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## Announcements

### Chelsea Riekkola Joins the Anchorage Library Foundation Board of Trustees

Associate Attorney Chelsea Ray Riekkola has joined the Anchorage Library Foundation Board of Trustees.

Chelsea will have the opportunity as a Trustee to utilize her knowledge and experience in planned giving, and to assist in efforts to further the long-term vitality of the Anchorage Public Library. As a devoted life-long library customer as well as a new parent, Chelsea is excited to share her passion for literacy and reading with the next generation of Alaskans.



### Welcome Taylor!

Taylor Johnson joined Foley, Foley & Pearson as the firm's receptionist in May of 2019. He replaced Jenna Sutton, who is attending law school at Texas A&M this fall.



Taylor has lived in Alaska his whole life, having been born and raised in the Mat-Su Valley. In his free time, Taylor appreciates hiking, traveling, and movies.

Be sure to say "Hi" the next time you visit our offices!



# Generations

FOLEY, FOLEY & PEARSON NEWSLETTER

## Foley, Foley & Pearson: A 15-year Business Transition Process

By Richard H. Foley, Jr.

I am retiring on January 1, 2020, after 38 years of practicing law. Thirty-two of those years were with the firm now known as Foley, Foley & Pearson, P.C. As I reflect on my professional career, I think back to the year 2004. I had just turned 50 years old, which gave me some pause to reflect on our past and our future. Foley & Foley was then a husband and wife law firm, founded in 1987 by my wife Susan. One night I said to Susan, "If we ever plan to exit our business, we will need to grow it."

With an understanding that business transition is a process, not an event (see accompanying article on business transition), we hired our first associate attorney, Bill Pearson. Bill was 26 years old, fresh out of law school, and just completing a judicial clerkship in Ketchikan, Alaska. None of us knew then whether Bill would become an owner of the firm. But we knew that the future of the firm depended upon a new generation of lawyers and leaders. We made a purposeful commitment to



training, encouraging, compromising, directing, trusting, planning, and evolving to allow new lawyers to grow and flourish. Foley, Foley & Pearson has now expanded to include two additional attorneys, Chelsea Riekkola and Zac Field, and an office staff of six. I am proud to say that the firm will continue to be a leader, if not THE leader, in estate and trust law in Alaska for many years to come. The future of the firm and its clients are in good hands.

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### Estate Planning Workshops



*Foley, Foley & Pearson offers two workshops every month for people who want to know more about wills, trusts, insurance, children's trusts, probate, estate taxes, and more.*

*There is no charge and no obligation.*

*You can check our schedule, times, and location online at [www.foleyfoley.com](http://www.foleyfoley.com)*

*Call us to RSVP at 522-2272.*



## FF&P: TRANSITION

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I am also mindful that the decision to hire Bill was providential. The transition would have failed absent his commitment to become one of the finest estate and probate attorneys in Alaska and his desire to carry the company into the future.

Today I am thankful for my wife Susan, who was my partner for 25 years before moving into the field of philanthropy. Susan's industry, integrity, and compassion for people are the foundation stones of the firm. I have also been blessed to have worked with so many dedicated employees over the years. I particularly want to thank Sharon Speedy, who has been our solid rock and steadfast office manager for over 16 years. I am humbled by the many clients who shared their intimate personal and family information with us so that we could help guide their estate and business plans. I fondly remember many clients who have passed away. It was a privilege to know them and assist them while they were living, and to support their families in the administration of their estates after they passed.

Truly we have been living our motto: **Bridging Generations.**

Thank you all. ✦

## Business Succession Planning:

### A Process, Not an Event

By Richard H. Foley, Jr.

Starting and building a successful business can be a very rewarding vocation. The satisfaction that comes from overcoming obstacles to establish the right business culture with the right people and a quality brand name cannot be fully appreciated unless you have done it. But even successful entrepreneurs often fail to consider their exit plan, even as they build and grow their enterprise.

The fact is, if you own a business, some day you will no longer be part of your business. You will exit your business in one of four ways:

- ◆ Transfer on death to heirs
- ◆ Sale to a third party
- ◆ Internal sale to key employees
- ◆ Liquidation

Each of these options is a process, not an event. Consequently, your current decisions regarding business development should be made purposefully with an eye toward your exit strategy. Let's explore each option and the issues that must be resolved

to accomplish each strategy.

#### Transfer to Heirs

If you plan to pass your business to your heirs upon your death, consider the following issues:

*Do the heirs have the aptitude and interest to run the business?*

*Have the heirs been properly trained and groomed to take over leadership?*

*Will there be estate taxes incurred when the business is transferred at your death? How will those taxes be managed and paid?*

The fact is, one day you will no longer be part of your own business.

*Can the heirs successfully work together? Should one person have the controlling interest?*

*Will the business become a point of conflict among the members of your family?*

*Has the succession plan been*

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## BIZ SUCCESSION

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*communicated to employees and family members so that there are no surprises?*

#### Sale to Third Parties

The following issues require planning when you consider a third-party sale of your business:

*What is your business worth? Has it been valued by a qualified business broker or appraiser? Is the price realistic or imaginary? Are you satisfied with the price?*

*Who are the potential buyers for your business?*

*How will the sale be financed? Will you receive payments over time, or would a bank be willing to lend money to the new owner?*

*Has a CPA or a tax attorney evaluated the tax consequences of the sale?*

*Are the books and financial statements clean and clear? Do you finance excessive personal expenses from your business that reduce the perceived value of the business?*

*Are there any major lawsuits or business liabilities that would deter buyers?*

*Are you selling an enterprise that generates a cash flow, or are you selling your job to someone else?*

#### Internal Sale to Key Employees

Sales to key employees can be a good option if you can resolve these issues:

*Have you identified the key employees who can run your business? Do the employees want to own and operate the business?*



*Have the key employees been trained and groomed to be business managers and leaders?*

*Has your plan been clearly communicated to the key employees, non-key employees, and important customers?*

*Can the business operate without you? Have you made yourself operationally irrelevant?*

*How will the employees finance the purchase? Can they get bank financing, or will the buyers have to pay you from future business profits? Are you willing to take the risk that the business fails under the new ownership and payments are not made to you?*

*Have the tax consequences of the sale been evaluated by a CPA or tax attorney?*

#### Liquidation

Liquidation may be the easiest option, but it might also be the least financially rewarding. Consider these issues:

*Is the business worth more as an operating entity or in liquidation?*

*How long will it take and what will it cost to liquidate and wind up operations?*

*What are the income tax consequences of liquidating?*

*Will you feel satisfied?*

As you can see, each of these exit strategies presents its own unique challenges and planning requirements. It might take a number of years to streamline operations, identify potential buyers, groom and train your successors, make yourself operationally irrelevant, and build a valuable stream of income that someone wants to purchase.

If it is time that you refocus your business planning efforts on business succession, we recommend that you talk with your business attorney, your estate planning attorney, a CPA, and perhaps a business coach to assist you in the transition planning process.

