

Farm Whisperer

Dave Specht offers tips to maintain family relationships during the farm transition process.

by Kasey Brown, senior associate editor

As much as most cattlemen would like it to be otherwise, the cattle business is really a people business. Cattle don't make decisions for the ranch, though sometimes it may feel as though it would be easier if they did. One of the biggest decisions in the future of a ranch is how and when to incorporate younger generations. Family and money are two tricky topics, but Dave Specht, founder of Advising Generations LLC, offers some suggestions to broach those delicate, but imperative, subjects.

"Succession planning is not an event; it's a process," says Specht, admitting that often the biggest obstacle to planning generational transfer is getting started.

He says the discussion often gets started too late because neither party — the senior nor the younger generation — wants to start the conversation for fear of offending the other. Oftentimes, bringing in a third party can help get the conversation started.

Specht has developed tools that can act as that third party before bringing in attorneys and generating more expense. After working with families for more than a decade as a consultant, speaker and author on the topic of family business management, in addition to teaching courses on the subject at the University of Nebraska, he developed a smartphone app called *Inspired Questions* and has recently written a book entitled *The Farm Whisperer*.

Specht explains that he grew up around agriculture and family businesses, and he has a passion for helping those family businesses perpetuate.

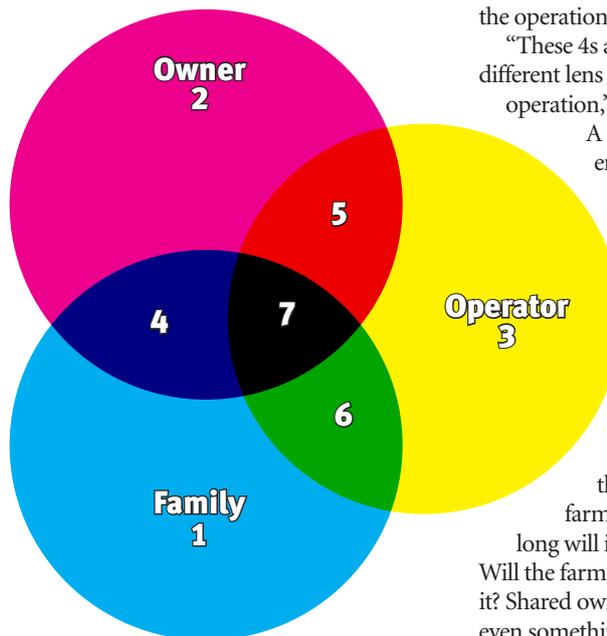
He describes a family he knew of while he was in graduate school that was a great model of a successful family business, but when the father had a heart attack, he saw how the difficult process of transition strained the family relationships almost to the point of estrangement.

Too often, he says, creating the most tax-efficient plan fuels transition planning, but really, he says, maintaining those family



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Fig. 1: Seven perspectives of farm involvement



relationships should be at the core of the decisions. The *Inspired Questions* app and the *Farm Whisperer* book are tools to manage conflict, not avoid it.

A lesson from the book

There are different sets of questions for each perspective within the family business model, Specht says, calling these perspectives a "new lens." For a successful discussion, he says both generations have to align their expectations. To do this, he urges each family member to think of questions from each facet of the operation, which he breaks into:

1. family member, but not owner or operator;
2. owner, but not family member or operator;
3. operator, but not family or owner;
4. family member and owner, but not operator;
5. operator and owner, but not family;
6. family and operator, but not owner; and
7. family, operator and owner (see Fig. 1).

Each member of the operation has a different viewpoint, Specht says. If you learn to look through their lens, it can make the conversation smoother. For example, "4s" are worried about costs, when dividends will reach them, and how informed they are on the operation.

"These 4s are not evil, but they have a different lens [through which] they see the operation," he notes.

A 5 worries about whether employees are qualified and not just given the job because they are family. What kind of compensation is fair to family members that work in the business? Will the 5 get pushed out, or what if family issues creep in?

A 6 worries about how sweat equity counts and whether they are included in the estate plan. How do non-farm siblings get compensated? How long will it take to become an owner? Will the farm be gifted to me, or can I buy it? Shared ownership is hard for anything, even something as simple as a yo-yo, Specht

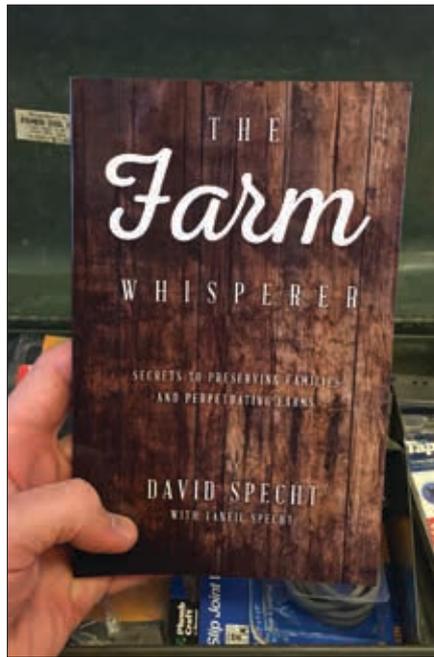
explains, so a 6 can also worry about sharing ownership with siblings.

A 7 has all of these concerns and more, because they manage all of them. Does anyone care about the ranch as much as they do? To them, that answer is no, and the younger generation will never be as ready as the older generation will want them to be to take over the operation.

Specht reminds the senior operators that they were not “ready” when they took over, either. Don’t let “being ready” be the catalyst to start the transfer conversation. The hardest part of the transition includes letting go of control.

Transitioning the decision-making

Transferring the responsibility for decision-making should be a gradual process, Specht says. Using a boat as an analogy, he points out that a hole above the waterline means the fix will be costly, but the boat is still functional. A hole below the waterline means you become a swimmer instead of a boater. Both generations need to think about decisions and discuss them. Then the older generation should force the younger generation to make as many of the above-waterline decisions as possible while the older generation is still around.



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“If the first decision the younger generation has to make is a below-waterline decision, then everyone is sunk,” he illustrates.

“In the end, the focus is preserving

relationships and perpetuating legacies,” he says. Tax reasons are a major benefit of succession planning, but the biggest benefit is maintaining those relationships. He doesn’t suggest starting the process with an attorney, because if you don’t go to an attorney with a plan, it will be very expensive to figure that out while paying attorney fees.

This is why he suggests using the *Inspired Questions* app and now the book as a complementary resource to get talking in the first place. The app has some hard questions, like “How do you feel about assuming the debt of the operation?” which younger generations may not have considered. It also has questions like, “How likely would it be that your lender would continue to loan money to the farm for its operation if the current owner(s) passed away?”

Specht says the app can be the bad guy in this case by bringing up difficult questions, but they will help in creating a plan before family relations may end up in the crossfires.

The *Inspired Questions* app can be bought via the App Store of Apple smartphones or Google Play™ for Android™ devices. *The Farm Whisperer* is available at www.amazon.com or www.thefarmwhisperer.com.

