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Ribstein & Hogan Law Firm



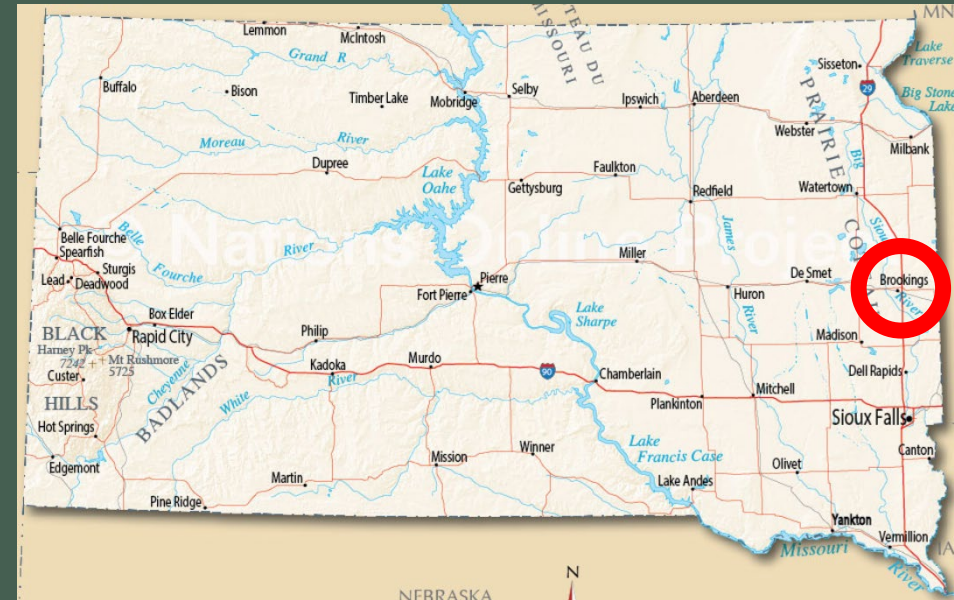
# FARM SUCCESSION PLANNING

*The Basics*

# Background

- Clint Fischer
  - SD Attorney
    - Ribstein & Hogan Law Firm
  - Braintrust Ag
    - Online ag peer group
- Primary Focus Areas
  - Farm Business Management
  - Farm Transition Planning
  - Estate Planning & Business Law

- Wannabe Farmer
  - BS in Agricultural Business
  - 12 Yrs Ag Retail
  - Small Business Start-Ups



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# Transition/Succession vs Estate

*A clarification between the terms...*

**Transition/Succession:** the gradual transfer of management & ownership while alive

**Estate:** the transfer of assets at owner's death



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# Ditch The Separate Buckets



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# View the farm as a business

“This farm has been in our family for 3 generations, but we've struggled financially. Made some poor business decisions and are pretty unorganized.

We want our son to take over & keep it in the family, but he's not interested in signing up for the stress & little pay he's seen growing up.”

-IA Farm Couple



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# The Solution:

1. Build an attractive farm business
2. Develop a detailed, written gameplan
3. Communicate the plan with all involved





*“WE JUST DON’T KNOW  
WHERE TO START”*

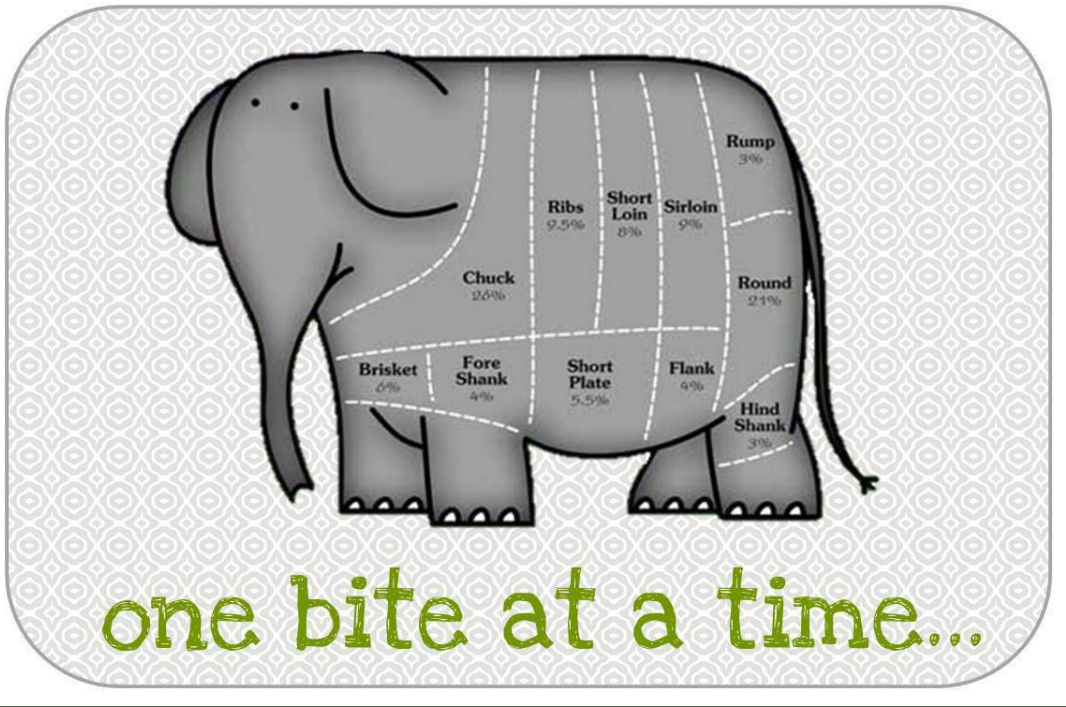
-Most Farm Families

# COMPREHENSIVE TRANSITION PLAN

## SAMPLE FARMS TRANSITION PLAN

### Table of Contents

- Personal Information ..... X
  - Owner generation ..... X
  - Successors ..... X
  - Nonfarm heirs ..... X
  - Other involved parties ..... X
  - Business description ..... X
    - Assets ..... X
    - Liabilities ..... X
    - Business structure(s) ..... X
    - Financial trends ..... X
  - Nonbusiness income ..... X
  - Documents ..... X
  - Advisors ..... X
- Vision and Goals ..... X
  - Vision, values and expectations ..... X
    - Owner generation ..... X
    - Successors ..... X
  - Goals ..... X
    - Owner generation ..... X
    - Successor generation(s) ..... X
    - Common & opposed goals ..... X
- Business Transfer Plan ..... X
  - What do we want to accomplish? ..... X
  - Financial Viability ..... X
  - Labor transfer plan ..... X
  - Income transfer plan ..... X
  - Management transfer plan ..... X
  - Ownership transfer plan ..... X
    - Crop and livestock inventories ..... X
    - Machinery, breeding livestock ..... X
    - Real Estate ..... X
    - Other ..... X
  - Business structure and agreements ..... X
  - Scheduled reviews ..... X
- Retirement Plan ..... X
  - What does retirement look like? ..... X
    - Where we will live ..... X
    - Health care, long term care ..... X
    - Household budget ..... X
    - Sources of income ..... X
    - Family/community support ..... X
  - Timetable ..... X
- Estate Plan Preparation ..... X
  - What do we want to happen? ..... X
  - Business asset distribution ..... X
  - Non-business asset distribution ..... X
  - Special considerations ..... X
  - Documents to be completed ..... X
    - Other documents needed ..... X
  - Tax considerations ..... X
  - Timetable ..... X





# 3 Steps to Farm Succession

## Step 1

### WHERE IS IT NOW?

#### Inventory:

- Owners
- Family Members
- Assets/Debts
- Legal Title
- Management
- Finances

## Step 2

### WHERE DO YOU WANT TO BE?

#### Identify:

- Goals
- Intentions
- Objectives
- Retirement Needs
- Management

## Step 3

### HOW DO YOU GET THERE?

#### Use:

- Strategies
- Advisors
- Worksheets
- Meetings
- Deadlines

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# INVENTORY

- Personal Info
- Balance Sheet
- Business Structures
- Off-Farm Details
- Documents

***Gathering and organizing ALL relevant information.***

- *Discussions get sparked*
- *Holes get noticed*
- *Goals get made*



# GOALS & OBJECTIVES

- Owner Generation
  - *Remember it's yours to do with as you choose*
- Successor Generation
- Short, Medium, Long Term
- Commonalities?
- Differences?

***Write down goals as separate generations.***

***Then, compare goals and find compromises.***



# THE WRITTEN PLAN

- Management First
- Ownership Second
- Build Out Your Team
- Legal Tools
- Tax Issues

***Write down goals as separate generations.***

***Then, compare goals and find compromises.***



# STRONG, yet FLEXIBLE



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# Communication is key

- Outline goals & objectives for both generations
- Family/business meetings
- Advisory board
- Open & honest communication





# LET'S CONNECT



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