

SUCCESSION & ESTATE

What's the difference and where should your start?

SUCCESSION PLANNING - Transfer of Management

- Talk with family about the history of the operation, values, and goals for the future.
- Gain understanding of the current state of the operation, financially and personally.
- Plan to transfer the day-to-day management to a successor.
- Additional components of a succession plan may include tactics, timing, legal agreements, buyouts, family employment decisions, compensation, and more.

ESTATE PLANNING - Transfer of Assets

- Do a valuation of current generations' assets and identify their retirement needs and goals.
- Determine a fair market value of the operation that the next generation can afford, and supports a secure retirement for the current generation.
- Additional components of an 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:

Start with succession planning, then move to estate planning.

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

Transition planning is a process, not an event.

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.

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

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Sweet 16

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 have been openly discussed with all family members?
4. Do all on and off-farm family members understand the differences between fair and equal treatment when discussing succession of the operation?
5. Does the current daily management of the operation promote a successful transition?
6. What level of interest and, or commitment does each member of the next generation hope to have in the future of the operation?
7. Is the operation viable past the current generation? What is the financial situation of the business?
8. How was the farm transitioned to the current generation? How will that transition need to change for the next transition?
9. Does the current generation who owns and operates the farm plan on retiring? If yes, when and how will that take place?
10. What does the current generation need and want, financially and personally, in retirement?
11. What is the financial situation of the next generation entering into the operation?
12. What will be expected of the next generation who wants to join the operation?
13. 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?
14. What are the strengths, weaknesses, opportunities, and threats for the current operation?
15. What tax planning, including the choice of legal structure(s), needs to be completed with a team of specialized accountants and tax experts?
16. Does the current generation have legal documentation supporting their succession plan?

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THE BIG FOUR

Here are the 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?

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Succession and Estate Planning **FAMILY MEETINGS**

TIPS TO GET STARTED:

- Decide the purpose of the meeting and who should attend
 - Not all family members need to attend every meeting
- Set ground rules for each meeting
 - Example: "We will make an effort to actively listen to one another and stay on topic."
- Identify communication expectations for productive conversations

TOPICS OF CONVERSATION

These are important discussion topics for farm families and will likely take place at multiple family meetings over the span of several years – so start discussions early!

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, plans for retirement, and hopes for the future of the operation.

Goals of Farm Family Members

Discuss the needs and desires of family members both personally and in the context of the operation.

Understand and Commit to the Succession Planning Process

Review the steps of succession planning and what will be required to successfully transition the farm.

Financial Situation Alignment with Goals and Aspirations

Discuss the financial position of the operation and how it can support incoming and outgoing generations - compile numbers and consult your banker or financial adviser prior to this meeting

Estate Plan

Discuss potential estate tax exposure, financial security during retirement, wills, and health directives

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