

ANGUS MEANS BUSINESS
NATIONAL CONVENTION & TRADE SHOW

Succession and Estate Planning

If a family doesn't have a plan for their farm or ranch, the government does.

by *Paige Nelson*, field editor



Not many things in life are as sticky for families as a half-eaten lollipop on blacktop in July. Estate planning is one of the few. However, there aren't many things as important, either.

Bill Sheets, senior director of development for gift planning at Colorado State University, presented the subject during an Angus University session at the National Angus Convention in Overland Park, Kan.

A member of a fifth-generation farm family in Indiana, Sheets knows agriculture. With 30 years' experience in estate planning, he knows how to advise families, but only recently did Sheets actually experience first-hand the steps of transitioning the farm.

Last year, his father-in-law passed away, and 28 days later, so did his mother-in-law. Sheets said because the family worked together to put the tools in place, the arrangement for transitioning the farm was smooth and completed in less than a year.

He credited the smooth transition to family participation and meeting with a third-party planning agency to arrange the details, followed by meeting with an attorney to sort out any legalities.

Sheets outlined two challenges every estate will face: probate and taxes.

Probate, he said, is the "court proceedings that conclude all the legal and financial matters of the deceased." The court essentially acts as a neutral forum to settle any disputes and protects the executor of the estate from liability. Probate, however, is time-consuming, expensive — fees are calculated anywhere from 2% to 10% of the gross estate — and public.

Taxes on an estate comprise state estate taxes, income taxes and for those estates worth greater than \$5.43 million, a federal estate tax exists. Estates valued below \$5.43 million will be exempt from the federal tax.

Distribution options

Sheets listed three estate distribution techniques farmers and ranchers can use to pass on the family farm: intestacy, will and trust.

"You can do nothing, which is referred to as intestacy. You can have a will drawn up. Or



PHOTO BY LEANN SCHLEICHER, ANGUS MEDIA

► Bill Sheets listed three estate distribution techniques farmers and ranchers can use to pass on the family farm: intestacy, will and trust.

You can listen to Bill Sheets' presentation at <http://bit.ly/1NYLSzj>.

you can use a trust to pass along your assets," said Sheets.

He continued, "A will is simply a list of instructions that tells the judge exactly how you would like your estate distributed. If the probate court upholds your will, the court will use it in deciding how to distribute your property to your heirs.

"Make sure you consult with a qualified estate-planning attorney. An improperly drafted will that does not hold up in court

will be of little comfort to your loved ones."

To some, trusts seem like they are only for the truly wealthy, pronounced Sheets. That's not necessarily so, he retorted.

A trust may help minimize fees, and some trusts can completely avoid probate.

"A trust can be defined as a legal arrangement under which one person or institution controls property given by another person for the benefit of a third party," Sheets explained.

Again, he emphasized the necessity of counsel from an experienced estate attorney in drawing up a trust.

A trust is composed of three parties: trustor, trustee and beneficiary. Sheets then listed two types of trusts: testamentary and living.

- A testamentary trust takes effect upon the death of the trustor.
- A living trust is established while the trustor is still living and enables assets to be passed to heirs without going to probate.

"Both types of trusts are dissolved when all the assets in the trust have been distributed to the beneficiaries according to the terms of the trust," noted Sheets.

For in-depth information on estate planning, Sheets conducts day workshops with specialized attention given to each type of estate-planning tool.

Sheets spoke during Angus University's management block. The educational series was sponsored by Merck Animal Health. To listen to his presentation and to view the session's PowerPoint, visit the convention newsroom at <http://angusjournal.com/NCnTS/2015/index.html>.



Editor's Note: Paige Nelson is a freelancer and cattlewoman from Rigby, Idaho. This article is part of the online coverage of the Angus Means Business National Convention & Trade Show provided by Angus Media. Visit the convention newsroom available at <http://angusjournal.com/NCnTS/2015/index.html> to access additional summaries, PowerPoint presentations and the audio of the sessions.