

TAB TOOLBOX

Farm Transition and Estate Planning Retreat Agenda

Friday

- 4:00 pm Introductions and Overview
- 4:15 Strategies for Farm Business Succession
- 6:00 Evening Meal
- 6:45 Goal Setting for Farm Transition and Estate Planning
Activity: "Goals and Interests"
- 8:00 Family Communications and Fair versus Equal
Activity: "Some Day Sue"
- 8:30 Wrap Up and Overview Agenda for Second Session

Saturday

- 8:00 am Continental Breakfast
- 8:30 Goal Setting for Farm Transition and Estate Planning, Continued
Activity: "Long-Term and Short-Term Goals"
- 10:00 Break
- 10:15 Estate Planning and Retirement
- 11:30 Farm Business Structures (Continued after Lunch)
- 12:00 pm Lunch
- 1:45 Strategies for Farm Business Succession Wrap Up and Review
Activity: "Farm Succession To-Do List"
- 3:00 Communication Activity: "Needs, Wants, Fears, Expectations"
- 4:00 Wrap Up and Review



FARM BUSINESS MANAGEMENT "Serving farmers since 1951"



MINNESOTA STATE
Agriculture Centers of Excellence

Thank you to the organizations that made this event possible.

This retreat is facilitated by the Minnesota State College and
University System and University of Minnesota Extension.



MINNESOTA STATE



UNIVERSITY OF MINNESOTA
EXTENSION

This retreat is sponsored by:

Minnesota Department of Agriculture

Minnesota State Agriculture Centers of Excellence

Minnesota Agricultural Education Leadership Council

Minnesota Dairy Initiative



FARM BUSINESS MANAGEMENT "Serving farmers since 1951"



MINNESOTA STATE
Agriculture Centers of Excellence



This Farm Transition and Estate Planning Retreat and the binder materials are a partnership between Minnesota State College and Universities and University of Minnesota Extension.

The materials are copyrighted and are not to be used without expressed written permission of Jim Molenaar and Megan Roberts.



FARM BUSINESS MANAGEMENT "Serving farmers since 1951"



MINNESOTA STATE
Agriculture Centers of Excellence

Retreat Objectives

What can you expect to learn from this farm transition and estate planning retreat?

Business Succession

Identify what farm business succession means, including the concept of transfer of management, labor, income, and ownership.

Develop a written plan to begin the succession plan on your farm.

Goal Setting

Develop written farm operations and family living goals that fit family's short and long term personal and farm business objectives.

Understand how specific, measurable, attainable, realistic, and time-bound goals can increase likelihood of success.

Family Communication

Utilize effective communication strategies to share goals and succession plan with family and/or other relevant parties.

Understand and be able to communicate the difference between fair distribution and equal distribution in the context of the farm transition process.

Business Structure

Apply knowledge of business structures and asset ownership options to the farm transition process, identifying pros and cons of utilizing structures in transition.

Estate Planning and Retirement

Analyze the components of estate planning, retirement planning, and healthcare planning. Develop proposal to meet with legal and/or tax professionals to create, review, and finalize estate and transfer plan.



UNIVERSITY OF MINNESOTA EXTENSION

AgCenter MINNESOTA STATE

Welcome

Please sit with your family unit.

© 2019 Regents of the University of Minnesota. All rights reserved.

1

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter MINNESOTA STATE

FARM TRANSITION AND ESTATE PLANNING RETREAT

OUR INTRODUCTION



© 2019 Regents of the University of Minnesota. All rights reserved.

2

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter MINNESOTA STATE

Jim Molenaar
jmolenaar@sctcc.edu

Megan L Roberts
meganr@umn.edu

© 2019 Regents of the University of Minnesota. All rights reserved.

3

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter MINNESOTA STATE

Overview of Topics

- Business Succession
- Goal Setting
- Family Communication
- Business Structure
- Estate Planning and Retirement

© 2019 Regents of the University of Minnesota. All rights reserved.

4

ACKNOWLEDGEMENTS

- Dave Goeller, Retired Extension, University of Nebraska
- Gary Hachfeld, Retired Extension, University of Minnesota
- John R. Baker, Attorney at Law (currently), Retired Extension, Iowa State University

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

5

GRANT AND LOCAL FUNDING

- Primary funding in 2019 for these retreats is from the Minnesota Department of Agriculture. Our thanks to them for their support.



UNIVERSITY OF MINNESOTA EXTENSION


AgCenter MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

6

GRANT AND LOCAL FUNDING

- Thank you to local FBM Instructors and MDI for supporting this workshop. 
- Thank you to MAELC for the initial grant that began this project with two pilot retreats in 2018. 
- Thank you to Judy Barka, Tiffany Hulinsky, and Kathy Eckwright.

 UNIVERSITY OF MINNESOTA EXTENSION

 AgCenter


 MINNESOTA STATE

 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

WHY ARE WE HERE?

- Do you want your farm to continue beyond your lifetime?
- How do you plan to make that transition?

 UNIVERSITY OF MINNESOTA EXTENSION

 AgCenter


 MINNESOTA STATE

 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

BE A GOOD CONSUMER OF PROFESSIONAL SERVICES

- *We offer this retreat as educational information. We do not offer legal advice. If you have questions on this information, contact an attorney.*

 UNIVERSITY OF MINNESOTA EXTENSION

 AgCenter

 MINNESOTA STATE

 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

 UNIVERSITY OF MINNESOTA EXTENSION

 AgCenter

 MINNESOTA STATE

 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

Introductions

Farm, Family, Something You're Looking Forward To...

© 2019 Regents of the University of Minnesota. All rights reserved.

10

HOUSEKEEPING

BREAKS, RESTROOM LOCATION, ETC.



 UNIVERSITY OF MINNESOTA EXTENSION

 AgCenter

 MINNESOTA STATE

 MINNESOTA STATE

This program is a partnership between Minnesota State College and Universities and University of Minnesota Extension.

These materials are not to be used without expressed written permission of Jim Molenaar and Megan Roberts.

© 2019 Regents of the University of Minnesota. All rights reserved.
The University of Minnesota is an equal opportunity educator and employer. In accordance with the Americans with Disabilities Act, this PowerPoint is available in alternative formats upon request. Direct requests to 612-624-1222.

12

Job Description Example Format

To begin the process of writing job descriptions for your farm, you may want to use the following format. This may be helpful for writing formal job descriptions for farm family members in management positions. After you write job descriptions for family members, if you have not already done so, you may find it helpful to write job descriptions for all jobs on your farm, including laborers or other employees.

- Job title
- Job location
- One sentence job objective (similar to a resume objective)
- One paragraph summary of the general nature and level of the job
- Detailed bullet point description the duties, tasks, and soft skills that are critical to job success
- List of qualifications (education, licenses, physical requirements)
- Explanation of job supervision and reporting (i.e. who supervises the employee)
- Overview of salary and/or benefits (e.g. insurance, vacation, sick time), if applicable
- Details on how to apply, if applicable

Farm Family Job Description Questions

To begin the process of writing job descriptions for your farm, particularly job descriptions for those that identify as part of the “farm family,” you may want to start by answering the following questions. This may help you identify critical information to include.

What time of day or night does the job begin?

What time of day or night does the job end?

What are the job responsibilities?

What will the job pay? Hourly? Salary? Share of profits?

Are there any fringe benefits?

- Insurance
- Meals
- Housing
- Vehicles
- Other

If a minor emergency arises, how will it be handled?

Will there be any vacation? If so, when? How much?

Will the job transition into more than just a job? Management? Ownership? If so, when?

Does this job include management responsibilities? Who has final decision making on various aspects of the farm?

What are the expectations regarding “family time” versus “work time”?

Farm Transfer and Estate Planning Attorneys

By Megan Roberts, Extension Educator, meganr@umn.edu, July 2018

If you have not already identified an attorney to help you through the legal aspects of the farm transfer and estate process, you may be wondering how to find a qualified attorney. One possibility is to utilize online search tools from professional associations. Attorneys self-select into these organizations for specialized professional development. The following suggestions are **not** intended as advertising for any attorney or organization nor meant to be a referral or recommendation of any attorney.

One national professional organization associated with estate planning and elder law is the Wealth Counsel. To find members of the Wealth Council visit: www.estateplanning.com. Once on the site, go to the upper right of the page and click "Find a Planning Professional." On the next page, you can enter the zip code of your mailing address and select the radius of the search up to 100 miles of your location. You may also search for attorneys by individual Minnesotan cities.

Another professional association that enables online searching is the Minnesota Bar Association, www.mnbar.org. To search members of the Minnesota Bar Association visit: www.mnbar.org/member-directory/find-a-lawyer. Once on the search page, you can select to search by practice area(s). Attorney members self-identify their practice areas. Possible practice-area search terms relevant to farm transfer include "agriculture," "elder law," "estate planning-trusts, wills" and "estate/probate."

Not all Minnesotan attorneys that practice in the area of agricultural, estate planning, or elder law have self-selected into the professional organizations listed above. There are many skilled legal professionals and law firms that do not appear on the searchable lists referenced. To find additional attorneys in your area, you may wish to ask for attorney recommendations from trusted agribusiness professionals you work with or other local farmers that have recently gone through the farm transition process. Once you have created a short list of possible attorneys, you may desire to "interview" a few choices to determine if the attorney that best meets your and your farms' needs. Preparing a written list of questions and concerns before your first meeting can help you get the most out of your interaction. Often initial consultation appointments do not have a fee, but do not assume this to be the case. Ask questions (for example about fee structures and attorney backgrounds) when setting up your appointment(s) to avoid surprises later.



FARM BUSINESS MANAGEMENT "Serving farmers since 1951"



MINNESOTA STATE
Agriculture Centers of Excellence

Farm Succession Plan and To-Do List

Family name: _____

Follow up meeting plan: _____

This “To Do List” is designed to help you in planning for a farm succession/transition. The suggested “actions” are merely that. While we believe these are important steps in the planning process, remember that the success or failure of the farm succession/transition is up to you. These steps are suggestions. You are not likely to complete any of these steps – unless you want to! Please add, subtract and modify this plan to fit your own desires and goals.

	Person Responsible	Completion Date
GOALS AND COMMUNICATION ACTIONS:		
Write short and long term goals	_____	_____
Develop job description(s)	_____	_____
Discuss viability of returning partner	_____	_____
Discuss goals with non-farm heirs	_____	_____
FINANCIAL TOOLBOX ACTIONS:		
Have a record keeping system in place	_____	_____
Develop up-to-date balance sheet (book & market)	_____	_____
Develop up-to-date cash flow plan	_____	_____
Perform farm financial and trend analysis	_____	_____
RETIREMENT AND ESTATE PLAN:		
Identify a lawyer to advise	_____	_____
Meet with a lawyer to begin our plan	_____	_____
Identify a tax accountant to advise	_____	_____
Meet with an accountant to begin our plan	_____	_____
Confirm healthcare documents are up-to-date	_____	_____
BUSINESS SUCCESSION PLAN:		
Complete Business Succession Plan Matrix	_____	_____

Use back of sheet, as needed, to add customized actions to fit the transfer goals of your farm business.



FARM BUSINESS MANAGEMENT "Serving farmers since 1951"



MINNESOTA STATE
Agriculture Centers of Excellence

ADDITIONAL PLANS SPECIFIC TO YOUR FARM BUSINESS

[illegible]

TAB

BUSINESS SUCCESSION

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
MINNESOTA
NEW BUSINESS MANAGEMENT "Starting Success since 1927"

MINNESOTA STATE
Agriculture Centers of Excellence

FARM BUSINESS SUCCESSION

WHAT IS IT AND HOW DO WE START THE PROCESS?



© 2019 Regents of the University of Minnesota. All rights reserved.

1

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
MINNESOTA
NEW BUSINESS MANAGEMENT "Starting Success since 1927"

MINNESOTA STATE
Agriculture Centers of Excellence

Overview of Slides

- Need for Planning**
- Business Life Cycle**
- Three Legged Stool of Planning**
- Family Vs Farm Business**
- Planning Considerations**
- Management Transfer Timeline**

© 2019 Regents of the University of Minnesota. All rights reserved.

2

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
MINNESOTA
NEW BUSINESS MANAGEMENT "Starting Success since 1927"

MINNESOTA STATE
Agriculture Centers of Excellence

Strategies for Farm Business Succession

DO YOU WANT YOUR FARM TO CONTINUE BEYOND YOUR LIFETIME?



© 2019 Regents of the University of Minnesota. All rights reserved.

3



5

THE NEED FOR PLANNING

A business can pass from one generation to the next without planning but if you want to improve the odds.....

Make A Plan!

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
MINNESOTA
NEW BUSINESS MANAGEMENT "Starting Success since 1927"

MINNESOTA STATE
Agriculture Centers of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

6

WHAT IS A SUCCESSION PLAN?

- Allows the next generation to start from place of growth not at the beginning
- Focuses on labor, income, and management transition
- Involves intentional goal-setting

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
MINNESOTA
NEW BUSINESS MANAGEMENT "Starting Success since 1927"

MINNESOTA STATE
Agriculture Centers of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.



8

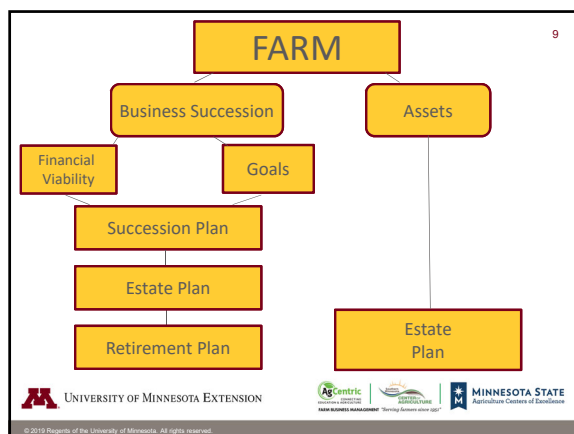
THE IMPORTANCE OF PLANNING

- We are living and working longer
- Technology
- Increased volatility & uncertainty
- Expectations
- Coordinate succession plan
 - Business Plan (Income, Labor & Management)
 - Estate Plan
 - Retirement Plan

UNIVERSITY OF MINNESOTA EXTENSION

 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.



10

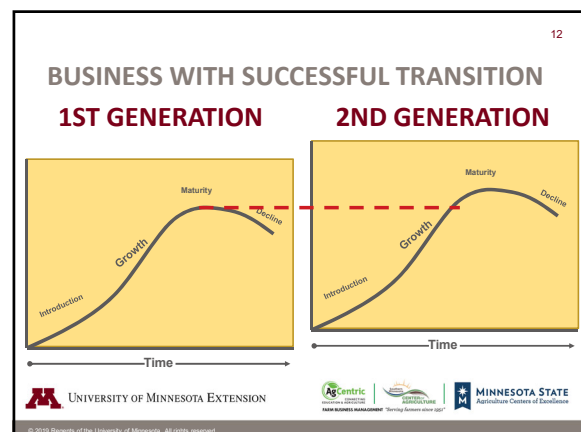
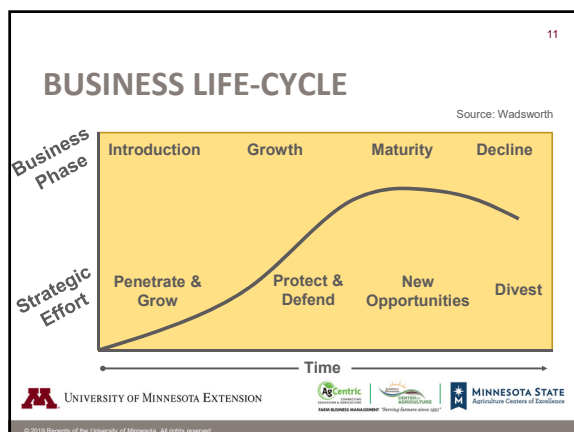
LACK OF SUCCESSION PLANNING

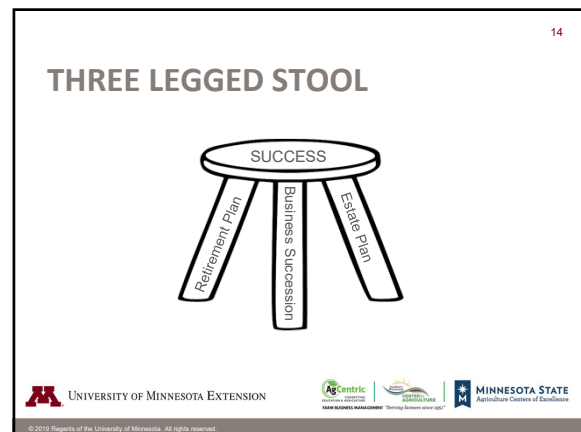
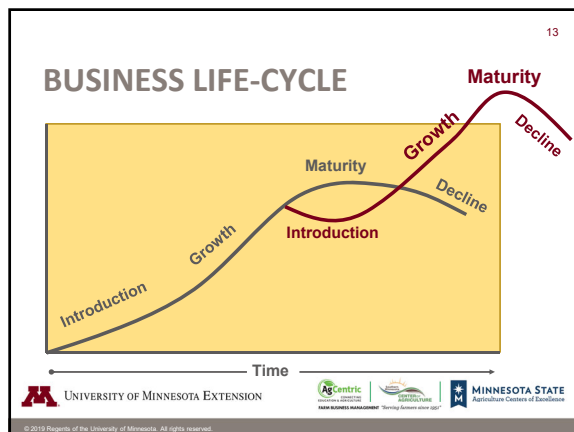
- Impact on family? Relationships?
- Income from the business may leave the area
- Unintended Consequences:
 - Community
 - Other Businesses
 - Churches
 - Schools

UNIVERSITY OF MINNESOTA EXTENSION

 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.





15

THREE LEGGED STOOL

- **Business Succession**
 - ✓ Farm goals
 - ✓ Economic (i.e. income and labor) feasibility
 - ✓ Management transfer
- **Estate Plan**
 - ✓ Asset transfer plan
 - ✓ Access and control of essential business assets
- **Retirement Plan**
 - ✓ Decision making authority (business, health, etc.)
 - ✓ Day to day labor

UNIVERSITY OF MINNESOTA EXTENSION AgCenter MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

16

KEY CONCEPT

Family Business VS Nonfamily Business

UNIVERSITY OF MINNESOTA EXTENSION AgCenter MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

17

KEY CONCEPT

Parent Child Role vs Business Partner Role

UNIVERSITY OF MINNESOTA EXTENSION AgCenter MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

18

FAMILY BUSINESS COMMUNICATION

–Family time vs –Work time

UNIVERSITY OF MINNESOTA EXTENSION AgCenter MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

FAMILY BUSINESS COMMUNICATION

- Extremely important!
- Need to differentiate roles.
- Need to plan business meetings.



SUCCESSFUL FARM TRANSITIONS - GOALS

- | | |
|--------------------------------|------------------------|
| • Older Generation | • Younger Generation |
| • Retirement lifestyle, \$\$ | • Lifestyle, \$\$ |
| • Residence, \$\$ | • Growth of business |
| • Nonfarm heirs | • Attitude toward debt |
| • Golden Rule | • Ownership vs renting |
| • Contribution vs Compensation | • Family time vs work |
| • Fair vs Equal | |

SUCCESSFUL FARM TRANSITIONS - COMMUNICATION

- Expectations, expectations, expectations
- Regular business meetings throughout transition period
- Talk about it, then write it down
- Share with non-farm family members
- Surprises cause problems

SUCCESSFUL FARM TRANSITIONS - COMMUNICATION

- If you wrote a job description for the farm business successor what would it say?
 - Starting and ending time each day?
 - Labor responsibilities? Management responsibilities?
 - Pay? Benefits?
 - Breaks and lunch? Vacation?
 - Advancement opportunities? When?
 - Evaluation Criteria?

SUCCESSFUL FARM TRANSITIONS - FINANCIAL VIABILITY

- Access and Control of Essential Business Assets
- Adequate size for feasible business
- Debt structure & amount at feasible level
- Feasible cash flow
- 3-M's (Money – Management – Marketing)

Is your farm financially viable and efficient?

25



SUCCESSFUL FARM TRANSITIONS - FARM EFFICIENCY

26

- Expenses
 - Purchases (shop around)
 - Bang for the buck
 - Quantity/early pay discounts
- Income
 - Production, production, production
 - Marketing
 - Quality



UNIVERSITY OF MINNESOTA EXTENSION



© 2019 Regents of the University of Minnesota. All rights reserved.

SUCCESSFUL FARM TRANSITIONS - FARM EFFICIENCY

27

- Assets earning their “keep”
- Investments paying their interest
- New paint disease



UNIVERSITY OF MINNESOTA EXTENSION



© 2019 Regents of the University of Minnesota. All rights reserved.

SUCCESSFUL FARM TRANSITIONS - FARM DEBT STRUCTURE

28

- Percentage in debt
- Long term vs. short term loans
- Interest rate
- Principal payments



UNIVERSITY OF MINNESOTA EXTENSION



© 2019 Regents of the University of Minnesota. All rights reserved.

SUCCESSFUL FARM TRANSITIONS - FINANCIAL VIABILITY

29

- Family Living Cost
 - Retiring family
 - Farming family
 - Off-farm employment
 - Healthcare and long term care



UNIVERSITY OF MINNESOTA EXTENSION



© 2019 Regents of the University of Minnesota. All rights reserved.

SUCCESSFUL FARM TRANSITIONS - FINANCIAL VIABILITY

30

- Have a record keeping system in place
- Accurate balance sheet (book and market)
- Cashflow plan
- Farm analysis & trends



UNIVERSITY OF MINNESOTA EXTENSION



© 2019 Regents of the University of Minnesota. All rights reserved.

Understanding farm financial viability (or lack thereof) is an essential part of farm succession, goal-setting, and family communications.

Do you want your farm business to continue beyond your lifetime?

HOW LONG WILL THE TRANSFER PERIOD BE?

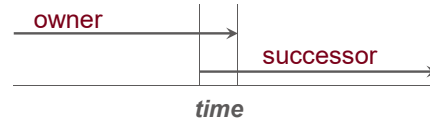
TRANSFERRING MANAGEMENT

- Transfer Timeline Depends On:
 - Health
 - Circumstances
 - Age
 - Finances
 - Abilities
 - Wishes



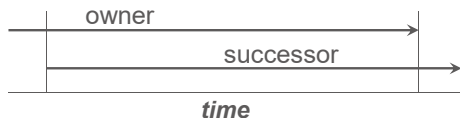
SUCCESSFUL FARM TRANSITIONS - MANAGEMENT TRANSFER

Short Transfer Period



SUCCESSFUL FARM TRANSITIONS - MANAGEMENT TRANSFER

Long Transfer Period



SUCCESSFUL FARM TRANSITIONS - THREE MOST IMPORTANT FACTORS TO A SUCCESSFUL BUSINESS

- Management
- Management
- Management

37

SUCCESSFUL FARM TRANSITIONS - MANAGEMENT TRANSFER

- Decision making authority (Difficult!)
- Accountability
- Risk—Reward
- Coach/Mentor/Teacher
- Retirement???

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter MINNESOTA STATE AGRICULTURE CENTERS OF EXCELLENCE

© 2019 Regents of the University of Minnesota. All rights reserved.

38

SUCCESSFUL FARM TRANSITIONS - MANAGEMENT TRANSFER

- Phased plan approach
 - #1 Owner make decisions (Mentor)
 - #2 Owner and successor make decisions together
 - #3 Successor make decisions

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter MINNESOTA STATE AGRICULTURE CENTERS OF EXCELLENCE

© 2019 Regents of the University of Minnesota. All rights reserved.

39

SUCCESSFUL FARM TRANSITIONS - THE TRANSFER STAGES

Testing

Commitment

Established

Withdrawal

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter MINNESOTA STATE AGRICULTURE CENTERS OF EXCELLENCE

© 2019 Regents of the University of Minnesota. All rights reserved.

40

SUCCESSFUL FARM TRANSITIONS - MANAGEMENT TRANSFER

- How Long For Each Stage?
 - Testing?
 - Commitment?
 - Established?
 - Withdrawal?



UNIVERSITY OF MINNESOTA EXTENSION

AgCenter MINNESOTA STATE AGRICULTURE CENTERS OF EXCELLENCE

© 2019 Regents of the University of Minnesota. All rights reserved.

41

SUCCESSFUL FARM TRANSITIONS - BUSINESS COMPONENTS

- LABOR...the physical work involved
- INCOME...minus expenses equals profit
- MANAGEMENT...decision making authority
- ASSETS and OWNERSHIP...what you own, rent or control and the liabilities associated with them

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter MINNESOTA STATE AGRICULTURE CENTERS OF EXCELLENCE

© 2019 Regents of the University of Minnesota. All rights reserved.

42

SUCCESSFUL FARM TRANSITIONS - THE TRANSFER PROCESS

Labor

Income

Management

Ownership

UNIVERSITY OF MINNESOTA EXTENSION




AgCenter MINNESOTA STATE AGRICULTURE CENTERS OF EXCELLENCE

© 2019 Regents of the University of Minnesota. All rights reserved.

43

BUSINESS SUCCESSION MATRIX

PLAN MATRIX	Testing	Commitment	Established	Withdrawal
Labor				
Timeline				
Income				
Timeline				
Management				
Timeline				
Ownership				
Timeline				




 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

44

TRANSFERRING MANAGEMENT

Testing	Commitment	Established	Withdrawal
Entering generation begins making day to day decisions for the operation.	Entering generation takes over the management of a farm enterprise.	Both generations manage overall farm obligations.	Senior generation gives up management control.
Ex: Daughter begins managing herd breeding program.	Ex: Son manages dairy operation. Dad manages crop operation.	Ex: Both generations meet with lender to discuss financing.	Ex: Dad provides labor when needed, but no farm decisions.

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

45

SUCCESSFUL FARM TRANSITIONS - COORDINATING WITH ESTATE PLAN

- Do you want all Heirs to share in:
 - Business Asset Ownership?
 - Income?
 - Rental Income?
 - Business Profits, Earnings?
 - Business Management?




 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

46

TIME MANAGEMENT

	<i>Urgent</i>	<i>Not Urgent</i>
Not Important	I. Activities Crisis Management Deadline Projects	II. Activities Planning Relationship Building
	III. Activities Some Calls, Mail, Popular Activities	IV. Activities Time Wasters Busy Work

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

47

YOU CANNOT GUARANTEE SUCCESS BUT YOU CAN ENSURE FAILURE!

- Don't communicate
- Don't transfer management
- Don't provide access and control to essential business assets
- Don't consider the financial situation
- Don't coordinate with the estate plan


 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.


48


Review of Slides


- Need for Planning
- Business Life Cycle
- Three Legged Stool of Planning
- Family Vs Farm Business
- Planning Considerations
- Management Transfer Timeline


 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE


© 2019 Regents of the University of Minnesota. All rights reserved.

 UNIVERSITY OF MINNESOTA EXTENSION

 AgCenter
SUSTAINABLE AGRICULTURE

 MINNESOTA STATE
Agriculture Centers of Excellence

 MINNESOTA STATE
Agriculture Centers of Excellence

 MINNESOTA STATE
Agriculture Centers of Excellence

Business Succession Plan Matrix

PLAN MATRIX	Testing	Commitment	Established	Withdrawal
Labor				
Timeline				
Income				
Timeline				
Management				
Timeline				
Ownership				
Timeline				

Description of each phase.	Entering generation begins making day to day decisions for the operation.	Entering generation takes over the management of a farm enterprise.	Both generations manage overall farm obligations.	Senior generation gives up management control.
----------------------------	---	---	---	--

TAB

GOAL SETTING

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
SUSTAINABLE
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

GOAL SETTING FOR FARM SUCCESSION

IDENTIFYING YOUR INTERESTS & MOTIVATIONS



© 2019 Regents of the University of Minnesota. All rights reserved.

1

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
SUSTAINABLE
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

Overview of Slides

- Dreams vs Goals
- SMART Goals
- Interests and Motivation
- Long- then Short-Term Goals



3

If you know your own goals, you will be amazed at the opportunities you will have to accomplish them. – Benjamin Franklin

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
SUSTAINABLE
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

4

DREAM VERSUS GOALS

- Dream – something you want or hope for
- Goal – something you want or hope for with action steps and a time line
- To move from a dream to a goal requires action and writing it down!

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
SUSTAINABLE
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

5

IDENTIFYING GOALS...

- Goals are **statements** of:
 - Where...**
You are and where you want to go.
 - How...**
You intend to get there.
 - When...**
You intend to arrive.
- Describe the conditions you hope to achieve
- Provide direction to management
- Reflect your hopes and dreams for life

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
SUSTAINABLE
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

6

SMART GOALS



UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
SUSTAINABLE
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

Let's pause and reflect before we write our goals. Let's self-assess.



SELF-ASSESSMENT

- Interests and motivation questions
 - Identify your interests and sources of satisfaction and motivation in farming or ranching

SELF-ASSESSMENT

- Interests and motivation questions
- Work through this activity on your own
 - Identify your interests and sources of satisfaction and motivation in farming or ranching

SELF-ASSESSMENT

- Interests and preference statements
 - Express in your own words your feelings concerning your likes and dislikes in agriculture
- Individually take your answers from the interest and motivation questions and create preference statements

SELF-LEVEL TO FARM-LEVEL


- Regroup as a farm operation
- Work together to identify statements that the whole team can support
- Discuss to create united preference statements
- Record on ONE group copy

MUTUAL VS INDIVIDUAL OBJECTIVE



13

MUTUAL VS INDIVIDUAL OBJECTIVE



UNIVERSITY OF MINNESOTA EXTENSION


AgCenter

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

14

MUTUAL VS INDIVIDUAL OBJECTIVE



UNIVERSITY OF MINNESOTA EXTENSION


AgCenter

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

15

MUTUAL VS INDIVIDUAL OBJECTIVE



UNIVERSITY OF MINNESOTA EXTENSION


AgCenter

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

16

MUTUAL VS INDIVIDUAL OBJECTIVE



UNIVERSITY OF MINNESOTA EXTENSION


AgCenter

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

17

MUTUAL VS INDIVIDUAL OBJECTIVE



UNIVERSITY OF MINNESOTA EXTENSION

AgCenter

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

18

HOUSE RULES

- Be open and honest with each other
- Resist the temptation to make value judgments about each other's statements
- Refrain from reacting until the other person has fully expressed his/her ideas and point of view

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

19

HOUSE RULES, CONTINUED

Silence is acceptance...

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

20

WHAT IS A GOAL?

- Broad, general statement specifying what a person may want to achieve
 - Business
 - Personal
 - Family
 - Financial
 - Educational
- Roadmap to get you where you want to go

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

21

IDENTIFYING GOALS...

- Goals are **statements** of:
 - Where...**
You are and where you want to go.
 - How...**
You intend to get there.
 - When...**
You intend to arrive.

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

22

REASONS FOR WRITING GOALS

- Gives more authority to them
- Reminds us of them
- Clarifies them for everyone
- Provides a written record
- Increases the probability of achievement

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

23

MANAGEMENT AND GOALS...

- Management is a goal-directed activity
 - Focus on goal attainment
- Your goals provide direction for all your management efforts

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

24

LENGTH OF GOALS

- Long term – accomplish in 5-10 or more years
- Short term – accomplish within a year or two
- Just guidelines, sometimes you can move through some goals quicker than others

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

GOOD OBJECTIVES

- Highlight a point in time
 - In Two Months, Within Five Years
- Use action verbs
 - Reduce, Increase, Improve, Expand
- Identify a change in...
 - Pesticide Applied, Yield, Attitude
- Specifies how measured
 - Yield, Balance Sheet

SUCCESSFUL GOALS TAKES SMARTS!

- **Specific:** Is it short and to the point?
 - Don't put more than one things into the goal. Uncomplicated things are easier to accomplish.
- **Measurable:** How will I know when I am done?
 - Will you know when you reach it? Standards or measures included?
- **Attainable:** Can I do this?
 - Is it achievable? Can you obtain it? Accomplish it? Is it within your skills and abilities?
- **Relevant:** Does it apply to me?
 - Is it realistic? Practical? Does it fit into the big picture?
- **Timetable:** How much time will it take? Deadlines?
 - Set time limits to help track steps towards goal. Identify completion date. Include action steps.

SMART GOALS



UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
Rural Extension
Farm Business Management "Serving farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

SETTING GOALS...

- Old way: short term goals first, then long term goals
- However, too easy to get so focused on the short term that it is hard to see the long term
- New way: long term goals first, then short term goals

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
Rural Extension
Farm Business Management "Serving farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

Goals, priorities, and management plans are not final and unchanging.

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
Rural Extension
Farm Business Management "Serving farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

STAGES OF GOAL SETTING

- Identifying your Goals
 - As individuals read through the identifying your goals materials
 - Refer back to your self assessment and the interest and preference statements

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
Rural Extension
Farm Business Management "Serving farmers since 1927"




MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

31

STAGES OF GOAL SETTING

- Identify long-term goals for your farming operation and family living
 - Identify individual goals you have using the self assessment and interest and preference statements as a guide
 - Go over all statements and rank their importance on the left
- Then, discuss as a farm team to create united goals and write on the record copy




 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

32

HOUSE RULES

- Be open and honest with each other
- Resist the temptation to make value judgments about each other's statements
- Refrain from reacting until the other person has fully expressed his/her ideas and point of view

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

33

SELF-LEVEL TO FARM-LEVEL

- Regroup as a farm operation
- Work together to identify statements that the whole team can support
- Discuss to create united preference statements
- Record on ONE group copy

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.


 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

Overview of Slides

- Dreams vs Goals
- SMART Goals
- Interests and Motivation
- Long- then Short-Term Goals



© 2019 Regents of the University of Minnesota. All rights reserved.

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

References

- Goals for Management of Farming Operations Overview and Self-Assessment by Paul Gessaman
- Annie's Project Materials
- 7 Habits of Highly Effective People by Steven Covey and Franklin Covey

© 2019 Regents of the University of Minnesota. All rights reserved.
 The University of Minnesota is an equal opportunity educator and employer. In accordance with the Americans with Disabilities Act, this PowerPoint is available in alternative formats upon request. Direct requests to 612-624-1222.

35

GOALS FOR MANAGEMENT OF FARMING OPERATIONS OVERVIEW AND SELF-ASSESSMENT*

Paul H. Gessaman
Nebraska Extension Service
University of Nebraska-Lincoln
Lincoln, Nebraska 68583-0922

This overview, and the accompanying self-assessment, will provide you with information that can help you to be a more effective manager. Brief discussion of goals and their importance provides background for a self-assessment that will stimulate your thinking about several aspects of farming and family life. In case you are interested in being employed off the farm, or are thinking of changing work arrangements that you now have, a final series of questions will help you assess your potential for employment in occupations other than farming.

THE OVERVIEW

In the same sense as the pilot of an airplane needs to know *where* the flight is going, *how* it is to travel (what route), and *when* it is to arrive, you should know *WHERE* you are going, *HOW* you are to get there, and *WHEN* you are to arrive—information that comes directly from your goals.

If you have not identified your goals, or don't know how you are going to attain them, you are not alone. Most people hope for a better future, but few identify goals describing the future they want, and then manage for goal attainment. To help you be a better manager, self-assessment exercises in this document will help you examine the interests, motivations, abilities, and resources of persons involved in your operation – the first step in goal identification and the foundation of goal-directed management.

Goals and Management

If you and others in your family are like most persons, from time to time you may have individually and jointly pondered questions like these:

- ♦ What do I (we) really want in life?
- ♦ What can I (we) do that will be most productive and worthwhile?
- ♦ What am I (are we) really trying to achieve through my (our) use of time, effort, money, and management skills?
- ♦ When should I (we) be able to achieve these things?
- ♦ What can I (we) do when really important things conflict with one another? That is, how are inevitable conflicts among things hoped for and dreamed about to be resolved?

* Adapted from Paul H. Gessaman and Kathy Prohaska-Cue, "Goals for Family and Business Financial Management, Part I: Overview and Self-Assessment (revised July, 1985), Nebraska Cooperative Extension Service, University of Nebraska-Lincoln

These fundamental questions of life are not easily answered. They are “goal questions” concerned with your hopes, dreams, and ambitions and with the hopes, dreams, and ambitions of all other members of your family.

Goals are very personal aspects of life. While some of your goals “both family life and farming goals” may be similar to goals identified by others, most will be unique to you and your family. They will reflect your values and beliefs, the resources you have to work with, and the opportunities and limitations that you face. Through their choice of goals, individuals, families and business units identify their aspirations for the future.

If goals really are this personal, you may wonder why this approach to goal identification starts with a self-assessment. It does so because individuals and families are much more likely to attain the things they want in life if they know the nature of the interests, motivations, and desires of family members – if they understand the nature of the human resources of their production unit. As you complete the self-assessment, you will generate background that will help you make better decisions as you respond to the *what, where, when, and how* of farming and family life.

In a practical sense, goals are statements of the things that individuals and families want to attain. Choices among competing or conflicting goals are made through priority-setting decisions. Goals are attained through management in which priority goals guide day-to-day decisions. Identifying your goals provides the foundation for family and business management decisions. Goals *are* important.

It is also important to realize that goals, priorities, and management plans are not final and unchanging. When market prices change; family members marry; death claims a spouse, parent, or partner; land is gained or lost; or other changes come, you will be working under new conditions. The human, physical, and financial resource base for everything you do will be different than it was when your previous management plan was developed. Some of your original goals may now be unattainable. As new interests (new goals) emerge, priorities will change. When this happens goals are modified, priorities are revised, and plans are updated. Despite the time and effort that’s required, updating is important – it renews and improves your capability for effective management.

The Approach Used Here

Self-assessment interest and motivation questions provided below will stimulate your thinking about the aspects of the farming and family life that you enjoy (usually the things you will do well), and those you do not enjoy (and may do less well). Resources and Alternatives Questions are the final self-assessment activity. They will help each person think about possibilities for other employment as a supplement to, or as a substitute for, present employment in farming.

Insights gained from this self-assessment will help you identify goals that give you a “built-in” advantage by capitalizing on your strongest interests and motivations – usually the things you will do very well. As you identify your principal goals for business and personal life, be sure to write them down. Don’t be surprised if your list contains goals that are conflicting, as that’s the case for most people. Keep in mind that most conflicts can be reduced or avoided through priority setting.

When you have identified goals and set priorities, use your high-priority goals as guides to your management plan. A well-completed management plan will bring together your insights about the resources and potentials of family members, your hopes and dreams for the future, and the nature of your farming operation and family life situation. With a management plan that links together your high priority goals and your expected activities and enterprises during the coming year, you'll have the written background reference needed for goal-directed management of your farm operation.

Over the long run, your management plan will need amending and updating as the future unfolds. In both its original and amended forms, it will provide an overall design for your family and business financial management activities

THE SELF-ASSESSMENT

Recognizing that farming and family life interact constantly, self-assessment questions focus on the motivations, interests, abilities, skills, and satisfactions of each person involved in farming and family life activities. When completing the self-assessment, the answers of each person are recorded without discussing either the questions or answers with others. *Be honest with yourself.* There are no "right" or "wrong" answers. Remember, only your objective answers are adequate as the foundation for more effective management of farming and family life.

After each person has completed answering the self-assessment questions, family members and/or business associates can share and discuss their answers with each other. In the discussion:

- ♦ Be candid, open, and honest with one another;
- ♦ Resist the temptation to make value judgments about each others' statements;
- ♦ Don't react until the other person has fully expressed his/her ideas and point of view.

During your discussion, use the record copy of this document to record the range of responses to questions. Where disagreement occurs, discuss the differences and make note of the various perspectives so you have a more complete inventory of the interests, abilities, and skills available within the family and/or business operation. Information and insights gained through the self-assessment questions will provide you with background information that will help you identify your goals.

Keep in mind that the self-assessment *is not* intended to tell you that you should or should not continue your present farming operation. It will help identify interests, motivations, skills, and abilities and improve your knowledge of the potential contributions of the persons involved in your farming operation.

SELF-ASSESSMENT INTEREST AND MOTIVATION QUESTIONS

These questions will help you identify your interests and sources of satisfaction and motivation in farming and in family life. After you have completed these questions and the related summary statements, a second group of questions will help you inventory knowledge, experience, and skill resources that can be important if you are thinking about part-time or full-time employment outside your farming operation.

If you have a spouse, other family member, or business associate who also is participating, ***answer these interest and motivation questions without discussing the questions or answers with he/she/them.*** You will share responses to the questions and discuss their meanings later in the workshop.

Be as accurate and objective as possible in answering these questions. As best you can, ignore any present worries and concerns. Focus in on the "real you." Respond with the plain, unvarnished truth. You need facts upon which to base your goal identification activities.

Answer all questions that are pertinent to your life. ***Skip any question that doesn't apply to you.*** In answering the questions, circle the answers that most closely describe your response to the question. Here is the meaning of the answers:

SA = strongly agree
A = agree
U = undecided
D = disagree
SD = strongly disagree

- | | | | | | |
|---|----|---|---|---|----|
| 1. I'm glad to be living/working on a farm. | SA | A | U | D | SD |
| 2. On most days, I look forward to doing whatever work needs to be done that day. | SA | A | U | D | SD |
| 3. I'm satisfied with farming as my life work. | SA | A | U | D | SD |
| 4. I enjoy farming for the variety of challenges it presents. | SA | A | U | D | SD |
| 5. I think that farming is the best occupation for me. | SA | A | U | D | SD |
| 6. I think that being on a farm is the best situation we could have even if our income may be less than it would be if I (we) worked elsewhere. | SA | A | U | D | SD |

- | | | | | | |
|---|----|---|---|---|----|
| 7. I like our home and our style of living. | SA | A | U | D | SD |
| 8. It's important to me that our entire family work together in farming activities. | SA | A | U | D | SD |
| 9. During busy seasons, farm work comes before family and/or church responsibilities. | SA | A | U | D | SD |
| 10. It's not unusual for me to stop work so I can take family members to their high priority activities. | SA | A | U | D | SD |
| 11. When money is scarce, basic family needs for food, clothing, shelter, and healthcare must be met. Then, farm operations should get all remaining funds. | SA | A | U | D | SD |
| 12. If I have to make a choice between spending on education for family members or spending on farm expenses/machinery, I'll usually spend for farm purposes. | SA | A | U | D | SD |

- | | | | | | |
|---|----|---|---|---|----|
| 13. I like to raise and/or care for livestock. | SA | A | U | D | SD |
| 14. I like to raise fruit and/or vegetables. | SA | A | U | D | SD |
| 15. I like to raise and harvest grain and forages. | SA | A | U | D | SD |
| 16. I like to keep my machinery, equipment, and vehicles in good shape and well-maintained. | SA | A | U | D | SD |
| 17. I like to keep the buildings and farm headquarters neat and well maintained | SA | A | U | D | SD |

- | | | | | | |
|--|----|---|---|---|----|
| 18. I enjoy the office work required in farming (keeping records, paying bills, etc.). | SA | A | U | D | SD |
| 19. I like to buy and sell livestock (livestock products). | SA | A | U | D | SD |
| 20. I like to buy and sell fruit, grains, and forages. | SA | A | U | D | SD |

- | | | | | | | |
|-----|--|----|---|---|---|----|
| 21. | I enjoy trying to keep costs down when purchasing supplies, small equipment, and other inputs. | SA | A | U | D | SD |
| 22. | I enjoy the business dealings such as buying and selling vehicles or equipment and negotiating with lenders and dealers. | SA | A | U | D | SD |
| 23. | I enjoy looking ahead and planning for long-range management decisions. | SA | A | U | D | SD |

- | | | | | | | |
|-----|--|----|---|---|---|----|
| 24. | Compared to others, I think I get better deals and/or higher levels of production from livestock | SA | A | U | D | SD |
| 25. | Compared to others with similar operations, I think my net income usually is greater. | SA | A | U | D | SD |
| 26. | Compared to others with similar operations, my debt level is less. | SA | A | U | D | SD |
| 27. | Compared with others in the community, I work more and manage better. | SA | A | U | D | SD |
| 28. | Compared with others in the community, I do better in managing employees. | SA | A | U | D | SD |

- | | | | | | | |
|-----|---|----|---|---|---|----|
| 29. | I could enjoy working in an occupation other than farming. | SA | A | U | D | SD |
| 30. | I could enjoy working on a farm operated by someone other than myself. | SA | A | U | D | SD |
| 31. | Having at least one family member working off the farm would be a good idea in our family. | SA | A | U | D | SD |
| 32. | I would encourage my spouse to be employed off the farm if he/she wanted to do so. | SA | A | U | D | SD |
| 33. | I would encourage my spouse to be employed off the farm only if we had to have more income. | SA | A | U | D | SD |

- | | | | | | | |
|-----|--|----|---|---|---|----|
| 34. | Before making financial management decisions, I prefer to discuss related issues with family members and/or business associates. | SA | A | U | D | SD |
| 35. | I enjoy developing a step-by-step plan for responding to our farm and home financial management needs. | SA | A | U | D | SD |
| 36. | I am involved with my spouse and/or other family members in planning for retirement. | SA | A | U | D | SD |
| 37. | I am comfortable with our level of communication on family and farming financial issues. | SA | A | U | D | SD |
| 38. | I find it relatively easy to work within our plans for spending, borrowing, and debt repayment. | SA | A | U | D | SD |

- | | | | | | | |
|-----|--|----|---|---|---|----|
| 39. | I am satisfied with educational opportunities now available to the persons in our household. | SA | A | U | D | SD |
| 40. | I am satisfied with my level of involvement in community activities and organizations. | SA | A | U | D | SD |
| 41. | I am satisfied with my level of contact and interaction with friends and family members who do not live with me. | SA | A | U | D | SD |
| 42. | I am satisfied with my opportunities for work, recreation, self-improvement, and service to others. | SA | A | U | D | SD |
| 43. | I am satisfied to live with the level of claims on time and energy that I've had in recent years. | SA | A | U | D | SD |

- | | | | | | | |
|-----|---|----|---|---|---|----|
| 44. | I enjoy the office work needed to keep our household operating in good shape throughout the year (keeping records, paying bills, etc.). | SA | A | U | D | SD |
| 45. | I enjoy keeping costs down when shopping for food, clothing, supplies, appliances, and household items. | SA | A | U | D | SD |
| 46. | I find it satisfying to do the cooking, cleaning, and managing of time and effort required when running a household. | SA | A | U | D | SD |
| 47. | Farm work is so important that I don't mind changing my daily activity plans to ensure that the needed work is done on time. | SA | A | U | D | SD |
| 48. | I enjoy being the farm "go-fer" during busy seasons so our farm operations can smoothly continue. | SA | A | U | D | SD |
| 49. | I enjoy receiving assistance with household activities and responsibilities during the less busy seasons of the year. | SA | A | U | D | SD |

In the next part of this self-assessment, you can develop written statements to summarize your thinking about nine aspects of your farming and family life experiences. In developing these statements, you will draw on insights evident in your responses to these 49 questions.

INTEREST AND PREFERENCE STATEMENTS

In this part of your self-assessment, you will develop a series of nine statements about your farming interests and preferences. Your statements should reflect meanings drawn from responses to the 49 self-assessment questions plus insights from your sharing and discussion. Writing the statements will be easier if you consider the questions and responses in groups as indicated by the list of asterisks. Be sure to follow the discussion rules:

- ♦ Be candid, open, and honest with one another;
- ♦ Resist the temptation to make value judgments about each other's statements;
- ♦ Refrain from reacting until the other person has fully expressed his/her ideas and point of view.

When all the responses have been shared and discussed, write down the most important insights. Remember, each statement should **express in your own words** the interests and preferences of all persons involved in the farming operation. Be sure to record the range of interests and motivations identified by family members and all others involved in farm operations.

Write your statement for each of the nine question clusters set off by the lines of asterisks. Examples are provided for statements one and two to help you visualize the intended results.

Statement One -- Questions 1 through 6 focus on your feelings and reactions to being involved in farming. Discuss your responses to these six questions with others from your farm. Read the example. Write two or three sentences to sum up farm-related interests and motivations of those involved in your operation.

An Example Statement: We both enjoy farming and generally look forward to our work. Despite current conditions, we are satisfied with what we are doing and want to continue.

Statement Two -- Questions 7 through 12 address your feelings and beliefs about your home, the importance of farm work compared to family life activities, and use of money for farm and family purposes. Discuss individual responses to these questions, then sum them up in two or three sentences here.

An Example Statement: We like to live and work together on our farm. When time or money is scarce, we will take care of necessities, then commit all other effort and money to the farm.

Statement Three -- Questions 13 through 17 focus on the types of work that you enjoy (or, do not enjoy). Identify aspects of farming in which persons in your operation have a "built-in advantage" because of their interests. Overall, what can you do *together* if each specializes in doing the things that he or she does well? Sum up your insights in two or three sentences here.

Statement Four -- Questions 18 through 23 ask for your reactions to some important management activities. In the same manner as previously, what management activities will be done well if each person does the things that he or she is interested in and able to do? Put your summary here.

Statement Five -- Questions 24 through 28 ask you to make comparison between the results of your farming operations and the results achieved by others with comparable units. Be as objective as possible in summarizing responses to these questions.

Statement Six -- Questions 29 through 33 address your interest in working for someone else. This employment could be a means of gaining more income while continuing your present operation, or it could be replacement employment in the event you decide not to continue in farming. Be sure to reflect the interests and preferences of all persons involved in your farming operation and summarize them here.

Statement Seven -- Questions 34 through 38 are intended to generate insights indicating your approach to financial decision-making, and the style or approach you use in involving family members in financial decisions. Summarize the insights here.

Statement Eight -- Questions 39 through 43 focus on your satisfaction with the farming way of life, and available opportunities for social contacts and self-improvement. Sum up your insights by writing a few sentences here.

Statement Nine -- Questions 44 through 49 ask for your reactions to some important household management activities. What can be done well if each person does the things that he or she is interested in and able to do? Put your summary here.

These nine statements provide you with background information for use when you identify goals and set priorities for the future management of your farming operation. If completing these statements has caused you to become aware of other important ideas related to the operation of your farm or your family life, write those additional insights here.

INTEREST AND PREFERENCE STATEMENTS RECORD COPY

As a farm management team, discuss the self assessment questions and interest and preference statements of all individuals involved in the operation. Arrive at a set of statements that the whole team can support. Be sure to follow the discussion rules:

- ♦ Be candid, open, and honest with one another;
- ♦ Resist the temptation to make value judgments about each other's statements;
- ♦ Refrain from reacting until the other person has fully expressed his/her ideas and point of view.

When all the responses have been shared and discussed, write down the most important insights. Remember, each statement should **express in your own words** the interests and preferences of all persons involved in the farming operation.

Statement One -- Questions 1 through 6 focus on your feelings and reactions to being involved in farming. Discuss your responses to these six questions with others from your farm. Read the example. Write two or three sentences to sum up farm-related interests and motivations of those involved in your operation.

An Example Statement: We both enjoy farming and generally look forward to our work. Despite current conditions, we are satisfied with what we are doing and want to continue.

Statement Two -- Questions 7 through 12 address your feelings and beliefs about your home, the importance of farm work compared to family life activities, and use of money for farm and family purposes. Discuss individual responses to these questions, then sum them up in two or three sentences here.

An Example Statement: We like to live and work together on our farm. When time or money is scarce, we will take care of necessities, then commit all other effort and money to the farm.

Statement Three -- Questions 13 through 17 focus on the types of work that you enjoy (or, do not enjoy). Identify aspects of farming in which persons in your operation have a "built-in advantage" because of their interests. Overall, what can you do *together* if each specializes in doing the things that he or she does well? Sum up your insights in two or three sentences here.

Statement Four -- Questions 18 through 23 ask for your reactions to some important management activities. In the same manner as previously, what management activities will be done well if each person does the things that he or she is interested in and able to do? Put your summary here.

Statement Five -- Questions 24 through 28 ask you to make comparison between the results of your farming operations and the results achieved by others with comparable units. Be as objective as possible in summarizing responses to these questions.

Statement Six -- Questions 29 through 33 address your interest in working for someone else. This employment could be a means of gaining more income while continuing your present operation, or it could be replacement employment in the event you decide not to continue in farming. Be sure to reflect the interests and preferences of all persons involved in your farming operation and summarize them here.

Statement Seven -- Questions 34 through 38 are intended to generate insights indicating your approach to financial decision-making, and the style or approach you use in involving family members in financial decisions. Summarize the insights here.

Statement Eight -- Questions 39 through 43 focus on your satisfaction with the farming way of life, and available opportunities for social contacts and self-improvement. Sum up your insights by writing a few sentences here.

Statement Nine -- Questions 44 through 49 ask for your reactions to some important household management activities. What can be done well if each person does the things that he or she is interested in and able to do? Put your summary here.

These nine statements provide you with background information for use when you identify goals and set priorities for the future management of your farming operation. If completing these statements has caused you to become aware of other important ideas related to the operation of your farm or your family life, write those additional insights here.

LONG-TERM GOALS
FOR YOUR FAMILY LIVING & FARMING OPERATIONS

Each person should initially complete this section without discussing it with his/her spouse, other family members, or business associates. Refer back to the insights gained from completing the self-assessment document when writing your goal statement. Select goals that will use the interests, motivations, and abilities of those who work and manage the farm.

Over the next five to ten (or more years), what do you think will be the most important long-term goal for your farming operation?

In that same period, what will be your second most important long-term goal for your farming operation?

Over the next five to ten (or more) years, what do you think will be your most important long-term goal for family living?

In that same period, what is your second most important goal for family living during the next five to ten years?

Several goals that often are identified as important to family living and farming operation goals are listed below. (Some may be virtually the same as the ones you have written out above.) Place a checkmark to the **right** of each one that you feel is important with respect to your own farming operation, and **is not** a goal that you wrote down above (on some you will need to fill in a blank). Add other important goals on the line at the end of this listing:

_____ To pass on the farm as an operating unit that can be retained and operated by the next generation. _____

_____ To maintain a level of living similar to that achieved by friends who live in towns. _____

_____ To reduce farm debt so that only minor borrowing for operating capital is required in a typical year. _____

_____ To reduce outstanding consumer debt to _____ percent of its present level. _____

_____ To support family members in continuing education opportunities or degree programs in colleges by providing _____% of tuition/financial support. _____

_____ To provide consistent donations of money, goods, or time and effort in support of our church or other organization(s). _____

_____ To expand farm revenue by adding a _____ enterprise. _____

_____ To shift _____ acres from non-irrigated (or non-tiled) to irrigated (or tiled) crop production, thus ensuring more consistent production. _____

_____ To phase out production of _____ and substitute production of _____.

_____ To take at least one vacation per year where we can enjoy ourselves for a period of _____.

_____ To buy a new automobile (or a good used automobile) every _____ years. _____

_____ To provide _____ retirement (or off-farm) income starting in _____.

_____ To improve the energy efficiency of our home by adding insulation, weatherstripping, or a better heating system. _____

Now go back over all the long-term goals for family living and farming that you have identified thus far -- the ones you wrote down **and** ones you marked with a check at the right side of the goal statement. In the blanks next to the left margin, assign to each a ranking number that reflects your view of the importance and/or urgency of each. Put the number "1" beside the one that you think is the most important or urgent, the number "2" beside the next most important, and so forth.

After each person has completed and ranked his/her long-term goal statements, family members and/or business associates can share, compare, and discuss them within the family and business unit. In the discussion:

- ♦ Be candid and open and honest with one another;
- ♦ Resist the temptation to make value judgments about each other's statements;
- ♦ Don't react until the other person has fully expressed his/her ideas and point of view.

Use the record copy on which you enter your family's shared goal statements. Be sure to indicate on the record copy that it is the result of discussions among the persons involved in your farming operation.

When that is done, go on to identify your short-term family living and farming goals.

RECORD COPY-LONG-TERM GOALS

FOR YOUR FAMILY LIVING & FARMING OPERATIONS

Each person should initially complete this section without discussing it with his/her spouse, other family members, or business associates. Refer back to the insights gained from completing the self-assessment document when writing your goal statement. Select goals that will use the interests, motivations, and abilities of those who work and manage the farm.

Over the next five to ten (or more years), what do you think will be the most important long-term goal for your farming operation?

In that same period, what will be your second most important long-term goal for your farming operation?

Over the next five to ten (or more) years, what do you think will be your most important long-term goal for family living?

In that same period, what is your second most important goal for family living during the next five to ten years?

Several goals that often are identified as important to family living and farming operation goals are listed below. (Some may be virtually the same as the ones you have written out above.) Place a checkmark to the **right** of each one that you feel is important with respect to your own farming operation, and **is not** a goal that you wrote down above (on some you will need to fill in a blank). Add other important goals on the line at the end of this listing:

_____ To pass on the farm as an operating unit that can be retained and operated by the next generation. _____

_____ To maintain a level of living similar to that achieved by friends who live in towns. _____

_____ To reduce farm debt so that only minor borrowing for operating capital is required in a typical year. _____

_____ To reduce outstanding consumer debt to _____ percent of its present level. _____

_____ To support family members in continuing education opportunities or degree programs in colleges by providing _____% of tuition/financial support. _____

_____ To provide consistent donations of money, goods, or time and effort in support of our church or other organization(s). _____

_____ To expand farm revenue by adding a _____ enterprise. _____

_____ To shift _____ acres from non-irrigated (or non-tiled) to irrigated (or tiled) crop production, thus ensuring more consistent production. _____

_____ To phase out production of _____ and substitute production of _____.

_____ To take at least one vacation per year where we can enjoy ourselves for a period of _____.

_____ To buy a new automobile (or a good used automobile) every _____ years. _____

_____ To provide _____ retirement (or off-farm) income starting in _____.

_____ To improve the energy efficiency of our home by adding insulation, weatherstripping, or a better heating system. _____

Now go back over all the long-term goals for family living and farming that you have identified thus far -- the ones you wrote down **and** ones you marked with a check at the right side of the goal statement. In the blanks next to the left margin, assign to each a ranking number that reflects your view of the importance and/or urgency of each. Put the number "1" beside the one that you think is the most important or urgent, the number "2" beside the next most important, and so forth.

After each person has completed and ranked his/her long-term goal statements, family members and/or business associates can share, compare, and discuss them within the family and business unit. In the discussion:

- ♦ Be candid and open and honest with one another;
- ♦ Resist the temptation to make value judgments about each other's statements;
- ♦ Don't react until the other person has fully expressed his/her ideas and point of view.

Use the record copy on which you enter your family's shared goal statements. Be sure to indicate on the record copy that it is the result of discussions among the persons involved in your farming operation.

When that is done, go on to identify your short-term family living and farming goals.

SHORT-TERM GOALS FOR FAMILY LIVING & FARMING OPERATIONS

The goals that you hope to achieve within the next 1 to 2 years are commonly called "short-term goals." Short-term goals contain a measurable element that you can use to determine whether you have achieved what you hope to do (attain the goal). For example, a short-term goal could be, "reduce debt by \$10,000 this year." When you complete your balance sheet at the end of the year, you will be able to compare your total liabilities at the start of the year with those on the new balance sheet and know if you succeeded in attaining your goal.

As you did before, start this goal identification process by working individually. As soon as each of you has completed it, discuss your goal statements with your spouse and/or business associate and enter the resulting version of goals and rankings on your record copy of this document.

Over the next one/two years, what is your most important short-term goal for the farming operation?

In that same period, what is your next most important short-term goal for the farming operation?

In the next one/two years, what is your most important short-term goal for family living?

In that same period, what is your next most important short-term goal for family living?

Example statements that may be important short-term family living or farming goals are listed below. Place a checkmark to the **right** of each one that you feel is important for you and is not one that you already have written down. Add other important goals on the lines at the end of this listing:

_____ To own at least _____ acres and rent at least _____ acres of land during the next crop year. _____

_____ To reduce family consumption expense by at least \$ _____ per year in the next two years. _____

_____ To reduce operating debt by at least \$ _____ per year in each of the next two years. _____

_____ To have at least _____ head of cows milking, _____ head breeding sows, _____ head of feedlot cattle, and/or _____ head finishing hogs per year by _____ years from now. _____

_____ To put _____ acres under _____ (e.g. tile or irrigation) within two years. _____

_____ To transfer _____ management (or ownership) task(s) to _____ within two years. _____

_____ To provide _____ person(s) with full-time farm-related employment within the next two years. _____

_____ To improve farm efficiency, upgrade _____ (equipment or software, etc.) within the next year. _____

_____ To increase next year's net farm income by \$ _____. _____

_____ To ensure that every family member has a "personal allowance" (a specified amount of money for each time period), none of which needs to be accounted for to anyone else. _____

_____ To provide a means of handling non-business, irregular, and emergency expenses such as maintenance items, repairs, payments of losses not covered by insurance, memberships in organizations, gifts, clothing, etc. _____

_____ To become involved in at least one significant community activity that is important to my (our family's) goals, health, values, or well-being. _____

_____ _____

_____ _____

_____ _____

Now go back over your list of short-term goals as you've identified them on this page -- the ones you wrote down and ones you marked with a check at the right side of a printed goal statement. Assign rankings to them by putting numbers in the blanks in the left margin. Put the number "1" beside the one that you think is most important or urgent, the number "2" beside the next most important or urgent, and so forth.

After each person has completed and ranked his/her short-term goal statements, family members and/or business associates can share, compare, and discuss them within the family and business unit. In the discussion:

- ♦ Be candid and open and honest with one another;
- ♦ Resist the temptation to make value judgments about each others' statements;
- ♦ Don't react until the other person has fully expressed his/her ideas and point of view.

Use the record copy on which you enter the goal statements and rankings that you think most suitable for your family living and farming operations. Be sure to indicate on the record copy that it is the result of discussions among the persons involved in your farming operation.

It's important that you do both family living and farming goals. Your farming goals do not stand alone. They generally will be linked to goals for family life through competing claims on your time, effort, money, and management skills. Thus, priorities and decisions reflected in your family and business financial management plan need to recognize your goals for family life and your goals for farming operations.

**RECORD COPY - SHORT-TERM GOALS
FOR FAMILY LIVING & FARMING OPERATIONS**

The goals that you hope to achieve within the next 1 to 2 years are commonly called "short-term goals." Short-term goals contain a measurable element that you can use to determine whether you have achieved what you hope to do (attain the goal). For example, a short-term goal could be, "reduce debt by \$10,000 this year." When you complete your balance sheet at the end of the year, you will be able to compare your total liabilities at the start of the year with those on the new balance sheet and know if you succeeded in attaining your goal.

As you did before, start this goal identification process by working individually. As soon as each of you has completed it, discuss your goal statements with your spouse and/or business associate and enter the resulting version of goals and rankings on your record copy of this document.

Over the next one/two years, what is your most important short-term goal for the farming operation?

In that same period, what is your next most important short-term goal for the farming operation?

In the next one/two years, what is your most important short-term goal for family living?

In that same period, what is your next most important short-term goal for family living?

Example statements that may be important short-term family living or farming goals are listed below. Place a checkmark to the **right** of each one that you feel is important for you and is not one that you already have written down. Add other important goals on the lines at the end of this listing:

_____ To own at least _____ acres and rent at least _____ acres of land during the next crop year. _____

_____ To reduce family consumption expense by at least \$ _____ per year in the next two years. _____

_____ To reduce operating debt by at least \$ _____ per year in each of the next two years. _____

_____ To have at least _____ head of cows milking, _____ head breeding sows, _____ head of feedlot cattle, and/or _____ head finishing hogs per year by _____ years from now. _____

_____ To put _____ acres under _____ (e.g. tile or irrigation) within two years. _____

_____ To transfer _____ management (or ownership) task(s) to _____ within two years. _____

_____ To provide _____ person(s) with full-time farm-related employment within the next two years. _____

_____ To improve farm efficiency, upgrade _____ (equipment or software, etc.) within the next year. _____

_____ To increase next year's net farm income by \$ _____. _____

_____ To ensure that every family member has a "personal allowance" (a specified amount of money for each time period), none of which needs to be accounted for to anyone else. _____

_____ To provide a means of handling non-business, irregular, and emergency expenses such as maintenance items, repairs, payments of losses not covered by insurance, memberships in organizations, gifts, clothing, etc. _____

_____ To become involved in at least one significant community activity that is important to my (our family's) goals, health, values, or well-being. _____

_____ _____

_____ _____

_____ _____

Now go back over your list of short-term goals as you've identified them on this page -- the ones you wrote down and ones you marked with a check at the right side of a printed goal statement. Assign rankings to them by putting numbers in the blanks in the left margin. Put the number "1" beside the one that you think is most important or urgent, the number "2" beside the next most important or urgent, and so forth.

After each person has completed and ranked his/her short-term goal statements, family members and/or business associates can share, compare, and discuss them within the family and business unit. In the discussion:

- ♦ Be candid and open and honest with one another;
- ♦ Resist the temptation to make value judgments about each others' statements;
- ♦ Don't react until the other person has fully expressed his/her ideas and point of view.

Use the record copy on which you enter the goal statements and rankings that you think most suitable for your family living and farming operations. Be sure to indicate on the record copy that it is the result of discussions among the persons involved in your farming operation.

It's important that you do both family living and farming goals. Your farming goals do not stand alone. They generally will be linked to goals for family life through competing claims on your time, effort, money, and management skills. Thus, priorities and decisions reflected in your family and business financial management plan need to recognize your goals for family life and your goals for farming operations.

TAB

COMMUNICATION

UNIVERSITY OF MINNESOTA EXTENSION

FAMILY COMMUNICATION

AND ITS ROLE IN SUCCESSFUL FARM TRANSITIONS

© 2019 Regents of the University of Minnesota. All rights reserved.
1

UNIVERSITY OF MINNESOTA EXTENSION

Overview of Slides

- Golden Rule
- Contribution Vs Compensation
- Communication of Fair Vs Equal
- Someday Sue Activity

© 2019 Regents of the University of Minnesota. All rights reserved.
2

UNIVERSITY OF MINNESOTA EXTENSION

Fair Versus Equal

HOW DO WE DECIDE EQUITY AMONG HEIRS AND COMMUNICATE IT EFFECTIVELY?

© 2019 Regents of the University of Minnesota. All rights reserved.
3



UNIVERSITY OF MINNESOTA EXTENSION

KEY CONCEPT

Golden Rule

The person with the gold gets to make the rules

© 2019 Regents of the University of Minnesota. All rights reserved.
5

UNIVERSITY OF MINNESOTA EXTENSION

CONTRIBUTION VS COMPENSATION

Ma & Pa have three children, Farmer Jr., Middle and Special. They are great kids, now young adults.

Ma & Pa
KETTLE
FARM
1990
Worth
\$300,000

(K Farm)

Ma & Pa
KETTLE FARM
2018
Worth \$3,300,000

© 2019 Regents of the University of Minnesota. All rights reserved.
6

7

CONTRIBUTION VS COMPENSATION

Everyone get's an equal share of the farm.
That is fair. Right?

(K Farm)
2018 Worth
\$3,300,000
"3 KIDS"

Farmer K
\$1,100,000

Middle K
\$1,100,000

Special K
\$1,100,000

UNIVERSITY OF MINNESOTA EXTENSION

AgCenteric

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

8

CONTRIBUTION VS COMPENSATION

Ma & Pa helped Special and Middle through college and expenses to get established. Farmer has earned a minimal wage for his contribution to the farm for the past 28 years. The farm has gained in market value and has experienced growth due to Farmer's contributions to the operation. Ma and Pa agree that had it not been for Farmer returning to the farm, they likely would have sold the farm 28 years ago – thus missing the growth that the farm has experienced. Ma and Pa believe that Farmer has made a significant contribution to their estate. Should each child be treated equally? What is fair?

(K Farm)
2018 Worth
\$3,300,000
"3 KIDS"

UNIVERSITY OF MINNESOTA EXTENSION

AgCenteric

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

9

CONTRIBUTION VS COMPENSATION

*1990 estate was \$300,000/3kids = \$100,000 each kid
*Farmer Jr is a 50/50 partner with Ma & Pa since 1990
*\$3,000,000 is \$1,500,000 to Farmer and \$1,500,000 to Ma & Pa

Partner's share = \$100,000 from 1990
\$1,500,000 partner (growth and contribution)
\$500,000 Ma & Pa Kettle estate

(K Farm)
2018 Worth
\$3,300,000
"3 KIDS"

Farmer receives \$2,100,000 total as a Partner
Special receives \$600,000 of Ma & Pa Kettle estate
Middle receives \$600,000 of Ma & Pa Kettle estate

UNIVERSITY OF MINNESOTA EXTENSION

AgCenteric

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

10

CONTRIBUTION VS COMPENSATION

Each heir is not treated equally, but perhaps this is fair based on Farmer K's contribution to Ma & Pa's farming operation? You decide.
Remember, Ma & Pa want the farm to continue!

(K Farm)
2018 Worth
\$3,300,000
"3 KIDS"

Farmer K
\$2,100,000

Middle K
\$600,000

Special K
\$600,000

UNIVERSITY OF MINNESOTA EXTENSION

AgCenteric

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

11

KEY CONCEPT

Golden Rule

Was this Equal? Fair?
Are your rules fair?

UNIVERSITY OF MINNESOTA EXTENSION

AgCenteric

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

12

Sometimes the Most Unfair Thing You Can Do is to Treat All Your Heirs Equally

UNIVERSITY OF MINNESOTA EXTENSION

AgCenteric

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

COMMUNICATION OF FAIR VS EQUAL

Focus on the goals you want to accomplish and then....

- Communicate with spouse & farm members
- Communicate with professional team members
- Communicate with non-farm family members

COMMUNICATION OF FAIR VS EQUAL

It can be really difficult to communicate with family members

- Reach a decision that you are confident with and can explain
- Arrange a suitable time to invite family members to a business meeting, preferably not a holiday or family celebration
- Listen to concerns, give everything time
- Take notes, provide minutes of meeting



SOMEDAY SUE

- Read the scenario
- Answer the questions at the end
- Discuss with your group
- Group consensus is not required 😊

SOMEDAY SUE


- Report back by groups on questions one to three.





SOMEDAY SUE


- What does this scenario tell us about family communications in the farm transition process?



 UNIVERSITY OF MINNESOTA EXTENSION

  MINNESOTA STATE

Review and
Prepare for
Tomorrow.



© 2019 Regents of the University of Minnesota. All rights reserved.
The University of Minnesota is an equal opportunity educator and employer. In accordance with the Americans with Disabilities Act, this PowerPoint is available in alternative formats upon request. Direct requests to 612-624-1222.

19

“Someday, Sue, this will all be yours...”

This activity has been modified from the original version “Some Day Son – Jimmy” from University of Nebraska Extension Specialist Dave Goeller. Some may remember the 1969 hit song “A Boy Named Sue” by singer Johnny Cash. In 1969, most thought of the farm successor as male. Just like the name Sue - the next generation of farmers is likely to be of either gender. Sue can be thought of as a she or he throughout this document.

Sue Dean is 38 years old, the youngest of the Dean Family. (S)he has been farming with his parents, Bob and Billie Jean Dean, since (s)he graduated from college at age 21. Sue’s two older siblings, Franklin Dean (43) and Mary Beth (Dean) Green (46), have both established their careers off of the farm. Franklin operates the local grocery store, and Mary Beth and her husband both work in a manufacturing plant in a neighboring state. Financially, Franklin has done modestly well with his store. While not financially stressed, Mary Beth has not managed to accumulate significant net worth. On the other hand Sue Dean has a very comfortable financial status.



Bob and Billie Jean feel strongly that the family’s farm operation should be kept in their family. They were very excited that Sue showed an interest in farming after college and have been generous in helping her get on her feet. For the first several years, Sue rented one quarter of her parents’ ground at below market rental rates. Sue was also able to use her parents’ hog finishing building and equipment without paying her parents building rent.

When equipment started to wear out, Sue replaced it, and now most of the machinery and equipment is in Sue’s name. At the same time, Bob and Billie Jean started phasing out their direct involvement in the operation. Four years ago, they sold three quarters of crop ground, the bulk of the farm, to Sue at 85% of appraised value on a 20 year land contract at a 5.5% rate of interest.

Over the years, Franklin and Mary Beth have neither requested nor received much assistance. Their knowledge of Sue's business situation has been obtained primarily through offhand conversations and observation. They know that their parents have tried to help out Sue as much as they could and generally haven't had any problems with that. While they knew that Sue bought the farm from their folks, they didn't know how reasonably until just recently.

Bob and Billie Jean, at age 69, now have a fairly comfortable retirement. They still live on the home farmstead. With social security income, interest from CDs, and the land contract payment, they have plenty of cash to live on. At a recent family gathering, the family discussed Bob and Billie Jean's will. It called for an equal division of the Dean's estate between Mary Beth, Franklin and Sue. Speaking for Franklin and herself, Mary Beth brought up the fact that Bob and Billie Jean had treated Sue very generously already. While it would be difficult to estimate the value of what Sue had received, she contended that in essence, a significant part of the estate had already been transferred to Sue.

Bob and Billie Jean were surprised that their two off-farm children felt this way. Bob asserted that it was their money and they didn't have to leave it to anybody if they didn't want to. Sue felt that Franklin and Mary Beth were jealous of his success and wanted a bigger piece of the pie to make up for their own lack of financial success. Franklin was surprised by the family's strong reaction to their assertion, and Mary Beth is furious that Bob, Billie Jean and Sue won't see their point of view.

Please discuss the following questions. It is not necessary to reach a group consensus.

1. Do you think Bob and Billy Jean are treating their children equitably? Why or why not?
2. What should Franklin and Mary Beth know about the business relationship between Sue and his/her parents?
3. Could the Dean family have better dealt with this issue? How?
4. What does this scenario tell us about family communication in the farm transition process?

This case study activity is reserved for use at this Minnesota State College and University and University of Minnesota Extension workshop. Do not use or share without permission.



FARM BUSINESS MANAGEMENT "Serving farmers since 1951"



MINNESOTA STATE
Agriculture Centers of Excellence

TAB

BUSINESS STRUCTURE

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

Business Structures

AND ITS ROLE IN THE FARM TRANSFER (AND GOAL SETTING) PROCESS



© 2019 Regents of the University of Minnesota. All rights reserved.

1

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

Overview of Slides

No Formalized Structure

Partnerships

LLCs and Corporations

Farmland Ownership Options

© 2019 Regents of the University of Minnesota. All rights reserved.

2

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

Not all of these options apply to your farm transfer situation.

ASK YOURSELF: WHAT ARE YOUR FARM GOALS AND CAN BUSINESS STRUCTURE(S) BE USED TO ACCOMPLISH THOSE GOALS?

© 2019 Regents of the University of Minnesota. All rights reserved.

3

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

Sole Proprietorships

MULTIPLE TRANSFER STRATEGIES

© 2019 Regents of the University of Minnesota. All rights reserved.

4

5

SOLE PROPRIETORSHIPS

- Farming together
 - Hire younger generation for a wage
 - Tests retiring generation's willingness to "let go"
 - Tests younger generation's commitment

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

6

SOLE PROPRIETORSHIPS*

- Farming together but apart
 - Share machinery and labor
 - Swap labor for machinery use
 - No formal business entities

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

SOLE PROPRIETORSHIPS*

- Multi-Owner Farming/Joint Venture
 - Mixed ownership of assets
 - No formal business entity

*LIABILITY CONCERNS



PARTNERSHIPS

- General Partnership
- Limited Liability Partnerships

GENERAL PARTNERSHIP

- Two or more persons involved
- All partners generally liable for debts & obligations of the partnership - personal & partnership assets.
- Partnership agreement
 - MN state law does not require it, but we suggest it
 - Register name, if needed

LIMITED LIABILITY PARTNERSHIP

- Two or more persons involved
- General partners are liable only to extent in partnership
- No limited partners
- Required registration with secretary of state

LIMITED PARTNERSHIP

- Two or more persons involved
- General partners are liable only to extent in partnership
- Limited partners have limited business liabilities
- Required registration with secretary of state
- Required registration with Minnesota Department of Ag

LIMITED LIABILITY LIMITED PARTNERSHIP

- Two or more persons involved
- General partners are liable only to extent in partnership
- Limited and general partners have business and personal liability protections
- Required registration with secretary of state
- Required registration with Minnesota Department of Ag

UNIVERSITY OF MINNESOTA EXTENSION



MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

Copyright 2002 by Randy Glasbergen.
www.glasbergen.com



**"We're a Limited Partnership.
We're limited by Allen's pessimism,
Elizabeth's abrasive personality, and
Dave's refusal to work weekends."**

LIMITED LIABILITY COMPANY

- One or more persons involved
- Can function with partnership or pass-through corporation taxation
- Has liability protections similar to a corporation
- Required registration with MN Secretary of State
- Required registration with MN Department of Ag

UNIVERSITY OF MINNESOTA EXTENSION



MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

CORPORATION

- Separate, distinct entity from individuals
- Types include S and C
 - S Corp can elect to be taxed as a pass through entity
 - C Corp are taxed as an entity and at the individual level
- Operating assets can go into corporation
- Recommended not to put land in corporation
- Getting in is a tax free event, getting out is not

UNIVERSITY OF MINNESOTA EXTENSION



MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

CORPORATION

- Offers continuation & longevity to the farm business through several generations – individuals can enter and leave without disruption
- Provides liability protection not available to the self-employed individual
- Provides unique operating & tax deduction alternatives
- Corp. may be able to rent land from the shareholders without SE tax (also applies to partnerships, LLC & S corp)

UNIVERSITY OF MINNESOTA EXTENSION



MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

UNIVERSITY OF MINNESOTA EXTENSION



MINNESOTA STATE
Agriculture Center of Excellence

Taxation of Business Entities

IT'S COMPLICATED...

© 2019 Regents of the University of Minnesota. All rights reserved.

18

TAXATION OF ENTITIES

- Partnerships are pass-through entities:
 - Profit/loss pass to partners based on percent of ownership and entity does not pay tax (must file IRS 1065)
 - Partners are considered self-employed = SE tax
 - LLC – can elect to be tax as pass-through or as an S corp

TAXATION OF ENTITIES

- S Corp taxed as pass through entity – more formal rules and procedures than partnership
- C Corp taxed "twice" – Income to corp. & dividend income to shareholder, plus excess retained earnings may be subject to accumulated earnings tax
- The Tax Cuts and Jobs Act of 2017 has new and important implications for farm corporations and LLCs.

DISCOUNTING ASSETS PLACED INTO ENTITY

- Can opt for market value discount of assets when placing those assets into entity
- Applies to all formal entities discussed
- Typical discount is 25-40% on assets placed into entity
- Advantage: lowers value of total estate
- Challenge: lowers basis on discounted assets
- Note: IRS has made rulings both in favor and against discounting. Your CPA and lawyer can provide insight.

ROLE OF ENTITY IN BUSINESS TRANSFER PROCESS

- Do not have to deal with specific assets
- Parents can transfer ownership over time as finances allow
- Entering generation can acquire ownership & management control over time as finances allow

POSSIBLE DISADVANTAGES HOMESTEAD CLASSIFICATION ISSUES

- Farm family members of a business entity
- Same business entity owns farm land
- Entity members must farm land on behalf of business entity or lose homestead classification, entity cannot rent the land to entity member and member then farms land outside of business entity
- See your attorney for info specific to your situation





PIERCING THE CORPORATE VEIL...



25

POSSIBLE DISADVANTAGES FARM SERVICE AGENCY (FSA) ISSUES

- If you are a member of an entity that limits your liability (LLP, LP, LLLP, LLC, or Corp.), entity is usually limited to one USDA payment limit of \$125,000
- Before you enter into a business entity, background your other business partners
 - Do they have wetland or other conservation violations, etc?

 UNIVERSITY OF MINNESOTA EXTENSION
 

 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

26

SOLE OWNERSHIP, JOINT TENANCY, AND TENANCY IN COMMON... OH MY!

 UNIVERSITY OF MINNESOTA EXTENSION
 

 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

27

PROPERTY OWNERSHIP OPTIONS

- Sole (Individual) Ownership
- Joint Ownership:
 - Tenancy in Common
 - Joint Tenancy
 - Life Estates - Remainder Interests
 - Community Property
- Ownership by Contract:
 - Beneficiary designations
 - Transferring to trust
 - Designate POD, TOD, TODD

 UNIVERSITY OF MINNESOTA EXTENSION
 





 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

28

SOLE OWNERSHIP

- Simplest form of ownership
- One person owns the property
- Death = probate if you have a will or die without a will!

 UNIVERSITY OF MINNESOTA EXTENSION
 

 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

29

TENANCY IN COMMON

- Two or more people own property together.
- Ownership shares are not necessarily equal.
- Upon death of one tenant, the decedent's portion of property is included in their estate triggering probate.
- *If your deed does not specify ownership type, it is automatically Tenancy in Common.*

 UNIVERSITY OF MINNESOTA EXTENSION
 





 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

30

JOINT TENANCY

- Property is owned equally by two or more people.
- Specific wording: "Joint Tenants with Rights of Survivorship, Not as Tenants in Common."
- Upon death, ownership passes to surviving joint owner (transfer is automatic, not subject to the decedent's will or trust).
- Not subject to the probate process on first death.

 UNIVERSITY OF MINNESOTA EXTENSION
 

 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.



UNIVERSITY OF MINNESOTA EXTENSION

AgCenter MINNESOTA STATE

Review of Slides

- No Formalized Structure
- Partnerships
- LLCs and Corporations
- Farmland Ownership Options

© 2019 Regents of the University of Minnesota. All rights reserved. The University of Minnesota is an equal opportunity educator and employer. In accordance with the Americans with Disabilities Act, this PowerPoint is available in alternative formats upon request. Direct requests to 612-624-1222.

33

TAB

ESTATE PLANNING

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
AGRICULTURAL CENTER
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

Estate Planning and Retirement

DO YOUR ESTATE AND RETIREMENT PLANS FIT YOUR FARM SUCCESSION GOALS?

© 2019 Regents of the University of Minnesota. All rights reserved.

1

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
AGRICULTURAL CENTER
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

Overview of Slides

- Estate Planning Goals
- Estate Planning Concepts
 - Basis, Capital Gains, Taxes
- Retirement Planning
 - Timeline, Funding
- Healthcare Planning



© 2019 Regents of the University of Minnesota. All rights reserved.

2

3

COMMON ESTATE PLAN GOALS

- Transfer assets
- Have lowest possible transfer taxes
- Have lowest administrative cost
- Pick least complex plan necessary
- Accomplish all farm business goals

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
AGRICULTURAL CENTER
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

4

ESTATE PLAN – FOUR MAIN ?S

- What is your estate?
- How will you transfer it?
- When will you transfer it?
- Who will you transfer it to?

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
AGRICULTURAL CENTER
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

5

ESTATE PLANNING

- What is your estate?

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
AGRICULTURAL CENTER
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

6

ESTATE PLANNING

- What is your estate?
 - Your assets and liabilities
 - Value may vary: basis value vs fair market value
 - Not just tangible assets

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
AGRICULTURAL CENTER
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"


MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

7

ESTATE PLANNING

- How will you transfer it?

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

8

ESTATE PLANNING

- How will you transfer it?
 - Title
 - Joint Tenants
 - Tenants in Common




 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

9

ESTATE PLANNING

- How will you transfer it?
 - Title
 - Will

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

10

ESTATE PLANNING

- How will you transfer it?
 - Title
 - Will
 - Trust




 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

11

ESTATE PLANNING

- When will you transfer it?




 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

12

ESTATE PLANNING

- When will you transfer it?
 - Time of death
 - Gift while living
 - Life estate deed
 - Sale



 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

13

ESTATE PLANNING

- Who will you transfer it to?

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

14

WHO?

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

15

ESTATE PLANNING TOOLS

- Life Insurance
- Successor...promissory note to other heirs
- Options...absolute right
 - Lease options
 - Ownership options
- First Right of Refusal...right to match
- Buy-sell agreements

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

16

What's important to YOU?

- Money \$\$\$ ROI
- Fairness versus Equity
- Helping Others
- Safety/Security
- Succession (Family Farm)
- Stewardship
- Fun

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

17

ESTATE PLANNING REMINDER



Be a Good Consumer of Legal Services!




 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

18

OTHER CONSIDERATIONS

- Who Do you Trust to Be your Estate's Personal Representative?
- Who Do you Trust to be a Trustee?

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

19

OTHER CONCEPTS RELATED TO ESTATE PLANNING

- Basis
- Capital gains tax
- Estate tax
- Gift tax

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

20

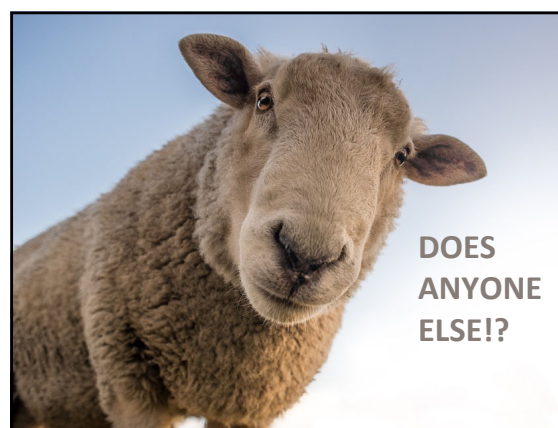
Asset Basis

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.



23

ASSET BASIS

What is basis?

- Amount of capital in a property at acquisition recognized for tax purposes
- Adjusted basis is cost plus improvements minus depreciation of the asset.
- Adjusted basis is determined by how you acquired the asset.

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter

MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

24

ASSET BASIS

- Example:

• Tractor purchase:	\$175,000
• Less depreciation:	<u>\$ (98,000)</u>
• Your adjusted basis:	\$ 77,000

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter

MINNESOTA STATE




© 2019 Regents of the University of Minnesota. All rights reserved.

25

ASSET BASIS

With gifted assets:

- Your basis is the same as the donor's adjusted basis before the gift was given to you or sale.

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE




© 2019 Regents of the University of Minnesota. All rights reserved.

26

ASSET BASIS

With gifted assets:

- Example: You receive a gift of a tractor currently valued at \$24,000.
Donor's adjusted basis was \$2,500.
Your basis is \$2,500.




 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

27

"STEPPED UP" BASIS

- Assets that pass through an estate
- Usually the Fair Market Value (FMV) on the date of death.
- Incentive to hold "low basis" property until death

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE




© 2019 Regents of the University of Minnesota. All rights reserved.

28

ASSET BASIS

With inherited assets:

- Your basis is the Fair Market Value (FMV) or Special Use Value assigned to the asset as it passed through the decedent's estate.

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE




© 2019 Regents of the University of Minnesota. All rights reserved.

29

ASSET BASIS

With inherited assets:

- Example: You inherit land from your mother valued at \$560,000 in her estate.
Her basis was \$25,000.
Your basis in the land will be 560,000.




 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

30

LOSING "STEPPED UP" BASIS

- Out-right sale or installment sale.
- Assets with transferred into irrevocable trusts.
- Gifts given prior to death.
- Gifts given to donee within 1 year of their death and then passed back to original donor via donee's will or trust (basis of gift remains the basis of the original donor, no "stepped up" basis).

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

WHY IS BASIS IMPORTANT?

- Because of the tax on the difference/gain between the selling price and your “adjusted basis”
- Example:

Sell land for	\$640,000
Adjusted basis	<u>\$100,000</u>
Taxable gain	\$540,000
- Recording and tracking basis of assets is very important

Capital Gains Tax

CAPITAL GAINS TAX

- **Capital assets:** Generally, everything owned for personal or investment purposes is a capital asset.
- **Examples:** Stocks, bonds, house, household furnishings, coin collections, investment land, certain portion of ag value-added investments, and commodity speculation.

CAPITAL GAINS TAX

- Farmland, machinery, buildings, and breeding livestock, by IRS definition, are not capital assets.
- However, if sold, they may receive capital gains treatment, subject to depreciation recapture.

Estate Taxes

FEDERAL ESTATE & GIFT TAX

Federal: for 2018 you have one exclusion amount worth a total of \$11,200,000 per person. Above exclusion, max tax = 40%.





- You decide how you want to spend it:
Estate Tax, Gift Tax, Generation Skipping Transfer

37

MINNESOTA ESTATE & GIFT TAX

Minnesota: You potentially have **two** exclusion amounts not to exceed \$5,000,000 total:





- MN personal estate tax exclusion, with an amount based upon year of death, increased each year to a maximum of \$3,000,000 in 2020 & beyond.
- If you have real estate that qualifies for the MN Qualified Small Business Property/Qualified Farm Property Exclusion, you potentially have an additional exclusion with a maximum of \$4,000,000.

 UNIVERSITY OF MINNESOTA EXTENSION
 

 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

38

Gifts

 UNIVERSITY OF MINNESOTA EXTENSION
 

 MINNESOTA STATE





© 2019 Regents of the University of Minnesota. All rights reserved.

39

GIFTING ASSETS AND TAXES

Can be used to:

- Start an entering generation in the farm business.
- Transfer income tax obligations to children if in a lower tax bracket.
- Help reduce taxable estate.

 UNIVERSITY OF MINNESOTA EXTENSION
 

 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

40

GIFTING ASSETS AND TAXES

Important considerations:

- For gifts over \$15,000 per person you reduce your lifetime exclusion – Fair Market Value used
- Discounting may allow for a reduction of Fair Market Value
- No-Step in Basis – You gift your basis

 UNIVERSITY OF MINNESOTA EXTENSION
 

 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

41

EXAMPLE: THE \$60 BASIS STORY








42

GIFTING ASSETS AND TAXES

• **A CAUTION NOTE**

- To qualify for Medicaid (Medical Assistance or MA), you can not own more than \$3,000 of “assets” plus a pre-paid burial per person.
- MA look-back for gifts or uncompensated transfers is 60 months.






 UNIVERSITY OF MINNESOTA EXTENSION
 

 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

43

QUESTIONS FOR GIFTING ASSETS

- Do the gifts jeopardize the farming heir(s) or your goals for the farm?
- Can you afford to gift?
- Does this impact my federal or Minnesota estate or gift tax plans?




 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

44

MINNESOTA GIFT TAX


- MN gift tax was repealed back to June 30, 2013.
- Gifting is still connected to MN estate tax. Value of gifts above the federal annual gift exclusion amount, made within 3 years of death, must be “added back” into the value of the decedent’s estate.




 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

45

RETIREMENT PLANNING



 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

46

RETIREMENT & LIFE EXPECTANCY



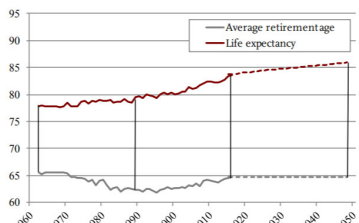
Avg Female: 81 years Avg Male: 76 years

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE




© 2019 Regents of the University of Minnesota. All rights reserved.

47

AVERAGE TIME IN RETIREMENT



Source: Center for Retirement Research, Boston College, March 2018




 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

48

RETIREMENT PLAN

- If?
- When?
- Where will you live?




 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

49

RETIREMENT PLAN

- GO-GO Years \$\$\$\$\$?
- SLOW-GO Years \$\$\$\$?
- NO-GO Years ??????




 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

50

RETIREMENT PLAN

- Do you have a retirement timeline?
- Where will money come from?
- Where will you live?
- How will you account for non-farm heirs?
- What will you do?

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

51

RETIREMENT PLAN

- Don't retire FROM something.
- Retire TO something!!

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

52

WHAT IS YOUR TIMELINE?

- Everyday labor & management
- Fully retire
- Semi-retire
- Gradually retire
- Abruptly retire




 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

53

WHERE IS THE MONEY FROM?

- How Much \$? Travel? Health? Living? House?
 - \$10,000/year
 - \$50,000/year
 - \$200,000/year




 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

54

WHERE IS THE MONEY FROM?

- Savings?
- Social Security?
- Pension or 401k?
- Rental Income?
- Sale of Assets?

 UNIVERSITY OF MINNESOTA EXTENSION
 
 MINNESOTA STATE



© 2019 Regents of the University of Minnesota. All rights reserved.


55

RETIREMENT PLAN

- Source of Funding?

• Social Security	\$21,600
• Pension or 401k	\$12,000
• Rental Income	<u>\$40,000</u>
TOTAL	\$73,000

 UNIVERSITY OF MINNESOTA EXTENSION
 

 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

56





HEALTHCARE PLANNING



57

COST AND TYPES LONG-TERM CARE

- Adult Day Services
- Home Health Agencies
- Hospices
- Nursing Homes
- Residential Care Communities
 - In Minnesota Nursing Home Cost Ranged from \$4000-\$13000 per Month (Genworth, 2017)

 UNIVERSITY OF MINNESOTA EXTENSION
 

 MINNESOTA STATE





© 2019 Regents of the University of Minnesota. All rights reserved.

58

LONG-TERM CARE STATISTICS

- According to the CDC, 2/3 over the age of 65 will need some kind of Long Term Care

	#	%
• Adult Day Services	273,000	59.6%
• Home Health Agencies	4,742,500	62.7%
• Hospices	1,244,500	59.7%
• Nursing Homes	1,383,700	67.7%
• Residential Care Communities	713,000	72%





 UNIVERSITY OF MINNESOTA EXTENSION
 

 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

59

STRATEGIES TO PROVIDE FOR LONG-TERM CARE

- Adequate income or reduction of assets
 - After tax income
 - Earnings and asset sales
 - Borrowing against assets
- Long-Term Care Insurance
- Medicaid safety net





 UNIVERSITY OF MINNESOTA EXTENSION
 

 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.

60

LEGAL DOCUMENTS FOR CARE

- Health Care Directive
- HIPPA Authorization
- Disability Panel Document
- Power of Attorney (financial decisions)

 UNIVERSITY OF MINNESOTA EXTENSION
 

 MINNESOTA STATE

© 2019 Regents of the University of Minnesota. All rights reserved.



UNIVERSITY OF MINNESOTA EXTENSION



AgCenter
MINNESOTA
RURAL ECONOMIC DEVELOPMENT "Serving farmers since 1917"



MINNESOTA STATE
Agriculture Center of Excellence

Review of Slides

- Estate Planning Goals
- Estate Planning Concepts
 - Basis, Capital Gains, Taxes
- Retirement Planning
 - Timeline, Funding
- Healthcare Planning



© 2019 Regents of the University of Minnesota. All rights reserved.
The University of Minnesota is an equal opportunity educator and employer. In accordance with the Americans with Disabilities Act, this PowerPoint is available in alternative formats upon request. Direct requests to 612-624-1222.

61

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

FARM TRANSITION AND ESTATE PLANNING RETREAT

CONCLUDING ACTIVITY



© 2019 Regents of the University of Minnesota. All rights reserved.

1

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

NEEDS, WANTS, FEARS, EXPECTATIONS ACTIVITY

1. Retiring Generation Males
2. Retiring Generation Females
3. Entering Generation Farm "Heir"
4. Entering Generation Non-Farm Spouse

Feel free to determine which group best fits you—don't be confined by a label!

© 2019 Regents of the University of Minnesota. All rights reserved.

2

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

FARM TRANSITION AND ESTATE PLANNING RETREAT

CONCLUSION AND WRAP-UP



© 2019 Regents of the University of Minnesota. All rights reserved.

3

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

Review of Topics

- Business Succession
- Goal Setting
- Family Communication
- Business Structure
- Estate Planning and Retirement

© 2019 Regents of the University of Minnesota. All rights reserved.

4

5

ACKNOWLEDGEMENTS

- Dave Goeller, Retired Extension, University of Nebraska
- Gary Hachfeld, Retired Extension, University of Minnesota
- John R. Baker, Attorney at Law (currently), Retired Extension, Iowa State University

UNIVERSITY OF MINNESOTA EXTENSION

AgCenter
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"

MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

6

GRANT AND LOCAL FUNDING

- Primary funding in 2019 for these retreats is from the Minnesota Department of Agriculture. Our thanks to them for their support.



UNIVERSITY OF MINNESOTA EXTENSION



AgCenter
FARM BUSINESS MANAGEMENT "Serving Farmers since 1927"




MINNESOTA STATE
Agriculture Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

7

GRANT AND LOCAL FUNDING

- Thank you to local FBM Instructors and MDI for supporting this workshop. 
- Thank you to MAELC for the initial grant that began this project with two pilot retreats in 2018. 
- Thank you to Judy Barka, Tiffany Hulinsky, and Kathy Eckwright.




 UNIVERSITY OF MINNESOTA EXTENSION   MINNESOTA STATE
 Recreation Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

8

WHY WERE YOU HERE?

- Do you want your farm to continue beyond your lifetime?
- How do you plan to make that transition?
- Do you have more skills today than yesterday to help you transition?




 UNIVERSITY OF MINNESOTA EXTENSION   MINNESOTA STATE
 Recreation Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.




9

ONE-ON-ONE FOLLOW UP

- Have you signed up for a meeting?
- What can you get done on your plan in the meantime?

 UNIVERSITY OF MINNESOTA EXTENSION   MINNESOTA STATE
 Recreation Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.

 UNIVERSITY OF MINNESOTA EXTENSION   MINNESOTA STATE
 Recreation Center of Excellence

Jim Molenaar
jmolenaar@sctcc.edu

Megan L Roberts
meganr@umn.edu

© 2019 Regents of the University of Minnesota. All rights reserved.

10



z.umn.edu/farmtransition
agplan.umn.edu
agtransitions.umn.edu

12

BE A GOOD CONSUMER OF PROFESSIONAL SERVICES

- *We offer this retreat as educational information. We do not offer legal advice. If you have questions on this information, contact an attorney.*

 UNIVERSITY OF MINNESOTA EXTENSION   MINNESOTA STATE
 Recreation Center of Excellence

© 2019 Regents of the University of Minnesota. All rights reserved.


UNIVERSITY OF MINNESOTA EXTENSION


MINNESOTA STATE
Agriculture Center of Sandstone

Good Luck
And thank you for coming!

© 2019 Regents of the University of Minnesota. All rights reserved.
13


UNIVERSITY OF MINNESOTA EXTENSION


MINNESOTA STATE
Agriculture Center of Sandstone

This program is a partnership
between Minnesota State College
and Universities and University of
Minnesota Extension.

These materials are not to be used without expressed written permission of Jim Molenaar and Megan Roberts.
© 2019 Regents of the University of Minnesota. All rights reserved.
The University of Minnesota is an equal opportunity educator and employer. In accordance with the Americans with Disabilities
Act, this PowerPoint is available in alternative formats upon request. Direct requests to 612-624-1222.
14