

## BETTER PROGRESS THROUGH COLLABORATION

By

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Most successful business owners engage a number of professional advisors. Certified public accountants, business lawyers, insurance professionals, investment professionals, financial advisors, bankers and family counselors are often included. Typically, the business owner deals with each of these advisors independently. Specific questions are asked or problems are presented to the advisor who may appear to be best suited to deal with that particular issue, and then a solution is offered. When this approach is taken, while the owner has the benefit of that advisor's counsel, it is offered in a vacuum, without the input of other advisors who may play a role in developing a more cohesive plan. As families have become increasingly aware of the need to begin working on the development of transition plans for their businesses (i.e., a plan to facilitate a transfer of the business from one owner to another, or from one generation of owners to another) the need for the development and implementation of a complete and comprehensive plan has come into focus. To this end, we have found that the best work is done, and the most progress made, when business owners and involved family members will commit to having a meeting which involves all advisors at least once a year, and sometimes more often.

Initially, as the transition plan is being developed, more frequent meetings may be required. These kinds of plans require a great deal of thought and work, and are not structured in a single meeting. Sometimes one or more advisors need to do further analysis and research before the next meeting, so that more information can be presented to the group at the next meeting as the plan is discussed and honed. Once the plan is formed and implementation has begun, then less frequent meetings are required. However, committing to at least one formal meeting of all advisors each year can pay significant dividends, as those advisors have the benefit of confirming that the plan as developed is still relevant, still works in light of changing circumstances, and that all parties to the plan are doing their part in keeping it on track.

Frequently, these hands on advisor meetings are done in conjunction with the annual corporate or LLC meeting. The topics that should routinely be reviewed with the group of advisors include the following:

### Typical corporate meeting agenda items, including:

- Election of officers and directors;
- Approval of officer compensation;
- Authorization of various financial matters, including leases, loans, asset acquisitions and dispositions, and retirement plan contributions; and
- Approval of significant corporate actions during the prior year.

### Evaluation of the current Buy-Sell Agreement:

- Are the triggering events still relevant?
- Is the pricing model fair and reasonable?
- Are the terms for purchase, given current values, still workable?
- Is funding an issue?
- Should new parties be added to the agreement?
- Does the agreement still fit into the transition plan currently in place?

### Evaluation of current organizational structure:

- Is the form of business in place still the best?
- Are there opportunities for new business ventures that could be set up in new companies or by future owners of the primary business?
- Is progress being made on advancing the next generation into management?
- Is management training and counseling being provided as needed?

### Review of the estate plan:

- Are new assets properly titled?
- Is the estate plan still current given changes in state and federal law?
- Is the estate plan still consistent with the goals and desires of the owners?
- Are any changes needed to keep the estate plan consistent with the transition plan being implemented?

### **Review of borrowing and banking relationships:**

- Can any guarantees be eliminated?
- Can any collateral be released?
- Is the current debt structure the best for the business?

### **Review of insurance issues:**

- Is coverage adequate?
- Is the property casualty insurance in place still covering current risks?
- Does existing life insurance adequately address buy-sell and estate tax funding needs?
- Have any circumstances changed in the business that would suggest a change in insurance coverage?
- Are there any policy exclusions that should be addressed given the current risk profile of the business?

### **Review of retirement planning:**

- Are assets outside of the business adequately diversified?
- Is the retirement plan being fully funded for the benefit of the owners?
- Are any changes in the retirement plan needed or warranted?
- What progress is being made to provide for retirement income needs of the business owner once he or she steps away from the business, and are any changes needed?
- Has the cash flow model, developed for the owner to evaluate income needs in retirement, changed?

### **Review of tax planning opportunities:**

- Is the current tax structure still the best?
- What actions can be taken now to reduce current income taxes and future income and estate taxes?

This list is merely a sample of the kinds of topics that can and should be addressed at a regular meeting of all advisors. When these meetings are held, interesting things happen. New ideas are presented as advisors have the opportunity to collaborate, rather than acting exclusively within their typical realm of responsibility. All parties become more energized and committed to the plans put in place because they know that everyone is counting on each other to fulfill his or her responsibility in a timely way. Ultimately, it is also far more efficient for the business owner. Rather than having separate meetings with each advisor where the owner must share information obtained from other meetings, all parties are there to hear it and discuss it first hand at a single meeting. Another benefit is they can all leave with a very clear action plan that identifies which advisors are responsible for which actions.

We are seeing our most successful clients increasingly take advantage of this kind of annual meeting as they work to advance their companies and move forward on transitioning. If you would like to consider such a meeting and want to discuss the development of an appropriate agenda, please call a member of our Corporate Practice Group.

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To understand more about planning the sale or transition of a business, please contact:

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### **West Coast Trust thanks Doug Alexander for providing this timely information for our use.**

Doug Alexander is the managing shareholder of Saalfeld Griggs PC. Mr. Alexander limits his practice to business and corporate law, including business sales and acquisitions, the representation of professionals in the purchase, sale and operation of their practices, and succession planning for business owners. Mr. Alexander is a member of the Business Law and Tax sections of the Oregon State Bar Association. He has served on the Executive Committee and as the Chairman of the Business Law Section. Mr. Alexander has spoken at seminars sponsored by Willamette University College of Law, Chemeketa Community College, Salem Area Chamber of Commerce, the National Association of Accountants, the Mid-Valley Tax Forum, the Oregon State Bar Association, Oregon Health Sciences University, and the Network of Leading Law Firms on business law and tax related topics. Mr. Alexander serves as a member of the Advisory Board of the Network of Leading Law Firms. Mr. Alexander graduated Cum Laude from Willamette University College of Law in 1983.

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