund = Lottery Ticket



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Common Misconceptions

Misconception: The tax guy down the street can handle it

Reality: You spend so much time & money getting the customer on your lot, why send them away? Capture the sale on the spot. Why lose control of the refund and the deal?

Misconception: I don't want to deal with the IRS or be liable

Reality: ALL liability fall on Tax Max and not the dealership. Sending us the tax information is no different than submitting a credit application to a bank for a car loan.

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Common Misconceptions

Misconception: I am safe with a \$6,000 refund

Reality: The customer has promised a share of the refund to collectors & put off other bills. Plus, they have a wish list in their head that is \$10,000 long. Maintain control!

Misconception: Customers will bring their refund to me

Reality: Your competition is selling more cars in the 4th Quarter. Best Buy wants that money! Furniture stores, jewelry stores, kids and girlfriends are all fighting against you. Maintain control!

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Common Misconceptions

Misconception: I don't know anything about taxes

Reality: The program is designed for a 15 year old that knows nothing about taxes. The process takes 10-15 minutes! If you don't have an extra 15 minutes to dedicate towards a car sale, you are in the wrong business.

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Common Misconceptions

Misconception: I'm not going to empty my lot with no money down

Reality: A 4th Quarter Program makes up the difference for what a customer can put down and what the dealer needs. Plus, in the end, large refunds make it possible to get even MORE down than normal.

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The Numbers

- With proven techniques, roughly 90% of customers bring their W2's
- Out of 50 cars moved in the 4th Quarter
 - 45 Cars x \$2,900 (average profit) = \$130,500
 - 5 Bad Deals x \$4,000 (average cost) = \$20,000
 - \$130,500 - \$20,000 (bad deal loss) = \$110,500
- Even if you get burned on 10% of your 4th Quarter deals, it still works

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Wrap Up

- 2 of the largest BHPH dealers in the country moved over 10,000 vehicles in the 4th Quarter of 2013
- Hundreds of small dealers moved thousands more
- 90+% of customers brought back their W2's
- 100% who brought their W2's made the special payment

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Dealer Quotes:

“Tax Max helped me sell more cars with more money down!”

– *Brenda Frazier of Rick’s Used Cars*

“This was the best year in total number of cars sold and amount of refund money collected! The 4th quarter program is the best! We brought in over \$100,000 in deferred down payments in the month of February!”

–*Vince Gillespie of Ticket to Ride*

“Our 4th quarter tax promotion has been extremely successful and is the best tax refund promotion ever in our 27 year history!”

– *Hank Henderson, President of America’s Car-Mart*

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QUESTIONS?



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