

THE NEED FOR FARM/RANCH SUCCESSION PLANNING

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TOPICS FOR THIS TALK

- Why we don't plan – trapped in the circle of inaction
 - Generational assumptions
 - Developing visions/goals for your estate
 - Communications
 - Negotiation
 - Homework – and final thoughts
-
- Remember – this is a workshop! Work, Shop

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CONGRATULATIONS FOR COMING!

- This is not a substitute for actual estate planning
- This program is to generate thought, discussion, and broad goal generation
- Use the efforts from today to make better use of your professional's time



WHEN ARE WE PLANNING TO RETIRE?

20% within the next 15 years

15% later than 15 years

9% Say that they never plan to retire (maintain full control)

24% Say they plan to semi-retire (giving up some control)

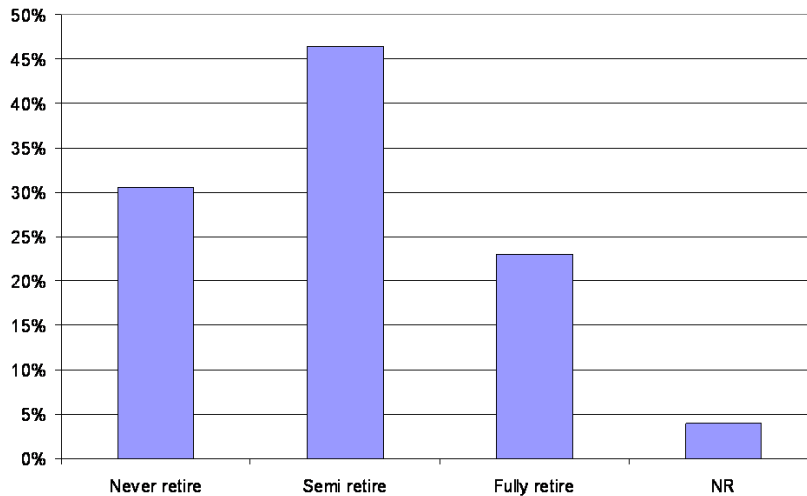
21% Say they are already semi-retired (gave up some control)

So – 54% are not planning to fully retire from farming!

Nebraska survey completed in fall, 2017



Distribution of Iowa Farmers by Retirement Plans



WHY ARE FARMERS RETIRING AT A LATER AGE – OR ONLY SEMI-RETIRING?

Percent of those responding either important or very important

75% Have a difficult time giving up control of farm

69% Modern equipment – allows them to farm longer

66% Relate retirement to their own mortality

62% Cannot afford to retire

60% Healthier longer/longer life

55% Don't have a successor

54% Don't know what else they'd do

On-line Survey, Fall, 2017

ESTATE PLANNING

- “..many farm families experience significant difficulty in discussing the future of the family farm. More often than not, planning... tends to be deferred until some critical life event occurs which forces the family to address the matter.”
Kaine, et al, *Succession and Inheritance on Australian Family Farms*, TRDC Pub. #198, The Rural Development Centre, U. of New England, Armidale, NSW

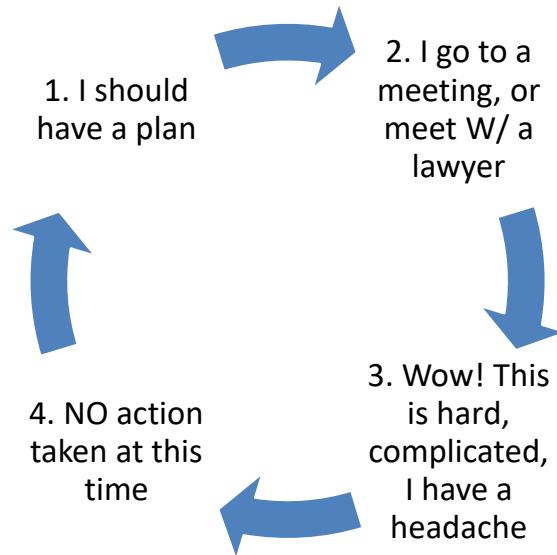


WHY DON'T WE PLAN?

- Too Complicated (we assume)
- Don't like to Plan
 - It is mental 'work'
- Facing our own Mortality
 - Some just don't want to think about death



Circle of Inaction



IDEAL PLANNING - SEQUENTIAL



THE PARENT'S GENERATIONS MAKE SEVERAL ASSUMPTIONS – ARE THEY RIGHT?!!!

- The kids all get along great now – I know that will continue.....
- I know that my children will want to keep this asset in the family – even when we are gone
- The kids will just have to figure out how to divide – I'll be gone I don't care what happens
- Since I have four children – my assets have to be divided 25% to each – equally – that will be the fair way to do it
- “Some day this will all be yours!”

In some cases – these assumptions are great – however.....



FIRST CONVERSATION REGARDING ANY ESTATE PLAN

When you are done – will you still have a family?

Don't make that assumption – get that commitment

Are Mom/Dad, or Grandpa/Grandma on same page?
that should be worked out first



WHAT DO YOUR ASSETS LOOK LIKE AT RETIREMENT?

Begin with the end in mind!

- Turning in the keys on retirement day – what does that operation look like?
- Who are you handing the keys to?
 - Next generation
 - Auctioneer
 - Renter
- Establish that “Vision” first



MAKE DECISIONS WITH THE END IN MIND

- You will have different management strategies going forward - depending on what the end is.....
- Establish that overall Vision
- Establish Goals to fit that Vision



SUCCESSFUL TRANSITIONS HAVE GOALS

Older Generation

- Retirement lifestyle (money needed)
- Residence
- Nonfarm or non-business heirs
 - Fair vs. Equal
 - Contribution
 - Compensation

Younger Generation

- Lifestyle (money needed)
- Growth of business
- Attitude toward debt
- Ownership vs. renting
- Family time vs. work



PHASES OF TRANSFER TO NEXT GENERATION

1. Testing (will the next generation do 'all' tasks?)
2. Management Transfer (planned with timing)
3. Asset or Enterprise Transfer (livestock or machinery)
4. Whole Farm/Business (farmland) Transfer

Do all with written plans * – including exit plans

* Use Job descriptions



COMMUNICATE!

- Most families are OK – however when there are problems – the majority is from lack of appropriate communications
- One effective way to start – is to start talking – to your children/or to your parents
- Consider a family meeting!

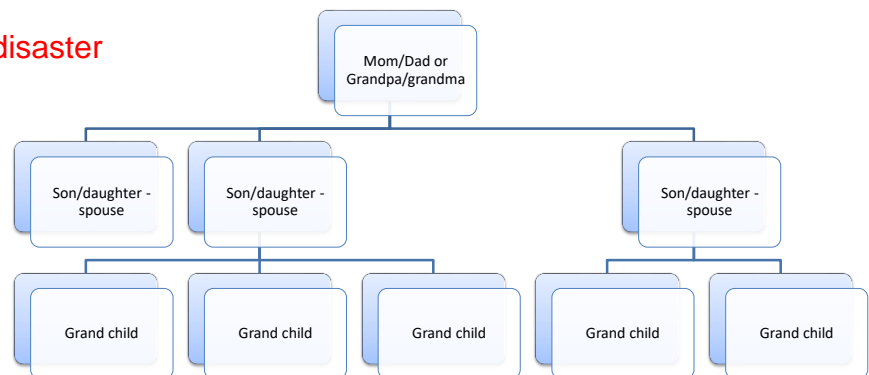


FAMILY MEETINGS

Plan carefully to avoid disaster

Who to invite?

Meeting to let all have input



Set clear ground rules



COMMUNICATE

- One meeting to get input – then use Golden Rule
- Share with non-local family
- Surprises cause problems – Sweetheart Deals
- Younger Generations require better communications than what we've received



COMMUNICATE

- Listening is the Key!
- (Practice) Make partner repeat what they thought you said – to be sure that they heard you, or that you said what you wanted to
- Make sure that you understand the other person's point of view (*seek first to understand, then to be understood*)
- *Spend plenty of time establishing the 'goal' or vision*
 - *Suggested up to 80% of the time with the vision – or what this will look like*



How often do we negotiate?



• Negotiation - vyhnalek

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EXTENSION

What is Negotiation?

A back and forth process designed to reach an agreement when your and the other party have both shared and opposed issues

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Please Negotiate this!

Work in pairs

- One wants to sell a widget
- One wants to buy a widget

On a piece of paper record the deal, amount; or record no deal

Next slide – only for sellers

Buyers – look away – or close your eyes

Sellers

You are trying to sell the widget for about \$20

Next slide for buyers – only – look away or close your eyes

Buyers

You want to buy the widget for about \$15

Negotiate – you have 60 seconds!

Record the deal – or record “no deal”

Keys to Negotiation Success

- 3 keys!
- Prepare, Prepare, Prepare



Preparation

- Know your BATNA – Best Alternative to No Agreement
- Know your ZOPA – Zone of possible agreement



Communications – continued

Negotiation and the Family - continued

Try working on these areas to defuse emotions within Negotiations

- **Appreciation**
 - All people want, is to be appreciated (are they being listened to?)
- **Affiliation**
 - All parties being treated as an adversary – or as colleagues (family)?
- **Autonomy**
 - Are you free to make the decisions, or are you being blocked?
- **Status**
 - Are you being treated as inferior, or given full recognition?
- **Role**
 - Are you fulfilled with the role that you have?

Goals for Negotiation in family issues

- Avoid zero-sum negotiation
- **Create more value!**
 - Examples:
 - Ecuador/Peru dispute
 - Selling and buying widgets

NEGOTIATION EXERCISE, FINDING VALUE

Arm Wrestling Demonstration

Rules:

1. Need to win as many times as you can in 10 seconds
2. You don't care how many times Allan wins



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Negotiation

Not about winning!

How do you create value for all parties?

Think out of the box!

Other thoughts.....

What about rural Nebraska?

- What is your responsibility?
- Avoid unintended consequences

Fair vs. equal – when splitting an estate

- Is that always the same?
 - What about the on-farm sibling?

Difference in perception of contribution – between siblings

YOUR HOMEWORK ASSIGNMENTS!

Get your “Team” together!

- Lawyer
- Banker
- Financial Advisor
- CPA
- Insurance Agent

Items to get together - before seeing an attorney

- List of your assets
 - what you own – how you own it
- What you owe (if anything)
- What do you want to do with your assets

NEBRASKA RESOURCES – FOR AG PRODUCERS

Nebraska Rural Response Hotline

800-464-0258

Call to make appointment – or get questions answered

Monthly clinics across the state

Beginning Farmer Hotline (Nebraska Department of Ag)

800-446-4071



COMMUNICATIONS IS THE KEY

- Parents and partners need to have goals and a plan in place (Have Vision for the Future)
- Be sure all siblings know what is going on
 - Communicate!
- Have a family meeting (be ready to gather input)
- Get end of life decisions in place
- Fair is not always equal.....

Good Luck!





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