



Farm Transition

Planning Today for Tomorrow's Farms

Why Succession Planning?

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Tradition . . .

“I firmly believe that adhering to tradition is the greatest obstacle to production agriculture.”

James A. Bennett
Sunbelt Farmer of the Year
for Virginia

Owns Three Breeds of Cattle,
900 head, Farms 2500 acres



Tradition . . .

No industry has a stronger tradition of passing on the business, and does a poorer job of accomplishing it.

- *“Home place”*
- *“5th generation farm”*
- *“Century farm”*
- *“3 generations farming together”*

Succession Planning Includes . . .

- Transition Planning
- Estate Planning
- Tax Planning
- Business Planning
- Retirement Planning
- Land Use Plan
- Management Transfer
- Family Goals
- Labor / Responsibilities
- Exit Strategy



Family Goals / Plans Communication



Differences in family goals lead to stress!!!

Challenge:

How can we

Encourage farm families to start the succession planning discussion earlier than what traditionally occurs!!

30s, 40s, & 50s vs. 60s, 70s, & 80s

Even if you are not close to transitioning, you should have a plan!

Over 60% of adults do not have a will!

Only 16% of UT Master Farm Manager participants have a transition plan.

Passing on the Family Business

- Your farm will one day experience transition
 - Even if there is **NO TRANSITION PLAN**
- The farm business can be transferred as
 - Ownership of assets . . .
 - **A WILL**
 - A viable farm business with a plan for continuation . . .
 - **A WAY**
- Or sale and division of assets
 - **Often AN END**



A little more on Wills . . .

- Simple to detailed – Utilize a “good” estate attorney
- Holographic
 - Hand written
- Do it yourself = risky
- How often is it updated?
- Example: What is the definition of “farm equipment”?
- Values and situations change

Where do we start?

- **Awkward** for kids to initiate the conversation
- Starts with the **parents**
- **Reasonable** plan based on **realistic** expectations
- Lender or financial advisor may be a catalyst
- Parents, it's not just **“slowing down”**
- Develop and use a **Transition Team**
- It's not “one-and-done” – **update** periodically



The Transition Team

- To develop a plan, get advice from several different sources
- Attorney, accountant, financial planner, lender, extension educator, business consultant, communication specialist, etc.
- Functions as an advisory board
 - Ideas, technical information, evaluation, suggestions
- Hire a facilitator
- Go off-site – not a “kitchen table” discussion

Estate Planning Tools . . .

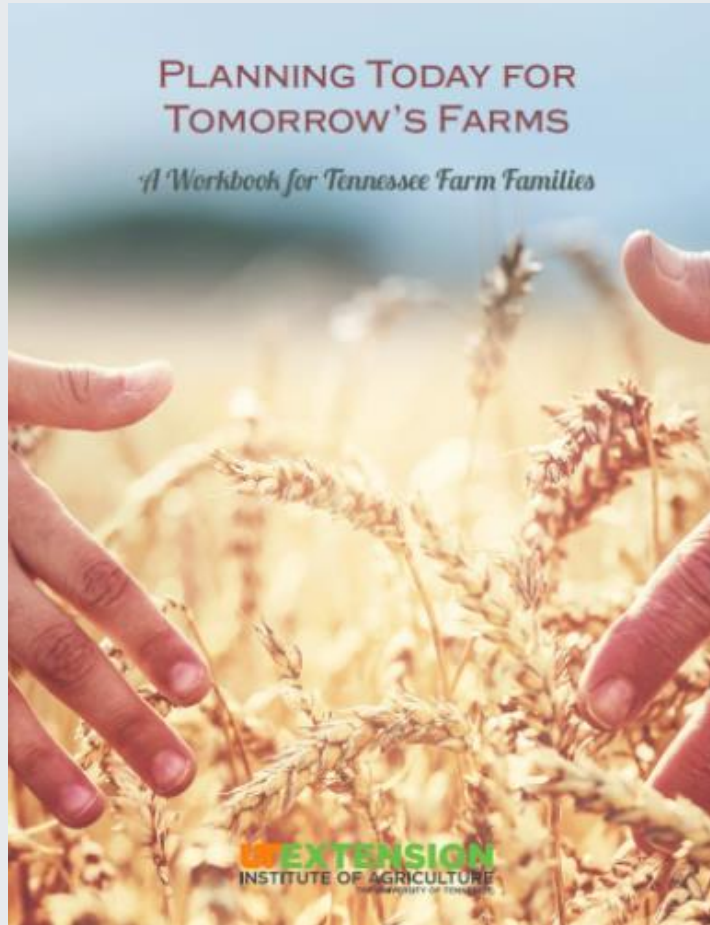
- Will
- Power of Attorney
 - Durable POA for Finances
- Advanced Care Plan
 - Medical directives/living will
- Health Care Agent
- Trusts
 - Many types
- Forms of Ownership
- IRA, 401K, Life Insurance
- Letter of Last Instruction
- Conservation Easement
- Charitable Donation
- Disability / Long Term Care Insurance
- Burial Prepayment / Insurance

Involve and Prepare the Family

- Working here does not necessarily qualify you to be the manager
- Don't protect next generation from current business problems or successes
 - Has the next generation seen the books?
- Treat siblings (heirs) fairly, not necessarily equally
 - Equal may not be possible, or desirable
 - Failure to define equal/fair is not a reason to do nothing
- Don't neglect spouses / May not be priority for some

Additional Resources: Farmland Legacy

<https://farmlandlegacy.tennessee.edu/>



University of Minnesota

<https://agtransitions.umn.edu>



AgTransitions

"Moving forward together."

Iowa State University

Beginning Farmer Center

<https://www.extension.iastate.edu/bfc>

Farmland Information Center

Many others

Additional Resources . . .

What My Family Should Know

Full Legal Name

Date this Booklet Completed: Updated:

Personal Information and Citizenship

Home Address:

Business Address:

State of Legal Residence:

Disclaimer - The document, *What My Family Should Know*, provides educational information on estate planning. While it was prepared by a licensed attorney, it does not offer legal advice and is not a substitute for the services of a qualified legal professional. Nor should the distribution of the document or any reference to the document in any University of Tennessee workshop or training be considered an endorsement of the services provided by the document's authors or any other legal professional. Neither the authors of the documents nor the University of Tennessee assume responsibility for any injury or damage arising out of, or related to, use of or reliance on the information contained in the documents.

Questions . . .

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