

Extension Education
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Succession Planning

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Succession planning should not be left until the last minute; it is vital to ensuring that a family business continues. Having a set plan will help ensure that the operation is sustainable from one generation to the next. The importance of succession planning is often overlooked or put off until it is too late. Family members may be unaware of the issues that can arise with the transfer process of a farm/ranch

Steps to take while planning the transfer of an operation:

- Educate yourself and your family on your different options for succession planning; read articles, discuss what has been successful for others, etc.
- Talk about issues related to succession with your family, lenders, attorneys, accountants, and others who are knowledgeable in the area
- Choose a family member to lead the process who will be fair, honest, and stick to timelines
- Decide if you will hire a facilitator to assist your family with the process, then choose the facilitator that you will use
- Complete a financial analysis of your business to determine its profitability and long term viability
- Talk about each family member's goals, expectations, and needs for themselves and the operation
- Compare everyone's goals and expectations to determine compatibility
- Hold regular family meetings to communicate information and make important decisions
- Determine management roles and business arrangements
- Write down and save the plan in a safe place where it can be accessed when it is needed

Considerations for the current manager:

- What is fair for each family member (fair does not necessarily mean equal)
- Who will take over the operation
- When this will take place
- How this transfer will take place

Optional team of experts:

- Accountant: gives advice on tax and transaction options
- Lawyer: review and give legal advice
- Lender: provide financing options on ownership/asset transfer
- Financial planner: plans personal, business, investment, and retirement savings

- Business advisor: assists the family in understanding advice and options

Plans should be written down and shared with a team of experts. Family members should be aware of the plan and understand how succession will take place. The succession plan should be updated regularly as changes occur within the family and business. Remember, this process does not have to be difficult or cause issues within a family. If assets are divided fairly amongst family members and there are clear roles for each person, it is more likely to go smoothly. We never know what the future might hold and succession plans should be put in place as soon as possible to ensure that the operation is sustainable. This also allows family members to plan for their future and set goals for their own, individual families. Some of the information for this article was taken from Montana State University Extension and Purdue Extension.