

# How Ready Are You For Retirement?

Important questions and helpful resources for farm families to consider when planning for the golden years.

by *Kindra Gordon*

For many people, retirement is a glorious goal they work toward — and very much look forward to. For farm families, however, retirement can represent a stage that is quite problematic.

Questions like, “Will we have enough money to retire?” “What would we do if we weren’t working?” or, “Who will take over the farm?” are just some of the issues farm families must consider.

And due to these challenges, past surveys indicate, many farmers don’t even make plans to retire, reports Sharon DeVaney, a Purdue University professor of consumer sciences who has gathered input about the subject from farmers across the United States.

## No retirement plans

In 2001 DeVaney, who used insight from her own experience growing up on a farm, personally interviewed 40 farm families

across the United States and posed the question, “What does retirement mean to you?” She says “Taking it a little easier” was the most common response, and that most of the 40- to 60-year-old farmers she visited with had no vision of retirement.



**Sharon DeVaney**

As she expected, DeVaney found that farmers were not making specific plans to retire. “No one mentioned a specific date for retirement, and no one was planning to completely stop working,” she reports. She did note that farmwives often expressed more interest in future travel or hobbies, and younger farmers were more likely to talk about some aspect of leisure in the years ahead.

While there is nothing wrong with not retiring, DeVaney says farm families still need to communicate and have farm transfer plans in place for the next

generation. And, she adds, “Even if you don’t think you want to retire, it may be good to have the option to retire if you later decided you wanted to.”

To that end, she offers the following guidelines for beginning the retirement planning process.

## Start early

From her research, DeVaney says most farmers didn’t begin planning for retirement until they were about 50 or 55. But she says this may not be soon enough. “An abrupt change in health or a son or daughter wanting to return to the ranch may require that you have your plans in place sooner than you anticipate,” DeVaney says.

She points out that planning early can offer families more options. For instance, when individuals are 35 or 40 years old, they have more time to adjust their plans to finance the lifestyle they seek in retirement.

And, making plans while in good health also gives producers more say in the estate transfer process.

DeVaney says that from her research with people in nursing home and/or assisted-living focus groups, those who chose where they wanted to live were much happier than those who didn’t have a say in the matter.

Starting early can also be beneficial because retirement planning can be a long process. “It takes time to plan. It’s not always easy

to decide who’s going to get what,” DeVaney says. And because farming is an occupation where the intertwining of business and family is the norm, it’s critical that all the “players” be involved in planning. This includes spouses, children, and sons- or daughters-in-law.

## Spend time thinking

During the early stages of estate planning, DeVaney says a good first step is simply for the farmer to think through what he wants

## Talking to each other

From her research with farm families, Purdue University professor Sharon DeVaney says one of the greatest concerns she identified was that many families find it difficult to talk about farm transfer. And, as a result, no planning takes place.

To help families better communicate about sensitive issues related to farm transfer, DeVaney has developed a Web site titled, “Who Will Get Grandpa’s Farm: Communicating about Farm Transfer,” at [www2.ces.purdue.edu/farmtransfer](http://www2.ces.purdue.edu/farmtransfer). The site shows video clips of three different communication strategies between a farmer, his father, his wife, their son and a brother.

The communication styles demonstrated include:

- ▶ direct control, where the speaker wants to tell others how he wants things done;
- ▶ indirect control, where the speaker is flexible and decision making is shared; and
- ▶ no control, where the conversation is neutral, but decisions aren’t often made.

DeVaney says understanding these different communication styles can often help family members better communicate and make decisions without alienating one another. Research has shown that the indirect control strategy is the preferred communication style because it allows both parties to provide equal input and work together to solve the issue.



to happen to the farm operation. Questions to consider include:

- ▶ Are you ready to transfer control and decision making?
- ▶ Is there a successor to take over the farm?
- ▶ What do you want to do with your time (travel, work part-time, volunteer, perform hobbies)?
- ▶ How much income will you need? Do you have off-farm investments?
- ▶ Will you move or stay where you are?
- ▶ How will your estate planning actions affect your spouse? Your children?

Once you are able to answer those questions, visit with your family, and then sit down and develop a plan with a financial advisor or estate planner, she suggests. Critical to that process is setting specific goals, including a target date for retirement.

### **Necessary communication**

As your retirement plan takes shape, DeVaney stresses that communicating the plan among the family is essential. If a son or daughter is joining the farm operation full-

time, setting guidelines for that adjustment is also important.

Decisions to discuss include how will they be compensated for their efforts (hourly wage or salary); do they have managerial responsibilities in addition to physical labor; and will the work schedule offer weekends and holidays off.

DeVaney says these issues should be discussed before the son or daughter joins the farm operation full-time. And, most importantly, she says there should be a discussion of how and when the eventual partnership or transfer will take place.

If there is no successor for the farm operation, consider leasing the land to a neighbor or finding a beginning farmer with whom to work. Again, a possible strategy for farm transfer should be discussed up front.

DeVaney says holding farm family meetings can be an effective way to discuss these issues.

### **Utilize planning tools**

Most importantly, because retirement planning is a complicated issue for anyone to handle, DeVaney suggests farmers seek out specialists to help them develop an estate

plan with which they are comfortable.

DeVaney has collaborated with others to develop several Web sites to help farm families plan for retirement and estate transfer, including:

**Planning for a Secure Retirement** at [www2.ces.purdue.edu/retirement](http://www2.ces.purdue.edu/retirement). Designed for both self-employed individuals and those with employer-sponsored retirement plans, this site takes participants through 10 important questions to aid in decision making when planning for retirement.

**Retirement Estimator for Farm Families** at [www.ces.purdue.edu/farmretirement](http://www.ces.purdue.edu/farmretirement). It helps farm families identify how expenses might change in retirement and gauge what income may be needed.

**Getting Ready for Estate Planning** at [www2.ces.purdue.edu/estateplanning](http://www2.ces.purdue.edu/estateplanning). It features six steps to consider in the estate planning process.

**National Farm Transfer Network** at [www.extension.iastate.edu/nftn](http://www.extension.iastate.edu/nftn). This resource provides ideas to help foster the next generation of farmers and ranchers.

