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Welcome!

This program will begin at 6:30 p.m.



Planning for the Future of Your Farm

January 31, 2022

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COLLEGE OF FOOD, AGRICULTURAL,
AND ENVIRONMENTAL SCIENCES

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Welcome!!



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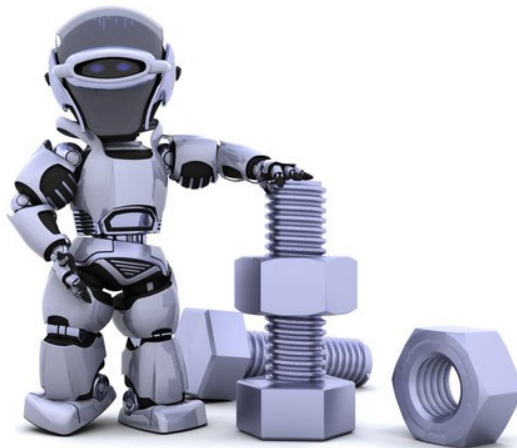
Peggy Hall
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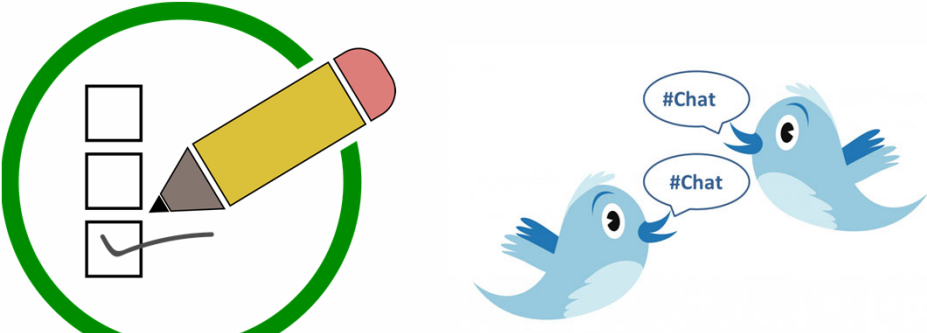
Nuts and Bolts



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Session materials at: go.osu.edu/planforfuture

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Planning for the Future of Your Family Farm


**"Planning for the Future of Your Family Farm"
Planning & Discussion Guide**

Congratulations for participating in one of OSU Extension's "Planning for the Future of Your Family Farm" workshops. Make no mistake about it—planning for your family and farm business to function without you is a humbling process. It is also not an easy process and will take time and will test your patience.

There is no "recipe" to follow as you develop your plan. Given the complexity of individual farm businesses and the unique personalities and characteristics of family members, a cookie-cutter plan, which families can adopt, does not exist. Transferring a family farm or farm business to the next generation can be a challenging task. Legal issues, tax laws, family dynamics, the farm's financial position, and managerial styles are some of the issues families must confront when deciding how to transfer the managerial and asset control of a family business. Working together, families can answer the tough questions and develop a transition plan that will provide the opportunity for the agricultural business to be successful for many generations.

The materials provided in this packet were developed to serve as a resource as your family plans for the future of your family farm. It is recommended that each member who is contributing to the farm transition discussion complete each sheet individually and then the family can meet to have a group discussion. For some areas, it may be helpful to have an outside facilitator lead the discussion. Where appropriate, we have also included additional OSU Extension resources which can be accessed for additional information and guidance.

Best wishes for the process of successfully transferring your farm to the generation! Our farm succession team is here to help you. Our team has a series of fact sheets on farm transition planning and other planning documents available for your use. In addition to these resources and our workshop, we are also available to speak at other events and to conduct kitchen table meetings with your farm family. Do not hesitate to drop me an email at marrison.2@osu.edu for more details.



David Marrison, Associate Professor, OSU Extension

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College of Food, Agricultural and Environmental Sciences

Getting Your Farm & Family Affairs in Order
David Marrison, Associate Professor

The emotional loss of a loved one is an extremely difficult time for families, especially for farm families. We can make it easier by having all our important information summarized in one document.

This planning document allows you to summarize your assets and how each is owned, valued, and titled. This information along with liabilities will be needed by your attorney or estate planning professional as you plan your estate.

The location of important documents and agreements can be listed as well as a summary of farm and personal advisors. Your personal wishes for your funeral can also be expressed. The information also will be helpful to your executor(s) as they settle your estate.

Inputting Data
The document has been designed in a writeable format. To complete the forms, simply click inside the boxes and type in the appropriate information. You may also print the forms off and fill them in by hand.

Saving the Document
To save your work, go to the **File Menu** and select **Save As**. Rename the file using a unique file name with the date the document was updated. By renaming the file, you will still have access to a blank copy for future recordings. Save the document to a secure location on your desktop or to a jump drive. It is recommended that you save the file in two locations for backup purposes. It is also recommended that you password protect the document.

Safeguarding the Information
When you are finished with your entries, print the completed document. Due to the confidential information contained in the document, it is recommended it be placed in a secure location such as your lawyer's office or a safe deposit box.

It is important that your spouse and ancestors know where the document is and have been given permission to access it in the case of an emergency or death.

Questions:
For questions on this document or to have an electronic copy mailed to you, contact your local OSU County Extension office or email David Marrison, OSU Extension at marrison.2@osu.edu or 740-622-2265.

Acknowledgements:
The author would like to thank the Wright & Moore Law Company, LPA in Delaware, Ohio for their technical assistance and review of this document.

References:
Estate Planning: Your Records and Personal Information. University of Kentucky: FCS-422. Hunter, Jennifer. <http://www.osu.edu/departments/office/fcs422/FCS422.PDF>

Estate Planning Information. Wright & Moore Law Company.

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Session #1 & #2 (January 31 & February 7): Objectives

- Setting your farm and family goals
- Engaging your heirs
- Conducting an analysis of your farm business
- Planning for the unexpected
- Making you a bit “uncomfortable”
- Examine family communication issues
- Strategies in dealing with communication issues
- Fair vs equal
- Getting your affairs in order
- Estate planning tools



This presentation is offered as an educational session. It does not offer legal or tax advice. All participants are encouraged to consult their accountant and attorney with specific tax and legal questions.

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Session #3 & #4 (February 21 & 28): Objectives

- Estate planning tools
- What would you do scenarios
- Putting it all together
- Q & A



This presentation is offered as an educational session. It does not offer legal or tax advice. All participants are encouraged to consult their accountant and attorney with specific tax and legal questions.

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What is Farm Succession (or Farm Transition) Planning?

Farm transition planning is the process by which the ownership and the management of the family business are transferred to the next generation.

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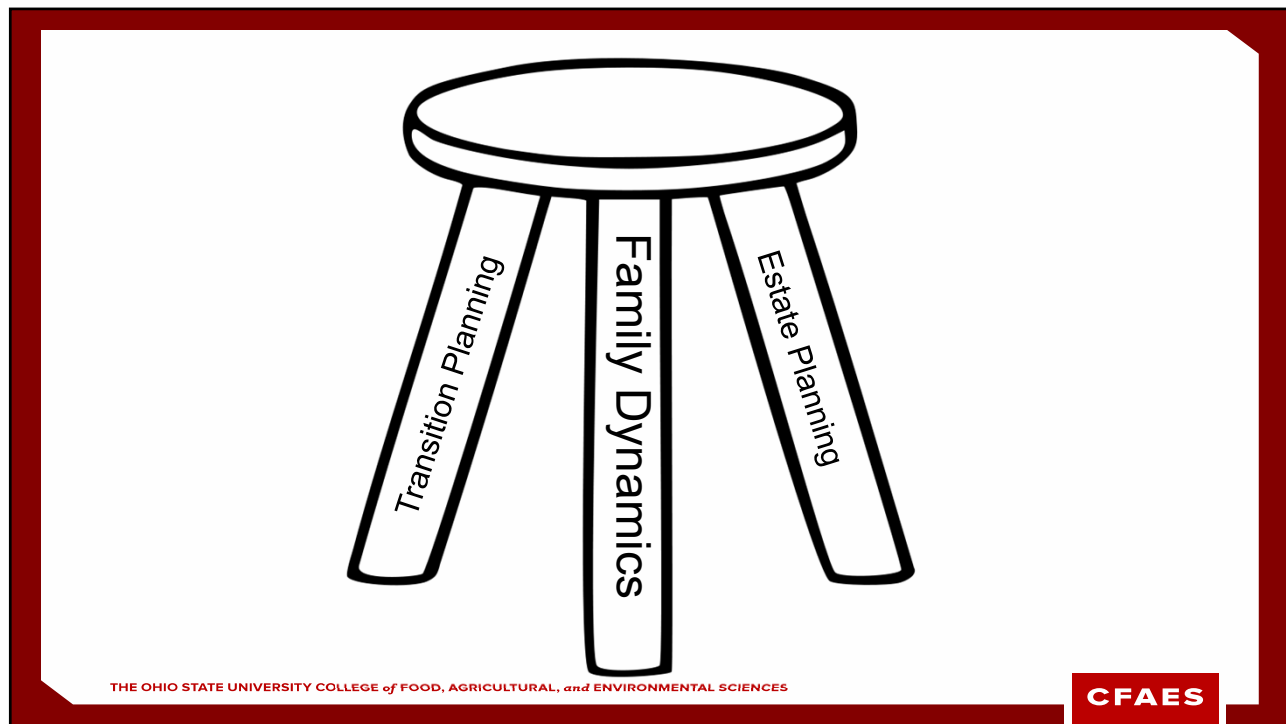
What is Farm Estate Planning?

Farm estate planning is determining how farm assets (i.e. land, buildings, livestock, crops, investments, land, machinery, feed, savings, life insurance, personal possessions and debts owed to or by them) will be distributed upon the death of the principal operator(s).

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What are the major issues that you need help with as you plan for the future of your farm?

A green circle containing a checklist with three boxes. The bottom box is checked with a black checkmark. A yellow pencil with a pink eraser is pointing to the bottom box.

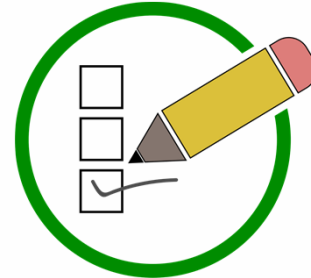
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Poll #1- What are the major issues you need help with as you plan for the future of your farm?

- *Developing transition and estate goals*
- *How to transition the management to the next generation*
- *How to split the farm when I have both on-farm and off-farm heirs*
- *Understanding the legal options (wills, trusts, LLC)*
- *How to talk to my family about the transition and estate plans*
- *How to select an attorney*
- *How to get my affairs in order*

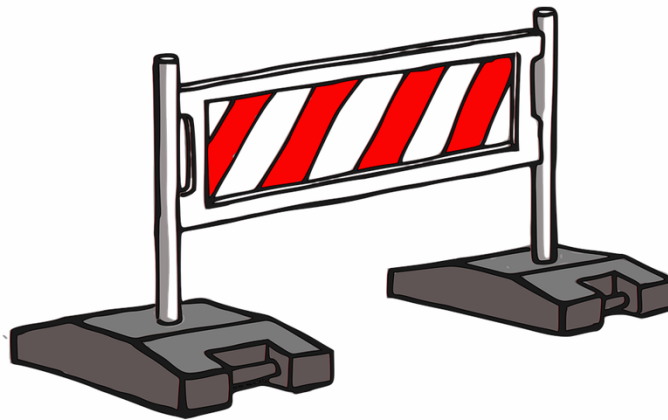


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Why Don't Farm Families Plan Better for the Transition of their Farm?



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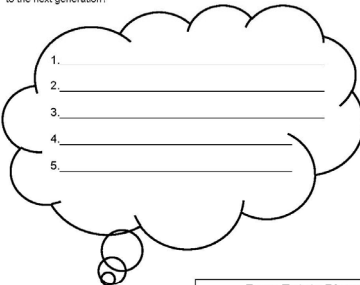
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Why Don't We Plan?

What are some of the reasons why farm families don't plan for the transition of the business to the next generation?



Farm Transition Planning
 Farm transition planning is the process by which the ownership and the management of the family business are transferred to the next generation.

Farm Estate Planning
 Farm estate planning is determining how farm assets (i.e. land, buildings, livestock, crops, investments, land, machinery, feed, savings, life insurance, personal possessions and debts owed) will be distributed upon the death of the principal operator(s).



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Typical Reasons Which Might Be Holding You Back

- ✓ Don't have time
- ✓ It is uncomfortable to talk about death
- ✓ Family conflict
- ✓ Don't know what or how to do it
- ✓ Lawyers are expensive
- ✓ We don't agree on what should happen
- ✓ Other



PG-2

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Do any of these
farm transition
scenarios sound
familiar?



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The Future of our Farm

- *Grandpa still makes all the decisions for the farm. It has all worked fine for all these years and there is no need to change.*
 - *or grandma is 87 and is still in charge of all the farm accounts.*
- *Lawyers are greedy and I don't understand LLC, Trusts, Wills etc*
- *Mom and dad won't talk about the future. Can I afford to farm if I have to buy out my 7 siblings?*
- *Don't worry kid- this will all be yours someday.....*
- *We have no children, what do we do?*
 - *or none of the kids have an interest.*
 - *or my kids hate each other*
- *I farm with my brother and we each have 3 children...who gets to farm?*
- *I want to love and bless my kids equally*
- *My dad has passed and now mom (who owns it all) is dating a new man.*
 - *or I really don't trust my new daughter in-law*

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What will be your
trigger to get
plans in place?



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Preparing Your Farm

If you had only 7 weeks to
live, what are the most
important things you will need
to do for your farm to
continue?



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Preparing Your Family

If you were diagnosed with a cancer that has no cure...what are the most important things you will need to do for your family?



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Preparing Yourself



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What Would You Do?

You have 7 weeks to live..... what are the five most important things you need to do to get your farm business ready to continue after you pass?

1. _____
2. _____
3. _____
4. _____
5. _____

If you were diagnosed with a cancer that has no cure... what would be the 5 most important things you would need to do for your family?

1. _____
2. _____
3. _____
4. _____
5. _____

Bucket List- Get 'er Done!



1. _____
2. _____
3. _____
4. _____
5. _____


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Poll #2: What Will Happen to the Farm in the Future?

- ☐ Pass it on as a farm business
☐ Sell it as a business
☐ Pass it on to my children/heirs as an “asset” to manage
☐ My heirs can decide what to do with the farm
☐ Sell farm when I pass and distribute proceeds to heirs
☐ Don't know yet
☐ Other _____

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Passing on the Farm Business

Farm and estate transition planning begins with establishing your goals for what happens to the farm in the future. Is your goal to pass the farm on as a functioning business to your children or someone else? Or maybe you will sell the farm when you are ready to retire. Maybe your kids will inherit it and manage the farm as landlords. Looking into the future, what would you like to see happen? Or maybe you will own the farm until your death and then you will allow your heirs to decide whether to farm, lease, or sell it. Once you have decided what your goal is, you should ask your heirs what their goals are for the farm.

What Will Happen to the Farm in the Future?
Rank your preference with 1 being the most preferred option.

☐ Pass it on as a farm business
☐ Sell it as a business
☐ Pass it on to my children as an asset to manage in the future
☐ My heirs can decide what to do with the farm
☐ Sell the farm when I pass and distribute proceeds to heirs
☐ I don't know yet
☐ Other _____

My (or our) goal for the future of the farm is:

The goals that my HEIRS have for the farm are:

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***Questions for My Heirs* Worksheet**

What is your goal for our family farm?

What are your thoughts on who should own and operate the farm in the future?

How would you like to be involved in or with the farm in the future?

What concerns do you have about the future of our farm?

What would you like to learn more about with regards to the farm?

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Goals for the Future

Senior Generation: _____

1. _____
2. _____
3. _____
4. _____
5. _____

Junior Generation: _____

1. _____
2. _____
3. _____
4. _____
5. _____

Off-Farm Heirs: _____

1. _____
2. _____
3. _____
4. _____
5. _____

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Goals for the Future

Senior Generation: _____

1. _____
2. _____
3. _____
4. _____
5. _____

Junior Generation: _____

1. _____
2. _____
3. _____
4. _____
5. _____

Off-Farm Heirs: _____

1. _____
2. _____
3. _____
4. _____
5. _____

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What Are Our Goals for the Future?

Parents' goals

- Slow down, devote more time to travel and leisure.
- Turn over the business to the children.
- Maintain some involvement in the business.
- Protect against the breakup of the business.
- Treat all children equitably.
- Receive adequate retirement income.
- Retain sufficient business assets as security for unexpected retirement expenses.
- Minimize estate and income taxes.

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What Are Our Goals for the Future?

• Farming child's goals

- Receive adequate income.
- Buy into the business.
- Participate in management.
- Gain control of the business over time.
- Increase the size or change the direction of the business.
- Incorporate new technology.
- Build personal equity.

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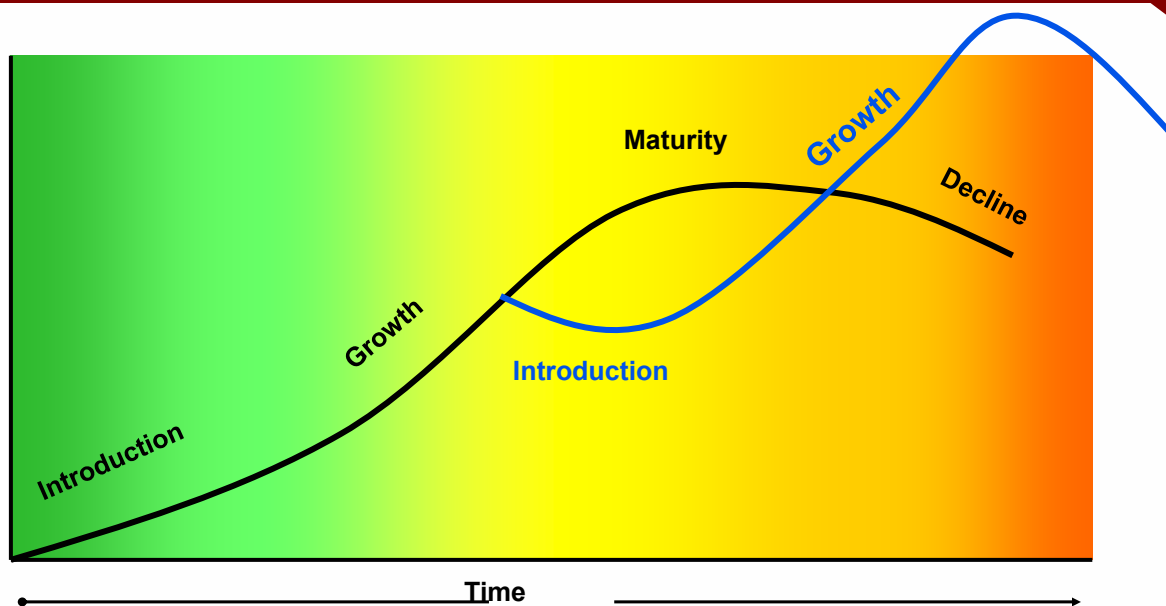
What Are Our Goals for the Future?

- Non-farm child's goals
 - Inherit an equitable (equal?) share of the parents' estate.
 - Receive an equitable return on investment by remaining involved in the farm business.
 - Participate in management if still involved in the business.
 - Sell equity in the farm business to get money for other uses.

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Who are your Heirs?



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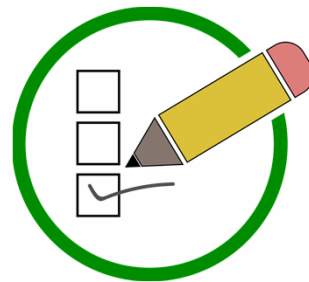
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Poll #3- Who will be your heirs?

- *Biological or Adopted Children*
- *Step-Children*
- *My Siblings*
- *My Parents*
- *Nieces/Nephews*
- *Non-Blood Relative or Family Friend*
- *Church or Civic Group*
- *University*
- *Other*



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WHO ARE MY HEIRS?

Many people are involved in many different communities and social circles that they may want to support upon their passing. Please list all the different entities, people, and organizations you would like to be part of your life's and farm's legacy. Give some thought on who your heirs will be and what inheritance you would like each to receive.

Family & Friends	Church/Charities
Civic Organization/Foundations	Community

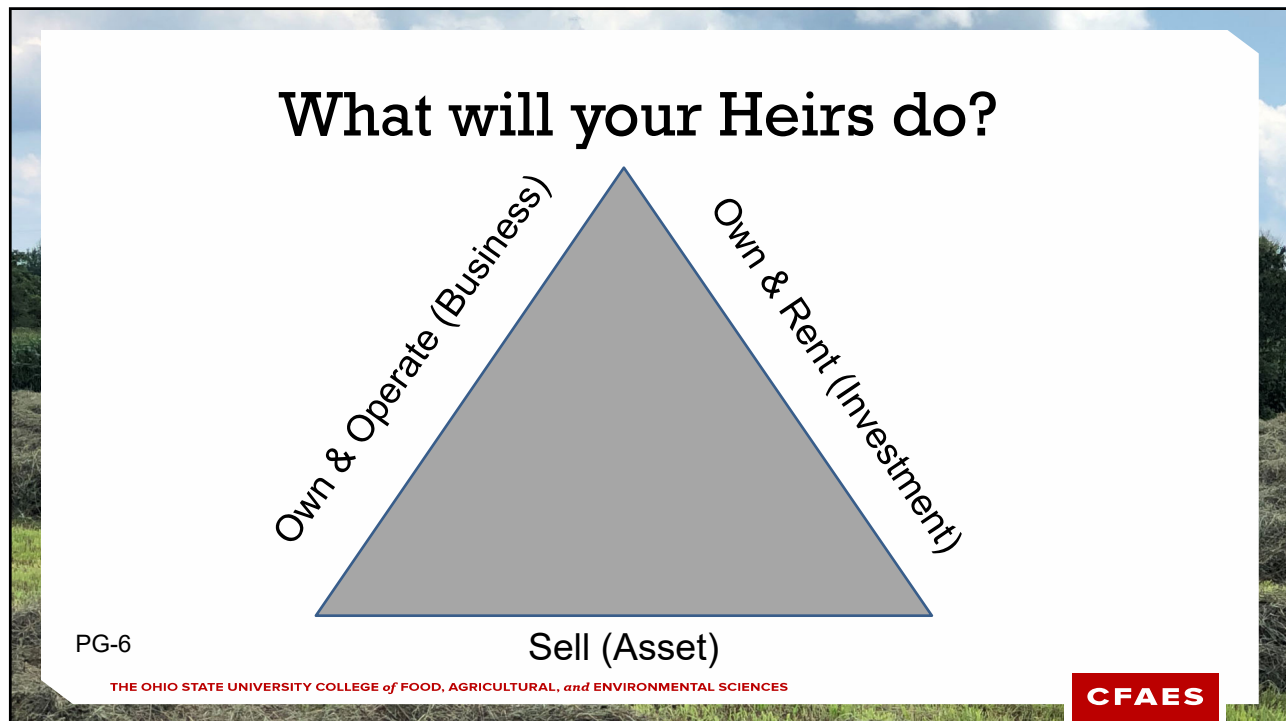
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"Questions for My Heirs" Worksheet

What is your goal for our family farm?

What are your thoughts on who should own and operate the farm in the future?

How would you like to be involved in or with the farm in the future?

What concerns do you have about the future of our farm?

What would you like to learn more about with regards to the farm?


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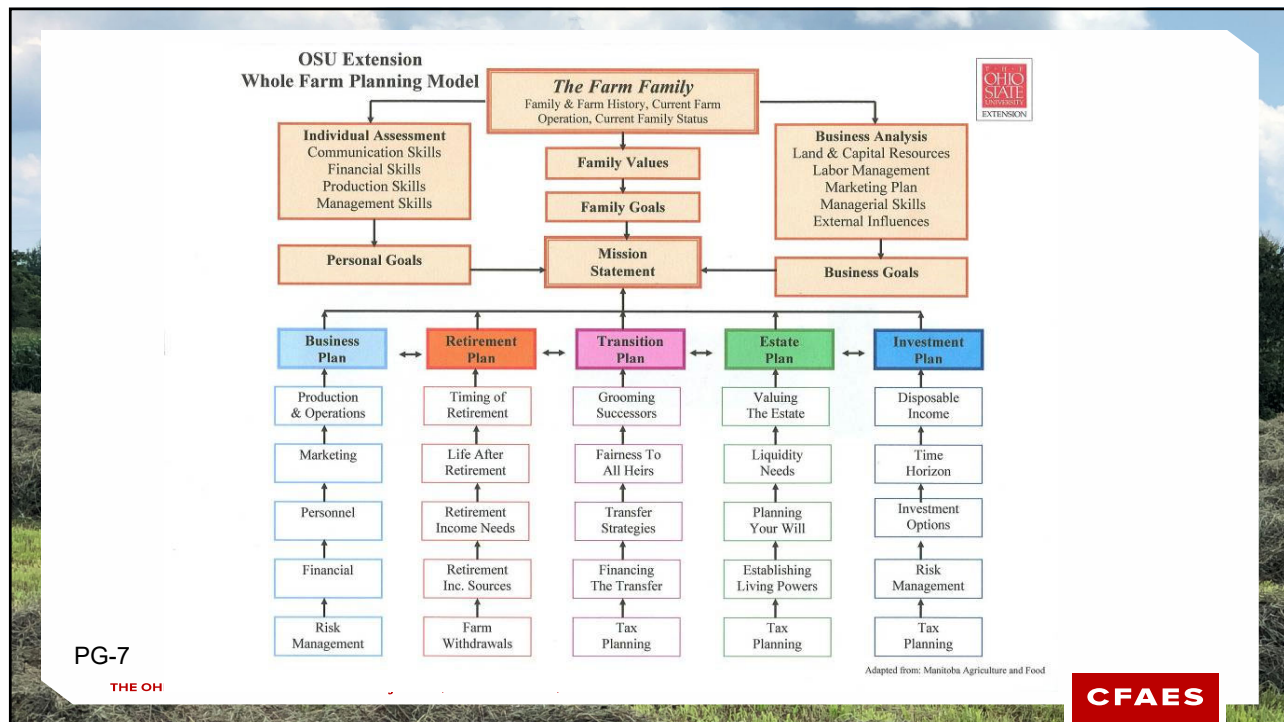
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What type of farm will you be leaving behind?

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What Business Are You Leaving?

1. What is the current financial position and viability of your farm?
2. Does the farm generate enough income for multiple generations?
3. What is the farm's income potential?
4. What would a SWOT analysis reveal?
5. What does your current and future organization structure look like?
6. Does an heir want to own and operate the farm in future?
7. If multiple parties are involved, can everyone get along?
8. What involvement will the non-farming heirs have in future?

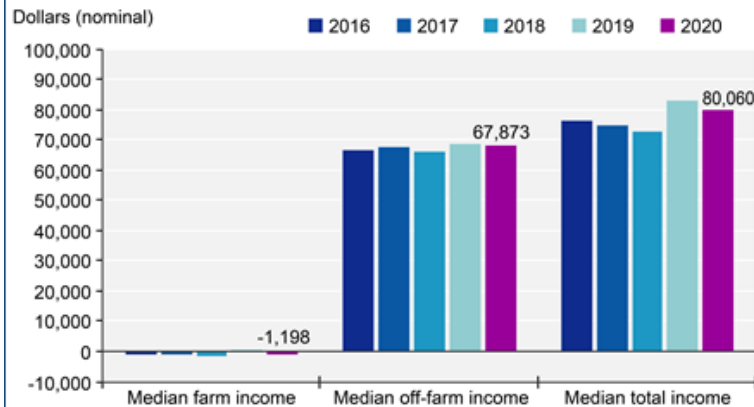
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Median farm income, off-farm income, and total income of farm households, 2016–20



Note: The median is the income level at which half of all households have lower incomes and half have higher incomes. Because farm and off-farm income are not distributed identically for every farm, median total income will generally not equal the sum of median off-farm and median farm income.

Source: USDA, Economic Research Service and National Agricultural Statistics Service, Agricultural Resource Management Survey. Data as of December 1, 2021.

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Rule of 72

- How fast will income need to double due to inflation?
 - At 4% annual inflation ($72/4$) it takes 18 years to double living costs.
 - At 2% (current rate): $72/2 = 36$ years
- “Rule of 115” will estimate how long before living costs will need to triple.
 - At 4% annual inflation ($115/4$) it takes 28.75 years to triple living costs.



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The Farm Family

At the center of most farms and agricultural businesses is the family unit. Each family, individually and collectively, has its own history, values, and goals. It is valuable for the business to begin the planning process by reflecting on family and farm history. All generations involved can learn valuable lessons by examining past successes and disappointments. The underlying values and goals of the family unit should also be determined. While these values and goals oftentimes remain unspoken, they have a large impact on how family members treat those around them and make business decisions. A critical look should also be given to understanding the effect that family members could have on the farm operation, especially those (spouses, in-laws, cousins, ex-spouses) who are not directly involved in the day-to-day operations.

Resources:
Planning for the Successful Transition of Your Agricultural Business factsheet. Access at: <https://ohioline.osu.edu/factsheet/ans-47>
Whole Farm Planning Model factsheet. Access at <https://ohioline.osu.edu/factsheet/ans-52>

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Goals for the Future

Senior Generation: _____

1. _____

2. _____

3. _____

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Junior Generation: _____

1. _____

2. _____

3. _____

4. _____

5. _____

Off-Farm Heirs: _____

1. _____

2. _____

3. _____

4. _____

5. _____

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What Income is Needed?

How much income does each generation need from the farm operation?

Retired Generation: \$ _____

Senior Generation: \$ _____

Intermediate Generation: \$ _____

Junior Generation: \$ _____

Total Income Needed: \$ _____

What is our historic Net Farm Income?

2021: \$ _____

2020: \$ _____

2019: \$ _____

2018: \$ _____

2017: \$ _____

What are some strategies to increase Net Farm Income?

1. _____

2. _____

3. _____

4. _____

5. _____

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How Much Income Do I Need?

How much income must each family member earn from the farm business is another major question to answer. Each member of the family business should analyze their financial needs.

Estimating our Family's Income Need from the Farm		
Family Living Expenses (\$/year)	Current	Future
Food & Meals		
Medical/Care/Health Insurance		
Household Rent or Mortgage		
Household Supplies		
Household Utilities		
Household Real Estate Taxes		
Homeowner's/Renter's Insurance		
Household Repairs		
Clothing		
Personal Care		
Child/Dependent Care		
Gifts/Cash Donations/Tithing		
Education Expenses		
Recreation/Vacation		
Retirement Funds		
Non-farm Vehicle Operating Expenses		
Life Insurance		
Pet Food & Care		
Income Taxes		
Furniture/appliances		
Non-farm vehicle purchase		
Non-farm real estate purchases		
Other non-farm capital purchases		
Non-farm savings & investments		
Other		
Other		
Total Family Living Expenses		
Non-Farm Income ⁽¹⁾		

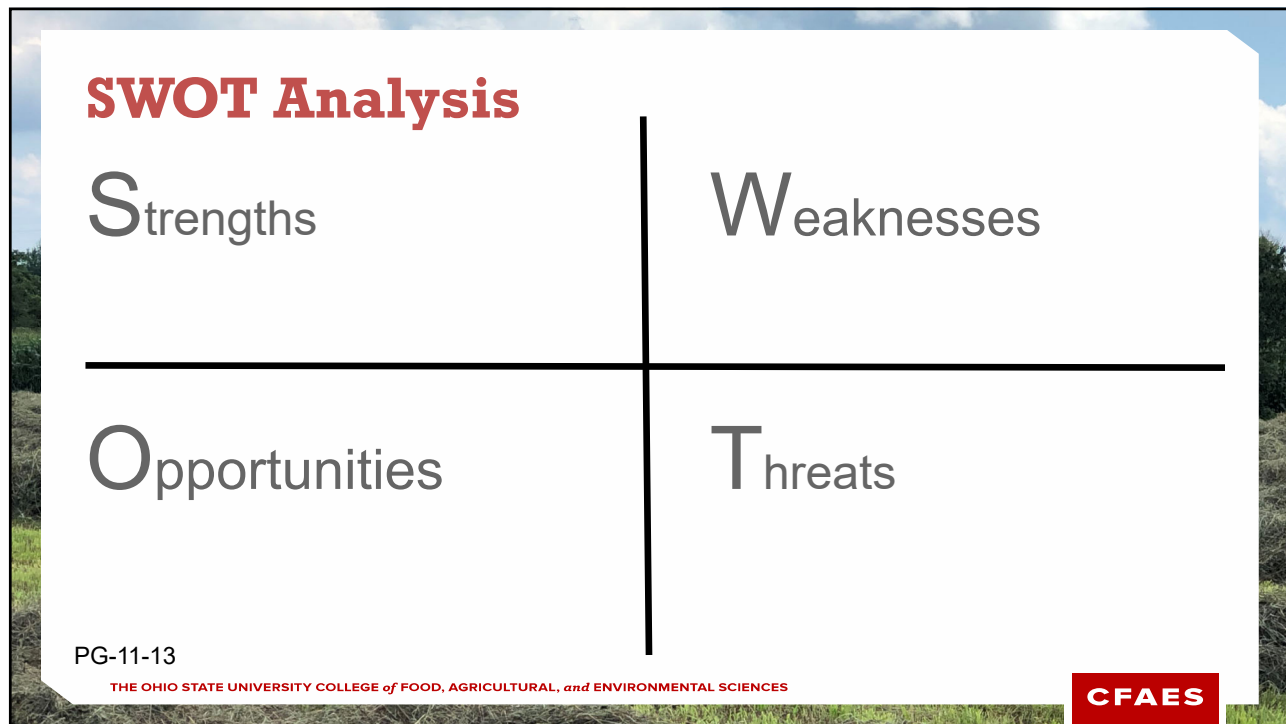
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SWOT Analysis

Many businesses conduct a SWOT analysis to identify the Strengths, Weaknesses, Opportunities, and Threats of the business in order to keep pace with the competition. A SWOT analysis can be as *narrow* as looking at financial management, production efficiencies or employee management, or as *broad* as examining the total business versus your competition.

<p>STRENGTHS</p> <p>What strengths does your business have that make you competitive? What do you do better than anyone else? What do your customers see as your strengths?</p>	<p>WEAKNESSES</p> <p>What could you improve? How can you become more efficient? What little changes might make big impacts? What should you avoid? What do your competitors do better than you?</p>
<p>OPPORTUNITIES</p> <p>What are some trends in the industry? What opportunities are available? What is happening in your community that can be advantageous to your business?</p>	<p>THREATS</p> <p>What obstacles do you face? What is your competition doing? Do changes in technology threaten your business? Does your financial position threaten your business?</p>

Reading Resources:
Conducting a SWOT Analysis of Your Agricultural Business. <https://ohioline.osu.edu/factsheet/arr-42>

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SWOT Analysis

SWOT TOPIC: _____

STRENGTHS	WEAKNESSES
OPPORTUNITIES	THREATS

Reading Resources:
Conducting a SWOT Analysis of Your Agricultural Business
<https://ohioline.osu.edu/factsheet/arr-42>

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SWOT Analysis

Think critically about your operation. List five **strengths** for each category

Financial	Labor Management	Facilities	Enterprise Mgmt	Personal

Think critically about your operation. List five **weaknesses** for each category

Financial	Labor Management	Facilities	Enterprise Mgmt	Personal

What is your cost of production per unit for the major commodity that you produce on your farm?

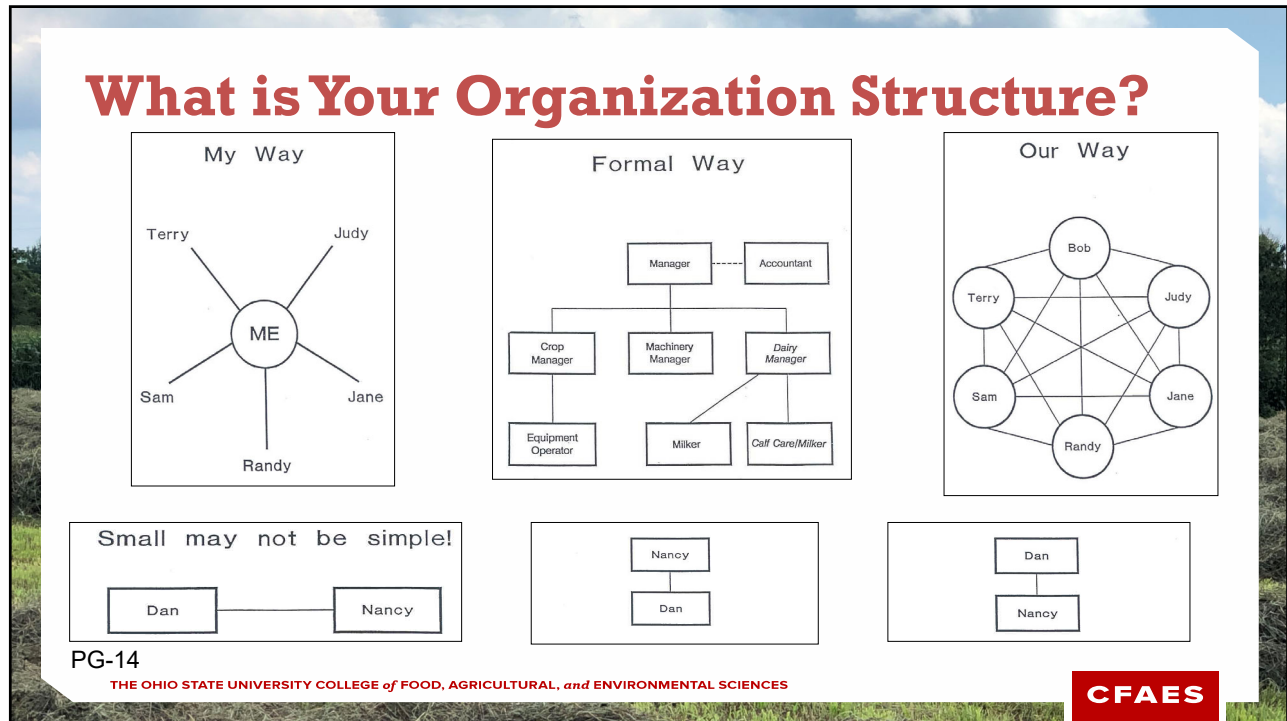
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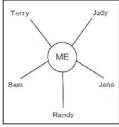
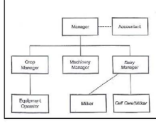
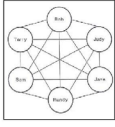
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Organizational Structure

What does the current and future organization structure look like?

Draw a picture of your farm's current organizational structure:

Draw a picture of your farm's future organizational structure:


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What Can Other Eyes See?



1. Use professionals who understand farm business management and farm families.
2. What would an OSU FINPACK Analysis reveal about your farm?
3. Engage a farm advisory board.
4. Have you asked/listened to what your family and heirs are saying?
5. Complete "Analyzing Your Business Checklist."

An analysis of the current state of the farm should be conducted to determine the available land, labor, capital, and management resources. This process looks at the who, what, where, and why of the business. Who works on the farm? What does the farm grow or raise? Where does the farm produce its commodities? Why does the farm exist? This analysis should determine the physical, social and personnel status of the business. This analysis should also examine the operator's efficiency and identify any available resources that are not currently being utilized. The farm's profitability, business structure, operating procedures, and employee management should also be determined. It is also helpful for the management team to identify the external influences that could impact the business in the future. These influences could include any governmental, political, economic, environmental, social or technological elements. Some of the issues which farms can undertake include:

Task	Date Accomplished
Define Farm and Family Values & Goals	
Review Mission Statement	
Review Organizational Structure	
Review Operating Entity	
Have each member complete individual assessment	
Complete Farm Balance Sheet	
Complete Farm Financial Statements for past 5 years	
Complete Tax Returns for past 5 years	
Update Machinery, Building & Livestock Inventory	
Complete Assessment of Machinery, Building, & Livestock	
Review Risk Management/Insurance Coverages	
Review Human Resource/Employee Management	
Conduct SWOT of Each Farm Sector	
Review and Modify Existing Business, Retirement, Transition, Investment and Estate Plans	
Analyze Family Living Expenses for each partner or future partner	
Brainstorming on Business Operation Plans for next 5 years	

Resources:
 Multi-Farm Planning Model Worksheet. Access at <https://ohio.osu.edu/farmplanning/22>
 Develop a Mission Statement for Your Agricultural Business. Access at <https://ohio.osu.edu/farmplanning/22>
 Developing Goals for the Agricultural Business Worksheet. Access at <https://ohio.osu.edu/farmplanning/22>
 Consulting Successful Family Business Transition Meetings Worksheet. Access at <https://ohio.osu.edu/farmplanning/22>
 Farm Balance Sheet. Access at <https://ohio.osu.edu/farmplanning/22>


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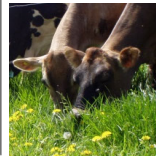
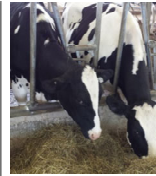
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Ohio Farm Business Analysis and Benchmarking Program

Helping Ohio's farm families achieve financial success in today's challenging marketplace



- Whole Farm Analysis
- Personalized Reports
- Cost of Production per Acre, Ton and Cwt.
- Enterprise Analysis
- Annual Summaries



This work is supported by the USDA National Institute of Food and Agriculture, "Northern Plains Regional Farm Business Management and Benchmarking Partnership" project

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To talk about the opportunities, please call:

Visit: <http://farmprofitability.osu.edu/>

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@OhioFarmBusinessAnalysisandBenchmarking

This work is supported by the USDA National Institute of Food and Agriculture "Northern Plains Regional Farm Business Management and Benchmarking Partnership" project



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of Food and
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Analyzing Your Business Checklist

An analysis of the current state of the farm should be conducted to determine the available land, labor, capital, and management resources. This process looks at the who, what, where, and why of the business. Who works on the farm? What does the farm grow or raise? Where does the farm produce its commodities? Why does the farm exist? This analysis should determine the physical, fiscal and personnel status of the business. This analysis should also examine the operation's efficiency and identify any available resources that are not currently being utilized. The farm's profitability, business structure, operating procedures, and employee management should also be determined. It is also helpful for the management team to identify the external influences that could impact the business in the future. These influences could include any governmental, political, economical, environmental, social or technological elements. Some of the tasks which farms can undertake include:

Task	Date Accomplished
Define Farm and Family Values & Goals	_____
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Review Operating Entity	_____
Have each member complete individual assessment	_____
Complete Farm Balance Sheet	_____
Compile Farm Financial Statements for past 5 years	_____
Compile Tax Returns for past 5 years	_____
Update Machinery, Building & Livestock Inventory	_____
Complete Assessment of Machinery, Building, & Livestock	_____
Review Risk Management/Insurance Coverages	_____
Review Human Resource/Employee Management	_____
Conduct SWOT of Each Farm Sector	_____
Review and Modify Existing Business, Retirement, Transition, Investment and Estate Plans	_____
Analyze Family Living Expenses for each partner or future partner	_____
Brainstorming on Business Operation Plans for next 5 years	_____

Resources:
Whole Farm Planning Model factsheet. Access at: <https://ohioline.osu.edu/factsheet/fs-32>
Develop a Mission Statement for Your Agricultural Business. Access at: go.osu.edu/farm-succession
Developing Goals for the Agricultural Business factsheet. Access at: <https://ohioline.osu.edu/factsheet/fs-45>
Conducting Successful Family Business Transition Meetings factsheet. Access at: <https://ohioline.osu.edu/factsheet/fs-35>
Farm Balance Sheet. Access at: <https://ohioline.osu.edu/factsheet/fs-44>

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Farm Advisory Boards

Farm businesses may benefit from putting together a Farm Advisory Board which can provide feedback to your business. The advisory board can be a sounding board for the managers to help the business move forward. Some people who might serve as effective members of an advisory board could include your attorney, accountant, financial lender, Extension professional, tax professional or a retired farmer. The main reason to create an advisory board is to seek expertise outside of your farm.

Some people who would be good members for an Advisory Board for our farm are:

1. _____
2. _____
3. _____
4. _____
5. _____

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Who should manage the farm business in the future?



PG-17

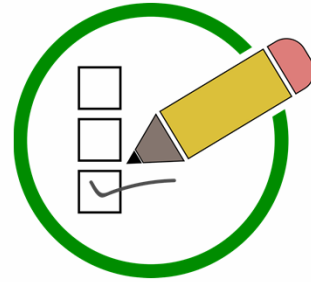
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Poll #4- Have you identified who will lead the farm in the future?

- Yes
- No
- Yes, but I am rethinking my decision
- No one will be taking over



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Choosing the Successor for your Farm Business

My Potential Successors include: _____

One of the most crucial aspects of passing your farm to the next generation is the identification of the best successor. The successor could be a son, daughter, niece, nephew, in-law or non-family member. The following table can be used to compare potential candidates. Once a successor is identified, it is the responsibility of the senior generation to develop a plan to transition managerial control of the business to the chosen successor.

Attributes/Abilities of Potential Successors	Potential Successors	
Crop Production Management		
Livestock Management		
Financial Management		
Machinery & Equipment Repair		
Building Repair		
Employee Management		
Fiscal Management		
Marketing Abilities		
Risk Orientation & Level		
Related Experience		
Relevant Experience		
Commitment to Family		
Commitment to Farm		
Management Style		
Communication Ability		
Leadership Abilities		
Creativity		
Guts & Ambition		
Values Alignment		
Ability to Keep Current		
Other _____		
Other _____		
Total		
Suggested Scale: 1= Poor, 3= Fair, 5= Excellent		

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Owner-Operator Heir

- Livestock & Crop Production Management
- Marketing of Commodities
- Financial & Tax Management
- Facilities, Machinery & Infrastructure
- Employee Management
- Risk Management



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Owner – Landlord Heir

- Tenant Farmer Relationships
- Lease Agreements
- Financial & Tax Management
- Risk Management
- Facilities, Machinery & Infrastructure



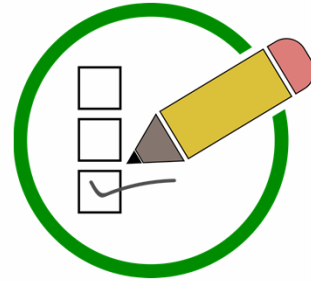
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Poll #5- What type of owner will you have?

- Owner-Operator
- Owner-Landlord
- A combination of Operator and Landlord
- No future owner



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What if your heirs
are a mix of both?

Owner – Operator
&
Owner- Landlord

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Questions for Next Manager(s)

1. If you had to take over the farm today, what would you be the most concerned about?
2. What changes need to be made for you to have a continuing interest in the business?
3. What are your weaknesses that need to be addressed? Training opportunities?
4. What is your expectation for an appropriate time for management control to be transferred?

PG-18

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Questions for the Next Manager Worksheet

The underlying success of any estate and farm succession plan depends on preparing the next generation to own and/or manage the family farm. What is the plan for preparing the next generation to lead the business in the future? Here are some questions you can ask the next generation as you plan.

What is your goal for the family farm if you had to take over the farm today? What would you be most concerned about?

What changes would you like to see be made in the business?

What are your weaknesses that need to be addressed? Training opportunities?

What is your expectation for an appropriate time for management control to be transferred?

Brainstorm some strategies which could be used to transition management from one generation to the next.

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Tips for Transition Management

- Employment at another business before returning home.
- Have clear job descriptions and clearly identify responsibilities.
- Increase responsibilities as abilities develop.
- Let the successors have their own enterprise/expertise within the farm business.
- Embrace the sharing of ideas along with cash flows, budgets, and business plans.
- Develop their relationships with your advisors, lenders, marketers.
- Give ongoing feedback.

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Tips for Developing Future Managers

The transition of management from one generation to the next should be a gradual transition. This transition period allows the future manager to determine if they really want to manage the business, as well as allowing the current manager to determine if the right person has been identified. Sometimes, the future manager decides to leave the farm instead of staying. This is a good argument for having a transition period. The transition can be accomplished gradually by relinquishing more and more responsibility and authority to the successor. Some experts advise that the current manager take a number of planned absences before retiring to provide an opportunity for the successor to see what it is like to manage the business alone. This also allows the current manager to see that the farm does not fall apart without them. It is a good practice to schedule regular meetings to discuss the transfer and changing roles within the business.

Tips for Developing Future Managers

- Employment at another business before returning to the family business can be useful.
- Every family and non-family member who is part of the business should have a written job description. Include detailed responsibilities, specific roles and expectations, and who is in charge of what.
- Make a chart of all employees and how they relate to each other.
- Start a new family member in the business as an employee, not as the top manager.
- Develop job descriptions for each position on the farm and have the successor work through them all.
- Provide meaningful opportunities for decision-making as well as accepting responsibility.
- Wait before he/she can buy into the business or assume long-term responsibilities.
- 365 Day Challenge- Teach one skill per day.
- Opossum Approach- "Play" dead and see how they do!

Questions for the New Manager

- Are there additional responsibilities you think you should have or shouldn't have?
- Are there changes that need to be made for you to have a continuing interest in the business?
- What are your weaknesses that need to be addressed? Training opportunities?
- What is your expectation for an appropriate time for management control to be transferred?

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What strategies are
working for you?

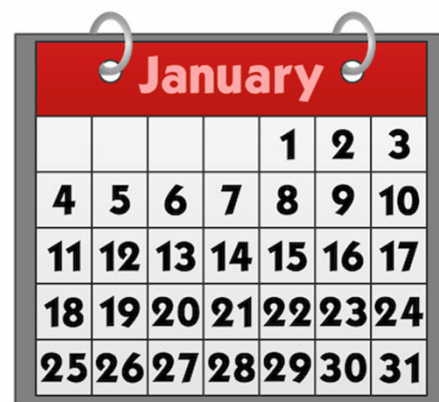
Strategies



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Welcome Back!

This program will begin at 6:30 p.m.



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February 7, 2022



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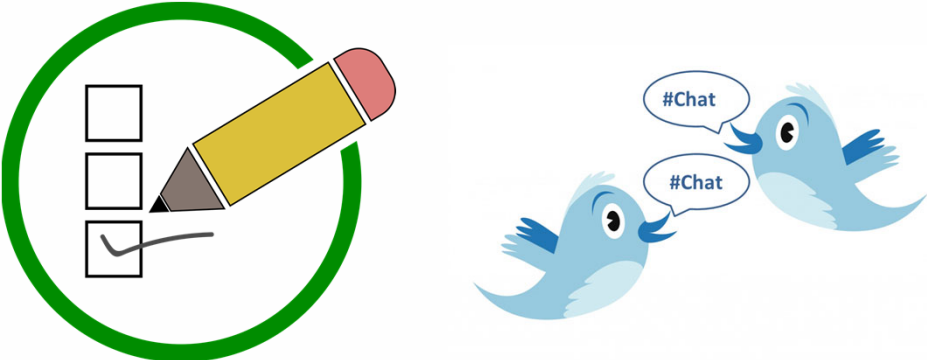
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PG-# Session materials at: go.osu.edu/planforfuture

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Review of January 31 Session

- Definitions
- What will be your triggers (farm, family & personal)?
- What is your goal for the future?
- Who are your heirs?
- What type of business are you leaving behind?
- What would a SWOT show?
- What is your organizational structure?
- Who will be leading farm in future (operator vs landlord)
- Strategies for training new manager

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Session #1

What was the biggest
takeaway for you from this
session?



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Dr. Ron Hansen, University of Nebraska-Lincoln

- Parents must have clear vision for future of the family farm.
- Farms can be replaced but farm families cannot.
- A successful succession plan requires the entire family to communicate their feelings and expectations with one another.
- What obstacles and fears are holding you back?



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Tonight's Session

- Dealing With Unexpected
- Planning for Retirement
- Communication Challenges
- Improving Family Communication
- Equal vs Fair
- Valuing Sweat Equity
- Getting Yourself Ready for Estate Planning



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Dealing with the Unexpected

What are your plans for dealing with the unexpected?



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The Unexpected

- Death
- Disability
- Divorce & 2nd Marriages
- Long Term Care/ Medical Bills
- Not Having Adequate Retirement Accounts
- Buying Out Business Partner
- Unexpected Lawsuit
- Global Issues



PG-20-21

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Planning for the Unexpected

Unexpected issues arise in every succession and estate plan. Identify how you will overcome the following unexpected events:

Death	
Disability	
Divorce	
2 nd /3 rd Marriages	
Long Term Care (Nursing Home) Expense	
Medical Bills	
Buying out a Partner's Share of Business	
Unexpected Lawsuit	
Global or Natural Disaster (pandemic, tornado, flood, fire)	
Other Events	

Reading Resources:
 is a Prenuptial Agreement Right for Your Farm Business factsheet. Access at
<https://ohioinfo.osu.edu/factsheets/51>

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Retirement

- The average (2022) social security income per month for a retired worker is \$1,657 or \$2,753 for a couple.
- If a retired couple has a family living of \$60,000, then social security provides only 55% of the needed retirement income. (\$33,036)
- How will you make up the remaining amount? (+ inflation)?

Source: <https://www.ssa.gov/news/press/factsheets/colafacts2022.pdf>

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Planning for Retirement

I will need \$_____ each year to live in retirement for _____ years.

My sources of retirement income will be:

_____ Farm Rental Payments	_____ Retirement Accounts
_____ Social Security	_____ Savings Accounts
_____ Sale of Property	_____ Other: _____

Draw a picture of your life in retirement.

Resource:
Planning for a Secure Retirement, Purdue University. Access at:
<https://go.purdue.edu/coursematerialscouponsandsecureirement/Pages/default.aspx>

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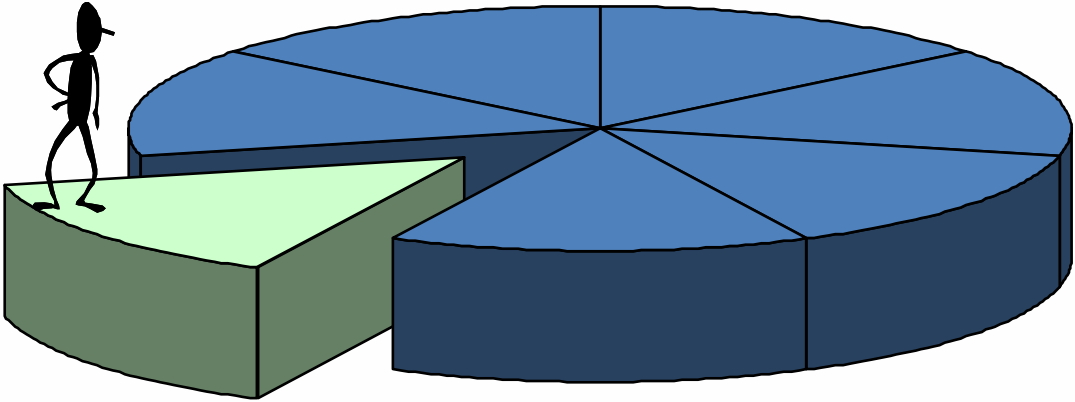
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Should heirs be treated equally in an unequal situation?



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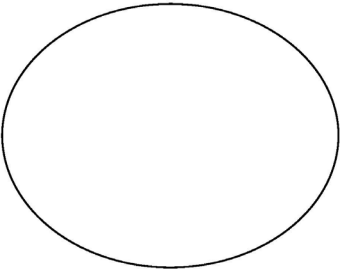
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Fair vs Equal

Deciding what is "fair" versus "equal" when transferring farm and family assets to our heirs is often one of the most difficult questions. This often separates itself into two distinct questions:

- How will you divide the farm between your on-farm and off-farm heirs?
- How will you divide the personal assets between your heirs and other benefactors (church, community groups, friends)

One of the biggest obstacles that must be overcome is how can we design our farm succession plan so that it will be as fair as possible to the heir taking over the farm. And in this process of being fair, how can we treat everybody equally? Often times doing what is fair means the distribution of assets will not be equal. Defining what is fair and what comprises equal is different to each farm operation. This you must do yourselves – together as a family, as a team committed to one another and the future. Use this space to brainstorm on how this might look.




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How do you calculate the value of the son or daughter who stayed on the farm?

**DON'T
SWEAT IT.
WE GOT
YOU
COVERED.**



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Why Do We Pay Less Now with a Promise?

- 1995 Net worth = \$300,000/3 kids = \$100,000
- 2015 Net worth= \$3,300,000/3 kids=\$1,100,000
- Contribution/Compensation
- 50%- 50% Founder and Jr. Partner
- \$3,000,000 Founder and Jr. Partner \$1,500,000 each
- Jr. Partner's share

- \$ 100,000 from 1995
- \$1,500,000 from growth and appreciation
- \$ 500,000 from Founder growth and appreciation(1/3 share)
- \$2,100,000 total for Partner (\$600,000 for each siblings)

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Identifying and Overcoming Your Farm Family's Stressors & Communication Issues



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What Are Some Barriers to Communication?


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Family Communication

The underlying success of any business arrangement depends on healthy family relationships. The primary reason many two-generation family business arrangements fail is because of poor family relations.

What are some barriers to communication on farms?

1. _____
 2. _____
 3. _____
 4. _____
 5. _____



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Family Communication


The biggest communication barriers that exist in our family and family business are:

1. _____
2. _____
3. _____
4. _____
5. _____

Stress!

The top 5 stressors for me with regards to my family and family business are:

1. _____
2. _____
3. _____
4. _____
5. _____



Crucial Family Conversations

Some of the crucial conversations that our family needs to have are:

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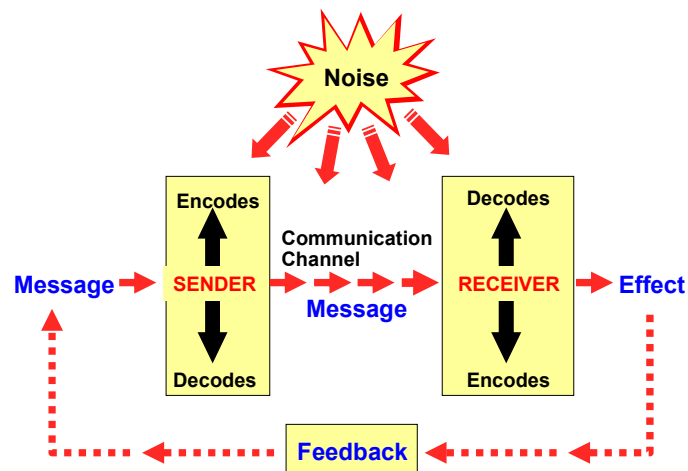
Typical Farm Stressors

- Live and work together 24 hours/day
- Business taking priority over family
- Stress of handling business and personal finances
- Bringing spouses into a family business
- Involvement of relatives not involved in the farm
- Differing time commitments
- Receiving criticism from family
- Feeling like hired labor
- The unexpected

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Barriers to Communication

1. Not Easy to Discuss
2. Farmers Not Known for Communication
3. Mixed Role 
4. Farm Languages
5. Personality Differences
6. Generational Differences
7. Gender Differences



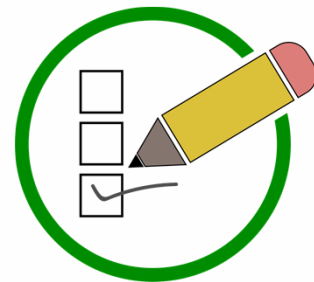
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Poll #6- Which communication barriers will you need to overcome?

- *Generational differences*
- *Gender differences*
- *Personality differences*
- *Communication with off-farm heirs*
- *Family history*
- *Feeling that we don't have enough time to talk*
- *Other*



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Levels of Communication

Level	Type	Description
Level 1	Cliché Conversations	Safe, shallow, polite
Level 2	Reporting Facts	Refers basically to third person
Level 3	Ideas or Judgments	Risk begins here (attachment of self with facts)
Level 4	Feelings and Emotions	Laying self on the line
Level 5	Open Communication	Total honesty, "mutual understanding," vulnerability

From *Why Am I Afraid To Tell You Who I Am?* by John Powell

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Oh, the comfort, the inexpressible comfort of feeling safe with a person; having neither to weigh thoughts nor measure words, but to pour them all out, just as they are, chaff and grain together, knowing that a faithful hand will take and sift them, keep what is worth keeping and then, with a breath of kindness, blow the rest away

George Elliot (Mary Anne Evans)

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Dialogue- the free flow of meaning between two or more people

- We tried having a family meeting once but everyone got mad and stormed out. It took two weeks before my Uncles would speak again.
- Every time I try to talk to my parents (or spouse, siblings), they just ignore me and say there is plenty time to worry about that

Pool of
Shared
Meaning

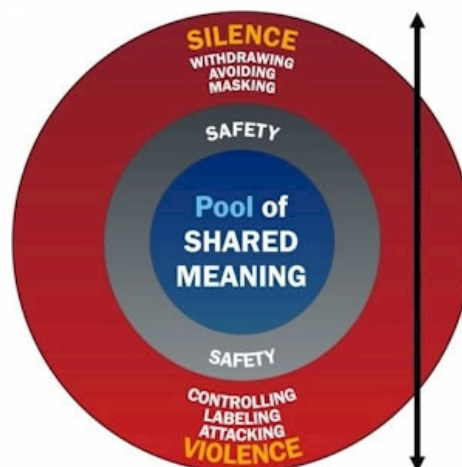


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Conflict in Communication



Source: Crucial Conversations-How to listen when others blow up or clam up.
Kerry Patterson, Joseph Grenny, Ron McMillan, Al Switzler

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Make It Safe

- Here's a new point of view for you
 - It's all about FEAR
- Crucial Conversations are at the greatest risk when we're afraid that the discussion is becoming unsafe.
 - Unsafe for our ideas
 - Unsafe to share our feelings



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Where is the Resistance Coming From?

- **Head issues:** need to find understanding
"I get it now. I understand what this means."
- **Heart issues:** need to feel good about the decision
"I like it. It feels right. I can let go."
- **Gut issues:** need to trust others with change
"I trust the plan and the people involved."

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Why Does Dad Not Talk?

- Dad is scared.
- Nothing to look forward besides farming.
- Last great idea was shot down.
- His back is hurting more.
- His love tank is empty.
- He is ill and doesn't know it.
- His time for sharing is different.
- Not a great reader and can't process like you.

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Confronting Conflict

Requirements:

- Openness & Honesty
- Sensitivity for others' feelings
- Time to sit and talk
- Clarifying expectations
- Outlining consequences
- Ability to say "I am sorry...please forgive me."

Source: Farm Journal Legacy Project

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Thoughts on Crucial Conversations

- You are responsible for your own actions and reactions
- Your parents don't owe you anything
- What are your boundaries? Can you ask about the future?
- Think Before You Initiate Conversation
 - Clarify What You Want to Achieve
 - Clarify What You Want to Avoid
 - Combine the two: "I wonder how I can achieve _____ and avoid _____?"
- Be Prepared for the Worse Case Scenario

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Improving Family Communication

Strategies our farm can implement to reduce our communication barriers are:


1. _____
2. _____
3. _____
4. _____
5. _____

I can improve my communication by:

1. _____
2. _____
3. _____
4. _____
5. _____

Some strategies our farm business or I can implement to reduce stress are:

1. _____
2. _____
3. _____
4. _____
5. _____

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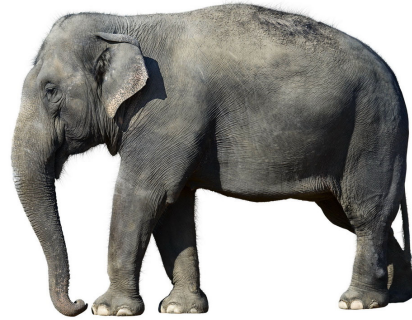
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What are the “Elephants in the Room” that might hold up your planning?



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Helping Your Family Stay a Family Worksheet

One of the hardest aspects of farm succession planning and estate planning is maintaining family relationships. Conflict is to be expected as all families have some sort of dysfunctionality. The key to helping your family is to identify the items which could impact effective family communication and to consider how you can reduce any potential conflicts. The following questions can help identify some areas where attention may be needed.

The biggest communication barriers that exist in our family and family business are:


What are some things that might be causing stress in the family?

What are the elephants (those things which could cause the family to explode) in the room that my attorney will need to know about that could impact our farm succession and estate plans?



Some strategies that I can use to improve my communication and to reduce my stress are:

Some strategies our farm can implement to reduce our communication barriers are:


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Some Elephants

- When communication among family members is poor.
- When the senior generation will not discuss the future or refuse to slow down.
- I don't trust my daughter/son in-law.
- What will my spouse do after I am gone.
- How can I value the sweat equity which has been provided?
- What do I do when I don't believe my successor has what it takes to run the operation?

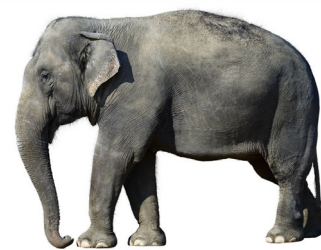
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Improving Family Communication

- Identify Elephants in Room
- Identify ways to minimize stress
- Identify strategies to reduce communication barriers
- Make time for crucial conversations
- Hold family business meetings



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Tips for Successful Business Meetings

- Why? - decide the reason for the meeting.
- Who? - decide the “right” people to attend & who facilitates the meeting.
- What? – follow agenda.
- Where? - meet in a neutral place.
- When?- how often to meet? How long?



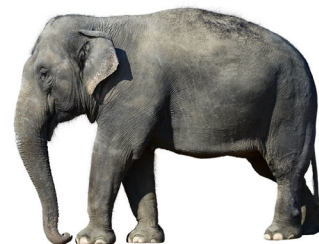
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Tips for Successful Business Meetings

- Build momentum by starting with easier discussions.
- Potential Topics:
 - Review of taxes
 - Review of production purchases for 2022
 - Development of budgets
 - Review of health insurance
 - Review of retirement plans



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Family Business Meetings

A family business meeting is an opportunity for family members to come together on a regular basis to discuss issues of interest to those family members involved in, or who have an interest in, the business. These meetings are not for discussing which fields are to be planted today or which cows to breed, but rather to determine long-term plans for the operation and management of the business. Some families will hold these meetings as little as once or twice a year, while others choose to meet on a more regular basis.

Tentative Agenda for a Family Business Meeting

Call to Order
Minutes from Previous Meeting
Farm Financial Report
Old Business
New Business
Date of Next Meeting
Adjournment

The top 5 items I would like to discuss in our Family Business Meeting:

1. _____
2. _____
3. _____
4. _____
5. _____

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Great Resources

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GETTING YOURSELF READY FOR AN AG ATTORNEY



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Have You Asked
Your
Kids/Grandkids
What they Think?



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What Assets Will I Be Leaving My Heirs?

One of the first steps to the estate planning process is to develop a personal balance sheet of all your major assets and liabilities. To assist you with this process, complete the "Getting Your Farm & Family Affairs in Order" Document.


Cash Assets:

Intermediate Assets including Machinery:

Land:

Summary of Debts:

What will your heirs do?
Request each of your heirs to complete a written summary of what they would do if they were in charge of your estate. How would they divide the estate? Does anyone want the farm? What "prize" family heirlooms would they be grateful to receive from you? Give heirs a specific date to respond in writing to you.

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What Would You do with the Family Farm?

We are in the process of developing a plan for the future of our farm and for the transfer of our estate. We are asking for your help in this process. We would like to know what you would do if you were in our shoes. What are your recommendations? Who should own the farm in the future? Who should get the machinery? Who should manage the farm? How should we divide the estate? What family heirlooms would you be grateful to receive? What ideas do you have about our process? Thanks for helping out!


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Getting Your Farm & Family Affairs in Order

David Marrison, Associate Professor

The emotional loss of a loved one is an extremely difficult time for families, especially for farm families. We can make it easier by having all our important information summarized in one document.

This planning document allows you to summarize your assets and how each is owned, valued, and titled. This information along with liabilities will be needed by your attorney or estate planning professional as you plan your estate.

The location of important documents and agreements can be listed as well as a summary of farm and personal advisors. Your personal wishes for your funeral can also be expressed. The information also will be helpful to your executor(s) as they settle your estate.

Inputting Data
The document has been designed in a writeable format. To complete the forms, simply click inside the boxes and type in the appropriate information. You may also print the forms off and fill them in by hand.

Saving the Document
To save your work, go to the **File** Menu and select **Save As**. Rename the file using a unique file name with the date the document was updated. By renaming the file, you will still have access to a blank copy for future recordings. Save the document to a secure location on your desktop or to a jump drive. It is recommended that you

save the file in two locations for backup purposes. It is also recommended that you password protect the document.

Safeguarding the Information
When you are finished with your entries, print the completed document. Due to the confidential information contained in the document, it is recommended it be placed in a secure location such as your lawyer's office or a safe deposit box.

It is important that your spouse and ancestors know where the document is and have been given permission to access it in the case of an emergency or death.


Questions
For questions on this document or to have an electronic copy mailed to you, contact your local OSU County Extension office or email David Marrison, OSU Extension at marrison.2@osu.edu or 740-622-2265.

Acknowledgements:
The author would like to thank the Wright & Moore Law Company, LPA in Delaware, Ohio for their technical assistance and review of this document.

References:
Estate Planning: Your Records and Personal Information. University of Kentucky: FCIS-422. Hunter, Jennifer. <http://www.ca.uky.edu/agriculture/doc/FCIS422/2FCIS422.PDF>

Estate Planning Information. Wright & Moore Law Company.

Getting Your Affairs in Order



Email marrison.2@osu.edu to get copy

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Tabs for Planning Notebook

- **Tab 1- Getting Your Affairs in Order** (complete document)
- **Tab 2- Family** (Includes family information, family tree diagram, social security cards, birth certificates, death certificates, marriage licenses, divorce decrees, baptism certificates, family health records, military records, social security cards, and passports).
- **Tab 3 – Estate documents** (Includes power of attorney documents (financial and medical), living wills, guardianship requests, funeral instructions, will, trust documents, special letter of instruction, and pre-nuptial agreements).
- **Tab 4- Financial Section** (Year-end statements of each financial accounts (IRAs, retirement, checking, savings, stocks, bonds), social security documentation, mortgage agreements/statements, life insurance statements, loan documentation, accounts payable & receivable, and long term care insurance,).

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Tabs for Planning Notebook





- **Tab 5 – Assets** (Titles for vehicles, deeds for all land parcels, list of antiques/jewelry (include any appraisals), list of additional personal non-titles assets and record of property improvements).
- **Tab 6- Farm** (Could include inventory sheet of all farm assets (and ownership rights), land rental agreements, maps for tile lines, oil & gas lease documentations, service contracts, business structure documentation (LLC, corporation or partnership agreements).
- **Tab 7= Miscellaneous**

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Thank you!

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Resources & Credits

- Elaine Froese - <http://elainefroese.com/farm-family-coaching/tough-transition-conversations-started>
- Crucial Conversations-How to listen when others blow up or clam up. Kerry Patterson, Joseph Grenny, Ron McMillan, Al Switzler – www.crucialconversations.com
- *Do the Tough Things Right* – Elaine Froese
- Farming's In-Law Factor <http://elainefroese.com/>

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