Business
StarTribune.com Minneapolis/St. Paul, Minnesota

As Seen In The Minneapolis StarTribune on November 19, 2007

Small business: Attorney, adviser, secret-keeper

Estate planning lawyer Christopher Hunt uses skill and a personal touch to help clients sell their small businesses. It gives him a front-row seat to behind-the-scenes family dramas.

By Todd Nelson, Special to the Star Tribune

He knows your business dealings, your family secrets. He could be a priest. A psychologist. Or a character in a new HBO series.


Photo by Joey Mcleister, Star Tribune

Christopher Hunt says that serious estate planning lawyers “have to be able to deal with people at their most vulnerable points.”

Such drama might seem far removed from the world of Christopher Hunt, an attorney who specializes in estate planning. Yet his work often involves delving into intimate details of both a company and a family.

That's because a good part of his practice is helping clients who own businesses prepare for life's two certainties and one of its milestones: selling a company.

With an early start, owners can see compelling results: a tax-advantaged plan that allows them to retire comfortably, make charitable contributions and provide for family members and future generations.

"I once had a guy say to me, 'You're a little bit like a priest,'" said Hunt, a shareholder in the estate planning group at the Fredrikson & Byron law firm in downtown Minneapolis and one of 14 lawyers in the group. "'I'm having to lay out my whole story for you, and I don't think I'd even tell my brother some of these things.'

"I never forgot that, and I think it's true. If you're a serious estate planning lawyer, you really have to be able to deal with people at their most vulnerable points. If you're able to establish that relationship, you can do some wonderful things."

For all the potential benefits of working with an estate attorney, Hunt concedes that clients sometimes aren't eager to see him.

"It's kind of like visiting the dentist, I suppose," Hunt said. "You know you need to go ... but you really would rather put it off.

"For many people when they're dealing with estate planning issues, they're having to admit their own mortality and deal with issues that are uncomfortable for them. Or it makes them have to talk with their family or their spouse about issues that are uncomfortable. So they put it off, and that's very understandable."

But that can be a costly mistake. A business owner, for example, can transfer shares of a company he or she plans to sell into a charitable trust, Hunt said, and realize significant income, estate and gift tax advantages, in addition to helping a favorite school, church or charity.

Such a transfer, however, has to occur before the parties have signed a purchase agreement, Hunt said.

"The IRS takes the view that once the deal is set, you can't rearrange it to produce this tax result you want," Hunt said. "You only have the opportunity to do that before you are obligated to sell."

The place for prospective sellers to start, Hunt said, is to take an inventory of assets and their value. They also need to gather such documents as wills and trust agreements and any buy/sell instruments or other documents that would restrict the transfer of business interests.

Hunt discovered that estate planning practice appeals to him intellectually.

"There is a logic to it, there is a correct way to do it," said Hunt, a Minnesota native who got his undergraduate degree at Concordia College in Moorhead and graduated from the Valparaiso University School of Law. "Things have to fit together correctly, and there can't be a lot of play in it."

Business owners need to determine their goals and objectives -- for retirement, family members and charitable causes -- and whether what they expect to receive from a sale would be enough to meet their objectives, Hunt said.

Think about those goals before worrying about tax implications, he advises.

"Oftentimes we find people who are motivated by the tax results," Hunt said. "They're so worried about the tax result, they end up with a plan that doesn't really fit what they're trying to do. That's the exact opposite of what they should be doing."

Hunt goes into greater detail on tax laws and the variety of trusts that come into play in a chapter he contributed to in "Exit Strategy," a guidebook to selling businesses.

Like Tom Lyons, founder of Faelon Business Brokers in Golden Valley and the book's author, Hunt recommends involving a team of professionals in the sale of a business. The book recommends including an accountant, financial planner and transaction attorney as well as an estate attorney.

One issue business owners need to consider -- and one some want to avoid -- is whether their children will be involved in their company, Hunt said.

Some assume that's a natural step but change their minds, Hunt said. Children may not have the same drive to make the business go, or disagreements with siblings might hurt a company's prospects. A child's substance abuse or difficulties with siblings or a spouse might also influence the decision.

"They end up transferring the business to a disinterested third party because there were going to be problems," Hunt said. "Sometimes a parent looks objectively at whether his or her children could succeed, and he or she has their doubts, and they don't want to put their children in a position to fail. Oftentimes it gets into a lot of psychology."

Law schools don't necessarily prepare lawyers to deal with such intrigue. Fortunately, Hunt found he had the personality to work with clients and the sensitive issues they often face.

"You're dealing with people on very visceral issues," Hunt said. "You're talking about things that are very private to them. It's about their financial situation, it's about their families and the successes and failures that they've had in their families or their businesses."

Todd Nelson is a freelance writer in Woodbury.