

What are we really here for? What do we really want to pass on to our heirs?

Veteran Angus breeders Steve and Ginger Olson, Hereford, Texas, began asking themselves those same questions a couple of years ago.

“Sometimes we get too busy in our lives and don’t really give them much thought,” Steve Olson explains.

Yet, he and Ginger knew they were at a point in their lives when they needed to do some estate planning so the family ranch business could carry on to the next generation. Their family includes two grown daughters and a grown son, along with spouses and seven grandsons.

A class on legacy planning helped the couple start the ball rolling.

“(It) helped us establish our goal, our mission and what we wanted to do with our assets,” Steve says.

Unfortunately, planning doesn’t always take place before tragedy strikes.

For Tammy Shafer, Green City, Mo., the planning came all too late — and under unpleasant circumstances.

In 2009, after Shafer’s husband Roger was killed in an automobile accident at the age of 49, the farm wife was thrust into estate planning at a time when grief consumed her.

Shafer explains, “We had always talked about having a will and needing to get that done, but it was one of those things you don’t always agree on and don’t always agree on who should take care of your children, so you don’t do it. Even though our children were grown, we still just hadn’t done any estate planning.”

Less than a month after her husband’s death, Shafer was insistent on getting an estate plan in place.

“The weight that responsibility puts on the surviving spouse is tremendous,” she says. “It’s so incredibly important to have it done.”

Getting it done is the bottom line. “You can never start too early, but you can definitely start too late,” notes David Baker, farm transition specialist with Iowa State University’s Beginning Farmer Center.

“We’ve seen too many farm families that wait until the last minute and then there’s a health issue, and they have to do something quick,” Baker says. “Then, they are making pretty quick decisions, which is never good — and with never enough information.”

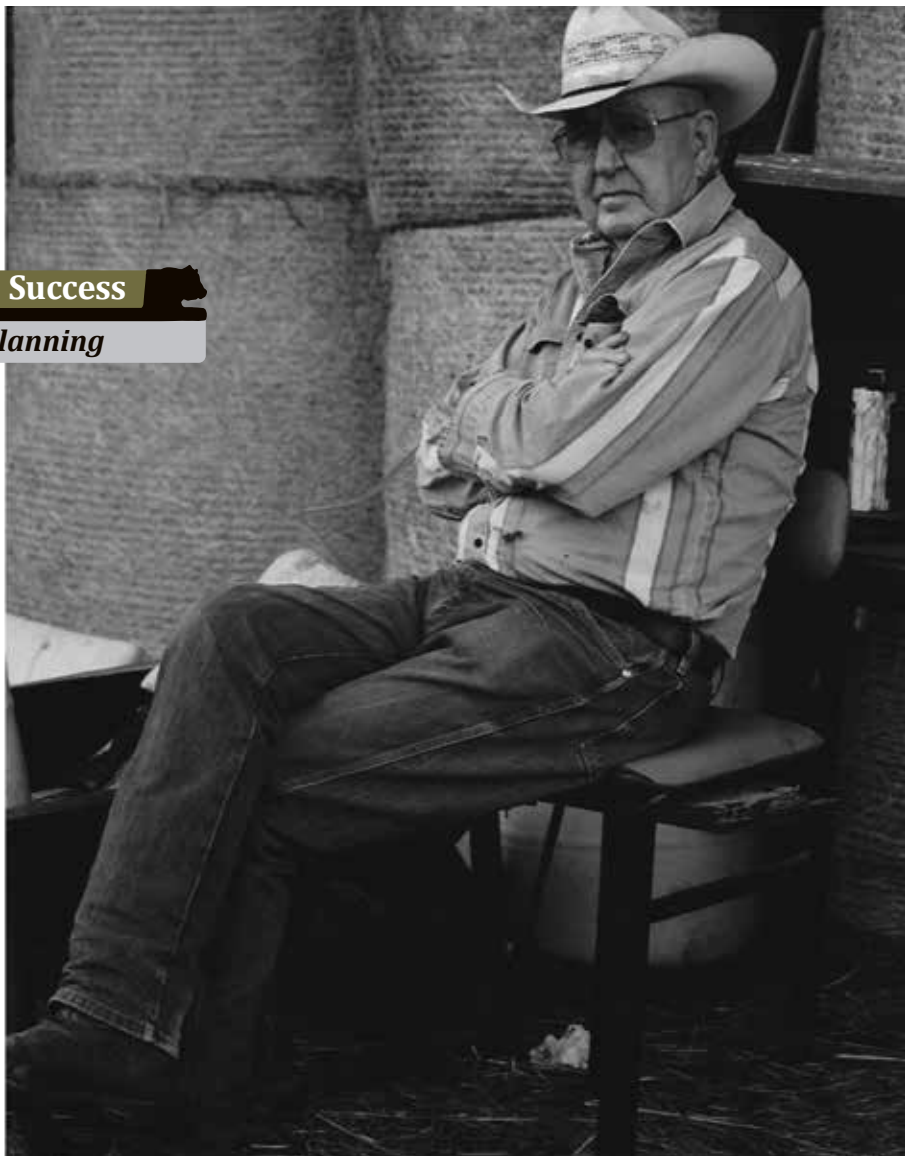
Taking the first step

Is there a magic age or formula for knowing when it’s right to begin the estate-planning process?

So, You Want Your Farm to Continue?

Experts say it’s never too soon to start planning for tomorrow.

by Joann Pipkin, freelancer



►Darren Frye says, “You have to intentionally plan how the transition will take place if you want your farm to continue.”

Darren Frye, who leads a firm that guides farm families through the planning process, says today is the time.

“None of us are guaranteed tomorrow,” he explains. “If your desire is for the farm to continue, every element of the operation needs to be structured properly and communicated to the next generation.”

Frye, president and CEO of Water Street Solutions, an Illinois-based farm consulting firm, says understanding who will be taking

over the farm is a necessary first step in the estate-planning process.

“Assess their current skill set,” Frye advises. “Make sure they are ready to start making decisions for the operation. Figure out the timeline for when the older generation wants to begin slowing down, and when they want to be completely done.”

The financial aspect of estate planning typically includes looking at the insurance, tax and cash-flow plans that will need to

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happen during the older generation's retirement, Frye says. "Finally, legal documents are crafted to support the design of the plan."

Understand your unique situation, he emphasizes.

According to Baker, all of the owners of the farm business should research the options and decide what's best for the operation.

"There is no cookie-cutter approach," he says. "Every family is diverse. What might work in one family doesn't work in every family."

Like it or not, there are those family members who come into the situation with a hidden agenda.

"I encourage most families to bring in a neutral party, a facilitator, someone who can call the meeting and direct the conversation," Baker says. "Make sure everyone has his or her time to speak and that there is no bias one way or the other."

Baker encourages farmers to give themselves a five- to 10-year time period for working on a succession plan.

"Keep in mind, estate planning is just a part of succession planning," he says. "So, if you want a successor, someone to take over the business and run it eventually, you need to work at that over time. It's a process, not just an event that's going to happen."

Olson adds, "Estate planning is not a one-time deal. You have to go back, look at it, re-evaluate it."

Circumstances can change in a matter of five years.

"From family members to health concerns, there are a lot of factors to consider," Olson states. "So, it's a continual process. It's not a one-time thing."

Baker notes market changes in the last year have also affected the income levels on farms. "That's definitely going to take an effect on how you transfer assets," he says.

Finding the help you need

From legalities to financials, the sheer thought of estate planning can make your head spin.

According to Frye, the best approach is a team perspective. While a legacy advisor can help coach the family and make certain all of the moving parts and people are involved, an estate-planning attorney who has experience working with farmers is also an asset in the process.

Baker agrees.

"Key partners would be your lenders, insurance representatives, maybe even your family pastor," he says. All family members should be involved, as well as your accountant and even your landlord, if applicable.

Courses focusing on legacy planning



PHOTO BY PAIGE NELSON

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might also be key. Shafer learned some of the basics of estate planning through Annie's Project, a course for farm women offered through the University of Missouri Extension. The program can be found in 34 states nationwide.

"[Annie's Project] at least reaffirmed a lot of the steps that I had already gone through," Shafer explains.

Professional estate planners might also sponsor special classes or even offer individual training to help you learn more on farm succession planning.

Working through the obstacles

Facing the realization that he is getting

older was one of the biggest challenges Olson says he faced as he worked through the estate-planning process.

"The legacy class made us sit down and really think about our mission, our purpose in life," Olson explains. "What we're here for and what we really want to be to our heirs, all of that really hits home when you start talking about it. Sometimes, we fly past those thoughts."

According to Frye, it's also challenging if you don't know where to go for advice and whom you can trust.

"It's an emotional decision because a farmer's identity can often be wrapped up in

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What if the 'What if' actually happens?

According to University of Nebraska-Lincoln Professor of Agribusiness Ron Hanson, most families fail to discuss the real-life 'what if' issues in terms of farm business ownership succession.

"It's important to have a strategic plan for ownership succession in place for the next generation of family farmers," Hanson says. "Parents must have a clear vision for the future of their family farm business and then be willing to discuss their ideas with the children who plan to return back home."

Conflict is an opportunity to find solutions and work out compromises, Hanson says. Never be afraid to dream and to be creative in developing your farm family succession plan for the future.

Hanson emphasizes that family relationships are important and that these issues should be kept in perspective.

"Farms can be replaced, but families cannot," he says. "The real tragedy is that many times when working through these issues, family members become defensive or withdraw their feelings when they feel that they have not been treated fairly."

Finally, Hanson notes that being a family and staying together as a family even during difficult times or stressful situations needs to be the guiding light to help families work through these discussions that relate to the ownership succession of the family farm and transfer of management to that next generation.

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the farm,” he says. “Thinking about the farm going on without you being involved can be hard.”

Generational challenges might show up as you try to mix family members from different generations who have different perspectives, Frye notes. “Issues around the concept of ‘fair vs. equal’ can arise as you think about the best way to account for both farming and non-farming children.”

Baker says one of the rules he tries to express to families is to treat your children fairly and equitably, not necessarily equally. A farming heir may have actually put considerable ‘sweat equity’ into strengthening and building the farm business for 10, 15 or even more years.

“If the older generation were to plan out where their assets are and maybe start transferring some of the farming assets prior to their death, that alleviates a lot of problems for that farming heir, if and when mom and dad pass away.”

Baker also said it is common for people to hide facts. “I like to see open, honest discussions. Tell me how you really feel. If you plan on running this business until you die, I need to know that.”

He went on to note that when there is a lack of openness and honesty discord arises within the family.

“Whenever assumptions go up, that’s

Annie’s Project helps educate women on farm business

Annie’s Project is an educational program offered in 34 states nationwide. During its tenure, the educational program has been dedicated to strengthening women’s roles in the modern farm business. Through six educational sessions, Annie’s Project fosters problem-solving, recordkeeping and decision-making skills in farm women.

Managing for Today and Tomorrow, a second-level Annie’s Project course, teaches business, estate, retirement and succession planning. Farm women develop networks and skills key to making successful farm transitions.

For additional information on the program and upcoming courses visit the Web at www.anniesproject.org/.

Other estate-planning resources:

Iowa State University Beginning Farmer Center – www.extension.iastate.edu/bfc/

Water Street Solutions – www.waterstreet.org/

Center for Rural Affairs – www.cfra.org

The Legacy Journey by Dave Ramsey – www.daveramsey.com/legacy/home/

Legacy by Design – www.legacy-by-design.com/

when conflicts arise,” Baker says. “To have either generation assuming different things are going to happen normally ends up with conflicting views and ideas.”

Farming today need not be just like dad or grandpa did it.

“Farming is wide open,” Baker says. “There are so many different ideas that can be incorporated into a farm business.”

Getting it done right

For both Olson and Shafer, communication is perhaps the most valuable tool in the entire estate-planning process.

Communicate with your spouse and children, Shafer says. “While you might think discussing estate planning with your children is a burden for them, it actually helps relieve some of the pressure on them later.”

Says Olson, “Communication is everything, not just with the executor of your estate, but with all of your heirs. You need to be sure the heirs understand the goals that have been set.”

Shafer also says to focus on the details of the operation, because in the end those little details are actually huge — and those details need to be written down.

Baker reminds that keeping a positive attitude when the estate-planning process is initiated is critical.

“When you start setting up a plan, you [should] trust it, believe it,” he says. “Have faith that it will work out. There will be a lot of little things along the way that will need [to be] solved, but in the whole scheme of things, I want people to understand that it is possible to get started in farming — even today.”

Continuing the farm doesn’t just happen, Frye concludes. “You have to intentionally plan how the transition will take place if you want your farm to continue.”

Editor’s Note: Joann Pipkin is a cattlegroomer and freelancer from Republic, Mo.



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