

**FARM/RANCH  
TRANSITION AND  
ESTATE PLANNING**

# AGENDA

## ■ Day 1

- Effective communication
- Conducting business meetings
- Planning with intent (values, vision, goal setting)
- Multigenerational business planning

## ■ Day 2

- Wants, needs, expectations, & fears
- Legal business entities & implications
- Business transfer & succession plans
- Estate planning tools & issues
- Farm transition case studies
- Critical path forward
- Resources

# MATERIALS

- **Workbook**
  - Agenda
  - Presentations
  - Worksheets
  - Additional resources
- **Publication: Western Farm & Ranch Transition Strategies**

**WHY ARE WE HERE?**

# FARM TRANSITION STATS

- Approximately 96% of the 2.2 million farms\* are classified as “family farms”
- About 30% will transfer successfully to the 2<sup>nd</sup> generation
- Less than 10% will make it to a 3<sup>rd</sup> generation

*“Failure to prepare is preparing to fail.”*

**-John Wooden**

\*2017 Census of Agriculture Farm Typology report

# WHAT IS ESTATE PLANNING

- Estate Planning is a lifetime process whereby...
  - I control my property while I am alive and well
  - I take care of myself and my loved ones if I become disabled
  - I give what I want to whom I want, when I want and the way I want
  - I do so with the lowest possible amount of professional fees and court costs

# WHAT IS SUCCESSION PLANNING?

- A process of decision making that...
  - Protects the ongoing viability of the agricultural operation
  - Provides for the orderly transition of the agricultural operation to new ownership
  - Preserves family harmony

# THE ESSENTIAL QUESTION

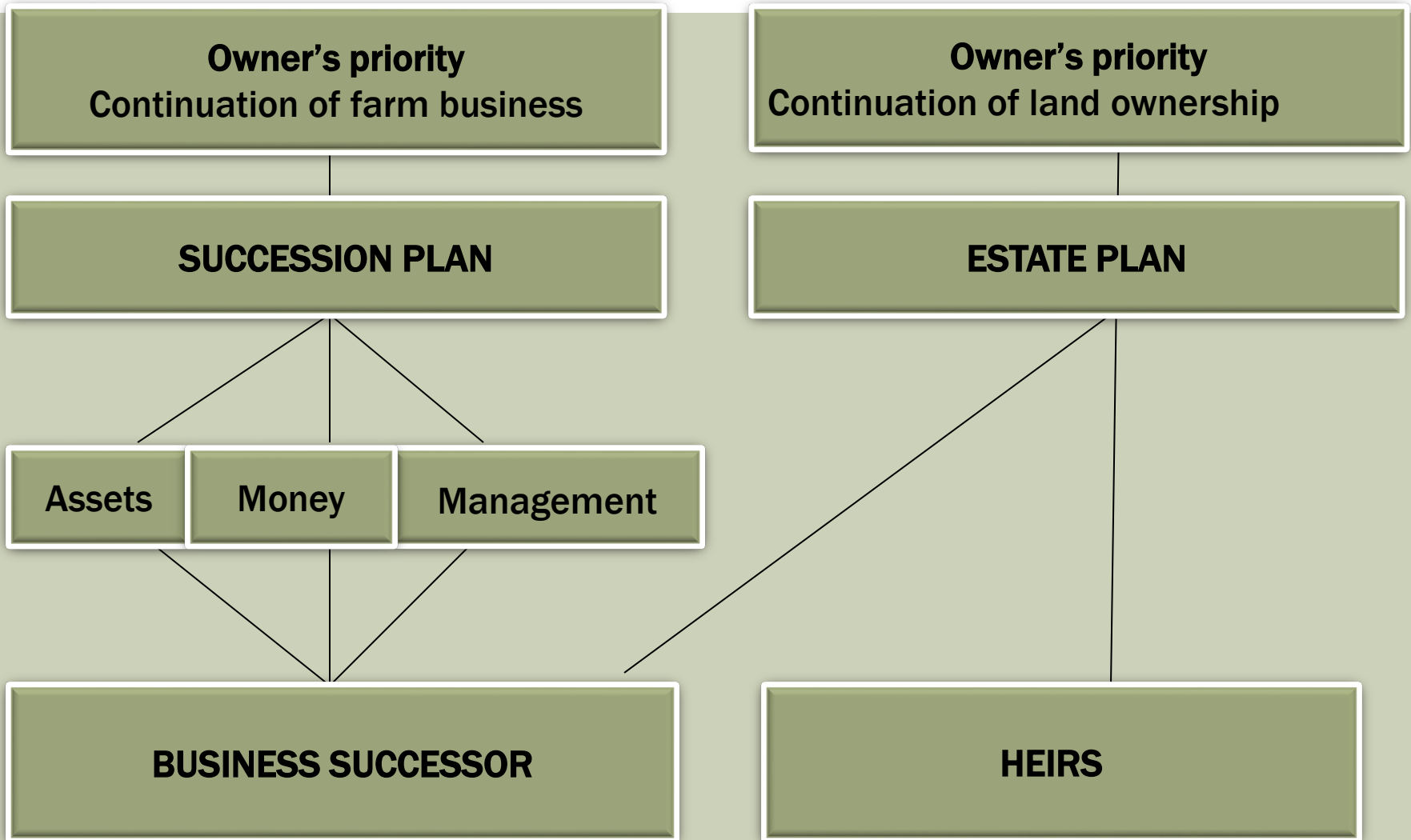
Do you want to transfer the farm or ranch as a “viable business” or simply as a “group of assets”?

*“If you don’t know where you’re going, you’ll probably end up somewhere else.”*

*-Yogi Berra*



# THE ESSENTIAL QUESTION



# WHY DON'T WE PLAN?

- Too complicated
- Don't like to plan
- Facing our own mortality or that of others
- Unknown goals or wants/needs of others

# WHY DO WE AVOID PLANNING?

- "We don't need a will"
  - If you don't have a will, the State will allocate your assets as it sees fit, regardless of your wishes or the wishes of your heirs
- "We have a will, we're all set"
  - A will alone won't do it
  - Estate planning ensures distribution of assets like a will, but it also plans financial security & peace of mind for heirs & addresses business organization
- "We want to treat our children fairly so we will divide everything equally among them"
  - Farm vs. non-farm children—equity vs. equality
  - Mom & Dad leave the farm to their four children in equal shares, one son stays on the farm, but cannot afford to buy out his siblings, so the farm is sold

# WHEN IS IT NOT NECESSARY TO DEVELOP A BUSINESS SUCCESSION PLAN?

- When you do not care what happens to the farm family business
- When you do not care if your heirs own and operate the family business
- When you can afford to lose money or assets or managerial control
- When you do not care what happens to your spouse

# IF YOU WANT YOUR BUSINESS TO CONTINUE BEYOND YOUR LIFETIME

- You must create a business succession plan
- Planning takes place when the seat of the pants meets the seat of the chair
- Thinking about planning is not planning
- Talking about planning is not planning
- Delaying planning is not planning
- Planning involves carving out time to plan

# PLANNING

- Planning itself not does not create certainty
- Much of the future is beyond our control
- We can control how we respond to the future
- Making a PLAN will improve your chances for a succession
- Everyone in the family must be involved
- Everyone in the business must be involved

# PLANNING INCLUDES IMPLEMENTING THE PLAN

- Implementation requires...
  - Hiring professional advisors
  - Paying for professional advice
  - Reviewing documents
  - Signing documents
  - Transferring ownership of assets
  - Transferring management

# PILLARS OF COMPREHENSIVE PLAN

- Business planning
- Succession planning
- Retirement planning
- Estate planning



# PLANNING IS DECIDING

- How long will the transition last?
- What management decisions are transferred and when?
- Which assets are transferred and when?
- When does the owner retire and what does that mean?
- What is the source or retirement income?

# ANSWER DIFFICULT QUESTIONS

- Have successors been chosen for key positions?
- Have training/education plans been developed for those positions?
- Have contingency plans been developed?
- Are all interested parties identified, informed and involved?
- Is there a mutually agreed upon decision-making process?
- Is there a compatible vision for the future of the business?

# WORKSHOP FOCUS ON COMMUNICATION & VISIONING

- Effective communication
- Conducting business meetings
- Planning with intent
  - Values, vision, and goal setting
- Multigenerational business planning
  - Succession planning
- Estate and retirement planning

**THANK YOU!**