TOPICS

• Are we retiring? When? Why don’t we plan?
• Family Communications
• Fair vs. Equal
• Negotiation (tips for creating more value)
• Planning Assignments
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
HAVE YOU IDENTIFIED POTENTIAL SUCCESSOR?

57% - Yes
43% - No

Of the ‘yes’ responses
87% - Identified Children as successor

Nebraska survey completed in fall, 2017
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
• We are afraid that if we do something, it will be wrong (in the future)

NEAR THE END OF ANY CAREER (or life)
THREE TYPES OF PLANNING

- End of Life Plans/Documents
- Estate Plan (will, trust, LLC, other structures)
- Business Succession Planning

Communications with Family needed for all three!
IDEAL PLANNING - SEQUENTIAL

1. I should have a plan or there is a catastrophic event
2. I go to a meeting or meet with a lawyer
3. Family meets to explore options
4. Options picked
5. Succession plan developed/signed – Congratulations!
THE PARENT’S GENERATIONS MAKE SEVERAL ASSUMPTIONS – ARE THEY RIGHT?!!!

- Our business is OUR business, it does not get shared with anyone!
- 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

**Secondly** - Are Mom/Dad, or Grandpa/Grandma on same page?
That should be worked out first.

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**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
SUCCESSFUL TRANSITIONS HAVE OVERALL VISION

What does the future look like to you? (in a perfect world)

What will the reality of the future probably hold? (in your world)
   Ending the business?
   Passing the business to an heir?
   Selling the business to ??

If you don’t know – start visiting with the family

SUCCESSFUL TRANSITIONS HAVE GOALS

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

Younger Generation
- Lifestyle (money needed)
- Growth of business
- Value definitions/alignment
  - Family time vs. work
  - Attitude toward debt
  - Ownership vs. renting
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 (Business Plan)
     - Have a management structure
     - Include exit plans
     - Use Job descriptions

COMMUNICATE

- Listening is the Key!
- First, understand – then to be understood

- (Practice) Make partner repeat what they thought you said – to be sure that they heard you, or that you said what you wanted to
COMMUNICATE (CONTINUED)

Step Two: Practice – Asking clarifying questions

- Listen for the answer – repeat and add a clarifying question
- Listen for answer – add another clarifying question
- Never talk about yourself or what you’d like to say

CONSIDER A FAMILY MEETING?!

Some sort of communication will be important

- The purpose is to provide the chance for all family members to have input
- Remember – first discussion will be: “Are we going to continue to have a family or not?” Get that commitment – don’t make the assumption
- The Parents/Grandparents need to agree first:
  - To have a meeting
  - They agree in principal about how to proceed
FAMILY MEETINGS

Plan carefully to avoid disaster

Who to invite?

Meeting to let all have input

Set clear ground rules: 1) No criticizing ideas, 2) Institute ‘gag’ rule if needed

FAMILY MEETINGS – GROUND RULES TO CONSIDER

1. When considering any idea, no criticism of ideas
   Trying to encourage input
   Not the time for discussion or debate

2. Put conversation limits in place
   Each person gets one chance to discuss any one item
   Second time to talk – only after all have had their chance
   Avoids one person talking all the time
FOR DECISION MAKING
SUBSEQUENT MEETINGS

Who is at the table?

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
DIFFICULT PERSONALITIES

Difficulty might be:

- Don’t share personal information: This is my business and my business only – generational value typically
- Don’t want to give up control – think about not being in control
- Don’t want to think about death – so avoiding those thoughts
- Don’t feel appreciated by other family members
DIFFICULT PERSONALITIES - STRATEGIES

Best remedy – increase communications
• Make them feel appreciated!
• Get them to talk about something (anything else to begin with)
• Find the king maker that the king will listen to
• Give choices – ask for their preference

HOW OFTEN DO WE NEGOTIATE?
PART OF OUR EVERY DAY LIFE - BUSINESS

- Tractor Leasing
- Livestock Purchases
- Pasture Rental Rate
- Custom Work

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
How were most of us taught to negotiate?

Allan’s Dad taught Allan how to Negotiate!
We had to ‘WIN’

How does winning work with family?
Will family members feel good if they feel like they ‘lost’

Negotiation

Not about winning! (especially with families)

How do you create value for all parties?  (win – win)

Think out of the box!
get creative!
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?

Creating more value – via Star Wars
OTHER IDEAS: FAIR VS. EQUAL

- Fair may or may not be equal
- Perception difference – depends on point of view
- This pertains to family that have put ‘sweat’ equity into the business
  - They need to be adequately compensated for this contribution
- Over the years, Mom and Dad (generational value) have tended to make the pie slices equal, but is that fair?
  - In some cases – yes
  - Each situation is different – no one solution to this discussion

(EXAMPLE) CONTRIBUTION = COMPENSATION

- Four Children
- One farm
- Instead of dividing equally, @ 25% each consider
- Dividing by 5 or 20% each
  - Farm sibling receives fifth share for their contribution – actually receives 40%
  - Others receive 20% instead of 25%
YOUR HOMEWORK ASSIGNMENTS!

Get your “Team” together!

• Lawyer
• Ag 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

WEBSITES TO GET MORE INFORMATION

http://agecon.unl.edu/succession

https://farmerandrancher.org/articles/
  Articles written by Joe Hawbaker – attorney, Omaha

https://www.extension.iastate.edu/bfc/
  Iowa State’s beginning farmer center

http://agrilegacy.com/blog/
  Blog posts from Agri legacy

https://ag.purdue.edu/programs/areyouprepared/readyestate/
  Pages/default.aspx
  Purdue University’s estate planning information
NEBRASKA RESOURCES

**Nebraska Rural Response Hotline**

*800-464-0258*

Call to make appointment – or get questions answered
Monthly clinics across the state

**Beginning Farmer Information (NextGen) – Nebraska Department of Agriculture**

*402-471-4876*

BEGINNING FARMER RESOURCES

- Nebraska Department of Agriculture
  - Beginning farmer tax credit for landlords
- Farm Credit Services of America
- Nebraska Investment Finance Authority
- Nebraska Department of Revenue
- Farm Service Agency – variety of loans
  - Livestock, buildings/bins, equipment, land
  - Operating loans
LAND LINK

- Started – February 1, 2021
- Problem – two fold
  - Land seekers don’t have access to land so they can farm/ranch
  - Older generation does not have succession path (their children are not farming/ranching)
- Matches Land Seekers with Land Owners
- Applications will be used with both groups
- All applications will be reviewed – follow-up phone interviews will be completed
  - Possible land seeker matches will be shared with land owners to decide who they want to interview

IF INTERESTED IN LAND LINK

- [https://farm.unl.edu](https://farm.unl.edu) - look for land link
- On-line information and application is at this website
- Questions – contact Allan
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!
• Tenants (if not sibling) should know status
• Have a family meeting (be ready to gather input)
• Get end of life decisions in place
• Fair is not equal…….

Good Luck!

PREPARING FOR THE FUTURE
FARM/RANCH TRANSITION AND SUCCESSION

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