SUCCESSION & ESTATE  
Two Components of Farm Transition

**SUCCESSION PLANNING**  - Transfer of Management

- Families will need to talk about the history of the operation, and the values that brought the family and farm/ranch to where it is today.
- Educate family members on the current state of the operation, from a financial and personal perspective.
- Decide who will be involved in the transition process, and create a process to transfer the day-to-day management to a successor.
- Additional components of your succession plan may include: tactics, timing, legal agreements, buyouts, family employment, decisions, compensation, and more.

**ESTATE PLANNING**  - Transfer of Assets

- The current generation will need to do a valuation of their assets and identify their needs and goals for retirement.
- Determine fair market value of the operation that the next generation can afford, and also supports a secure retirement for the current generation.
- Additional components of your estate plan may include: assessing estate tax risk, determining what is fair vs. equal for heirs, liquidity coverage, insurance needs, wills and more.

**PLANNING TIPS:**

Begin planning now, future generations will thank you for it.

Transition planning is a process, not an event.

Stay on top of things, update documents and plans as conditions change.

Consider enlisting the help of a professional advisor.

Details of succession and estate planning differ depending on your unique situation, change and adapt this document to fit your operation's situation, and seek professional advice when needed.
How Do I Begin Succession Planning?

1. **Identify who needs to be involved.**
   - Who is considered family? Who has the interest, willingness, and ability to own and operate the farm/ranch? What role will other family members play in the transition?
   - Learn about the personalities, desires, and experiences of all farm family members to see all perspectives.
   - Consider enlisting the help of a transition advisor to help with the transition planning process.

2. **Begin family collaboration.**
   - Initial discussion looks different for each family depending on relationships, dynamics and logistics.
     - Option 1: In person family meeting
     - Option 2: Individual reflection with questionnaires, followed by a family meeting
   - Set ground rules for family meetings to promote efficient and effective discussion.
   - Get widespread family buy-in and commitment to following a professional transition process.
   - Identify key issues that need to be addressed throughout the succession and estate planning process.

3. **Focus on informing before deciding.**
   - Review and document profiles and family history, financial trends, management structure, job roles etc...
   - Consider farm legacy and family values to find common ground amongst family members and establish a long term vision.
   - Share individual goals for operation and reinforce the importance of family relationships.

4. **Identify barriers to successful transition.**
   - Is there an alignment among all family members on mission, vision and values?
   - Determine the strengths, weaknesses, opportunities and threats for the future of the operation.

5. **Take action.**
   - As tasks are defined assign responsibilities and deadlines to family members or advisors helping with the transition process.

Find more information and resources:
https://agri.idaho.gov/farmcenter/succession-resources/
https://www.uidaho.edu/cals/idaho-agbiz

This is only the beginning! The next steps may include financial projections, business restructure, estate plans and much more. We’re here to help.
Transition Planning Questions

1. Are all farm family members willing to put forth the effort, time, and commitment needed to achieve a successful transition plan?
2. Are all family members willing to respect and work with one another?
3. Are there common missions, visions and values for the future of the operation that has been openly discussed with all family members?
4. Do all family members involved understand the differences between fair and equal treatment when discussing succession of the operation?
5. Is the operation viable past the current generation? What is the financial situation of the business?
6. What is the financial situation of the next generation entering into the operation?
7. What tax planning, including the choice of legal structure(s), needs to be completed with a team of specialized accountants and tax experts?
8. Does the current generation who owns and operates the farm plan on retiring? If yes, when and how will that take place?
9. What does the current generation need and want, financially and personally, in retirement?
10. What is the fair market value of the operation that the next generation can afford over time while supporting a secure retirement for the current generation?
11. What are the strengths, weaknesses, opportunities, and threats for the current operation?
12. How was the farm transitioned to the current generation? How will that transition need to change for the next transition?
13. What will be expected of the next generation who want to join the operation?
14. Does the current generation have legal documentation supporting their succession plan?
15. What level of interest and, or commitment does each member of the next generation hope to have in the future of the operation?
16. Does the current daily management of the operation promote a successful transition?

These topics can be addressed over the course of several meetings. Change this document to fit your unique operation, and seek professional advice when needed.
THE BIG FOUR

Here are four big challenges that all farm families share.

RELATIONSHIP BUILDING
Trust is a critical element of farm transition, and it takes time and attention to maintain. Even though the farm/ranch is important, family relationships have to come first.

CONFLICT RESOLUTION
Address small disagreements before they become irreconcilable differences. Learn how to effectively address conflict with your family members and practice it daily.

REGULAR COMMUNICATION
Do you struggle with open and honest communication? Establish clear codes of conduct for communicating. Be intentional about discussing the operation and family members’ wants and needs.

ROLES AND RESPONSIBILITIES
Don’t make assumptions, and ensure authority and responsibility align with farm tasks. Who has the lead role for key decision making now, and how will assignments for decision making change in the transition process?
Sample Family Meeting Agenda

- Set meeting time, date, and purpose.
- Discuss purpose of the meeting.
  - Example: “This meeting is about succession planning and the future of the operation; we will be addressing key issues and decisions that need to be made.”
- Set ground rules for each meeting.
  - Example: “We will not interrupt, and we will make an effort to actively listen.”
- Identify communication expectations for productive and efficient conversations.

**Topics of Conversation:**

- **Legacy of the operation** - discuss the past and how the operation reached where it is today
- **Goals of the senior generation** - discuss the current generation’s goals and plans for retirement
- **Goals of other family members** - discuss the goals and aspirations of family members in the context of the operation
- **Understand and commit to the succession planning process**
  - Identify and discuss the steps of succession planning
  - Obtain an agreement amongst family members before the process starts
- **Financial situation alignment with goals and aspirations**
  - Financial position of the operation
  - Capital needs
  - Entities involved, inter-relationships
- **Identify the challenges and weaknesses within the operation**
- **Potential Transition Ideas**
  - Family members work together to come up with strategies to transition the operation
  - Allow members inside the process to give them more buy-in
- **Estate Plan**
  - Potential estate tax exposure and how to fund (working capital, insurance, etc.)
  - Anticipated size of estate needed for financial security during retirement
  - Wills - What to leave in estate vs. transfers to trusts; determine executor
  - Living wills and health directives

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