Overcoming the Family Challenges to Farm Succession Planning for Success
The Real Question for today:

How do you pass a family farm or a family business from one generation (the parents) to the next generation (their adult children) and still be a family with no conflicts and/or jealousies between each of the family members?
The Goal to be Achieved: Keeping the Farm in the Family and the Family on the Farm for the Next Generation

CONTINUING A FAMILY FARM LEGACY

The Objective to be achieved with farm business ownership succession:
The successful transfer of Ownership as well as passing on Management Control to the next generation of family farm producers for a farming legacy to continue.
Farm Family Ownership Succession

The “Family Issues” for Farm Business Ownership Succession

My purpose and goal this afternoon for your ISBA conference program will be to help in keeping the farm in the family and the family the on the farm for your farming clients and Illinois land owners.
You Can Buy Our Family Farm But Just Remember That I Still Own It

How Much Did Your Lawyer Cost Our Family Farm Estate?

What if the “WHAT IF” Actually Happens?

Keeping Your Farm in the Family for the Next Generation - - Is There a Succession Plan for Success?

Four Power Point Presentations
Seminar and Workshop Programs

Continuing the Legacy of Family Farming

Overcoming the Family Challenges to Farm Succession Planning for Success
Let’s start our program this afternoon with some cartoons.

Continuing a Family Farming Legacy for the Next Generation: Keeping the Farm in the Family
You'd better get out of the sun, Ralph... Looks like you're done.
All the other reindeer used to laugh and call him names!

The History of EGGNOG
“It looks like rain.”

MY BUTT HURTS!

WHAT?
"What a lousy trip ... it rained the whole time!"
My feet are just freezing!

BLIMEY!!
You think you’ve got troubles!

I see someone’s been to Costco...
Who will end up owning the family farm?
Who will be the next generation of family farm producers?

Is there a succession plan in place to continue and to protect your family farming legacy?
What does farm ownership succession planning actually involve for a farm family?
What is succession planning?

My definition of farm ownership succession planning for farm families.

If something unexpected happened today to the farm or within the family, does everyone in the entire family know as well as understand what happens tomorrow?
How many Illinois farm families actually have a succession plan in place to continue as well as protect their family farm and farming legacy for the next generation?

A unique fact about farm families!

Most farm families realize and fully understand the important of having a succession plan for their farm. But very few families have a farm succession plan in place for the next generation! It is easy to understand WHY!
What are the **OBSTACLES** and **FEARS** that prevent a family (especially older parents) from taking action and putting a succession plan into action?

Questions by parents that become Obstacles and Fears to succession planning?
WHAT IF questions by parents that become Obstacles and Fears to succession planning?

What if someday I actually die?
What if they sell my farm?
What if they screw it up and lose my farm?
What if I am no longer in control?
What if a non-family member gets my farm or part of my estate?
What if some of my adult children get angry with me for what I have done?

Death is a fact of life itself.

Who likes talking about death? No one does!
But it will happen at some point in time. So why not be prepared now?
Back again to the issue of control. That is exactly why many parents hang on to “TOO MUCH” for “TOO LONG”. A very common mistake.

These obstacles and fears in a farm family (especially by the parents) now become ROAD BLOCKS to developing a succession plan for the next generation of young farmers. And nothing happens!
**Road Blocks to Succession Planning**

1. Not willing to have open and honest discussions. Everything is a secret within the family.
2. Bitterness and grudges already exist between some family members (especially siblings).
3. The adult children have chosen up sides.
4. Personal threats have been made and irreparable damage has already occurred.
5. Attorneys have now been hired by some family members causing legal disputes for the farm.

**Why is succession planning difficult?**

1. Takes a family out of their comfort zone. Requires a family to openly talk about issues they do not want discussed. No more family secrets.
2. Succession planning often means making life changing decisions.
3. Easier to pretend that there is nothing to worry about. These matters will take care of themselves.
4. May have to share control and/or ownership of my farm. Do I really want to do that now?
Succession planning causes both **Personal and Family Stress** since family members must NOW deal with their emotions as well as their anxieties and fears.

Succession planning is:
- Time Consuming
- Complicated
- Emotionally Draining
What is the actual goal for succession planning?

Passing on your assets. VS. Passing on your farm.
(Your wealth) (your legacy)

Most families wait until it is already TOO LATE to start a succession plan.

Remember it is never TOO EARLY for a farm family to start their succession planning process.
Is a family willing to put a plan in place to protect the future of their farm and to continue the wishes and dreams of the entire family for the next generation?

Has this process even started?

Continuing the Legacy of Family Farming

Keeping a Farm in the Family for the Next Generation

IIlinois State Bar Association™  Hot Topics in Agriculture Law
There are **many emotional as well as stressful issues** which confront family members in working through this transition in a reasonable and expedient manner without disrupting the farming operation or becoming tangled in family legal disputes.

**An important point to remember today!**

These **issues** are often never discussed or differences of opinion voiced while the parents are still living.  

**But once the parental influence has been removed from the family, watch what might happen next between some of the adult children.**
These **succession issues** must eventually be discussed by **ALL** the family members involved and then **RESOLVED to everyone’s agreement** to allow for a successful transition of farm ownership to this next generation of farm producers.

**What puts even the strongest farm family relationships to the test??**

**MONEY - WEALTH - LAND OWNERSHIP**
There are eleven potential challenges facing a farm family (especially the parents) when working through this farm succession planning process.
What are these eleven (11) challenges to the farm succession planning process?

Challenge #1
Continuing the Legacy of Family Farming
What are these 11 Potential Challenges?

First Challenge and the most important:
Who is entitled to eventually owning the family farm?
Who fits the title of FAMILY?

The Challenge of “Who is Family”

When it comes down to money, wealth, property and especially land ownership?
Who is eventually entitled to the ownership of a family farm?

Who fits the title of family?
Who are considered the “real family members” of the farm family business?

The Challenge of “Who is Family”
Are only the “blood related family members” the ones that are to be included in financial and business decisions, have management authority, or even the chance for eventual farm ownership?
The Challenge of “Who is Family”

Are the in-laws considered or even treated as “family” in the business?

The Challenge of “Who is Family”

Are the in-laws even allowed to be involved in the family farming operation?

Do they have a voice in business matters and decisions?
Many farm families adopt the strategy that the less the in-laws know about our farm and our business operation - - the better.

Thus everything is kept one BIG SECRET with the in-laws being excluded.

But this strategy usually backfires.
This strategy will only cause suspicions and doubts in any relationship. There is now both a lack of trust and respect for other family members in the farm business.

What if there is no longer a farming daughter or farming son in the farming operation?
What if there is no longer a farming daughter or son in the farming operation?

Would that in-law still “part of the farm family” now?

Challenge #2
Second Challenge: The family is not able to communicate together.

Family members often fail to have open and honest discussions with each other.

The challenge of a farm family not being able to communicate with each other.

A lesson to learn and to remember today!

A simple lack of communications causes misunderstandings in any family relationship.

Misunderstandings cause conflicts in a family.

Conflicts in any family relationship result in family trouble and stressful situations.
The key is to plan ahead and start these discussions early in the process.

It is the responsibility of the PARENTS to initiate this estate planning process. MOM and DAD must take action and get this process started now.

A solution strategy to consider:
Parents must take charge and sit down with all their adult children together at the same time and start talking together as a family.

This is your starting point!
Another strategy to consider: Then most importantly, allow all the adult children a chance to express their feelings as well as their reactions in an open and honest family discussion.

During this family discussion, parents must have the courage to ask their adult children two very important questions.
Communicating as a Family

And always remember that OPENNESS and HONESTY will promote TRUST and RESPECT in a family.

Communicating as a Family

Secrets as well as the lack of communications in a family only cause conflicts and will quickly destroy relationships between family members.
Challenge #3

Continuing the Legacy of Family Farming
What are these 11 Potential Challenges?

Third Challenge: No playing FAVORITES by the parents between their farming and their non-farming adult children.
A real issue that must be always addressed in a succession plan.

Continuing the Legacy of Family Farming
What are these 11 Potential Challenges?

Are the parents willing to treat all their adult children fairly and equitably in their estate?

IS THIS EVEN POSSIBLE?
This is NOT an issue of family love. Parents love their children. This is an issue of family fairness (plain and simple). How and when will this be carried out by the parents?

This is a rather delicate issue to discuss within the family (especially with parents) because often times Mom and/or Dad have already identified “certain favorites” among their children.
A warning to remember:

Personal jealousies between family siblings (even older adult children) can destroy family relationships and will often bring lawyers into these family legal disputes.

Farm family operations are the MOST difficult to handle in terms of fairness among all the children.

As the children were being raised, some children worked harder than others and may have actually contributed more to the parents’ farming operation and their estate.
My favorite question to ask parents who visit with me!

Who will be taking personal care of you in the very last years of your life?
Consider the fact that some children **CARE MORE** about the farm as well as for the well-being of their parents in their later years of life.

While some children could care less about the farm and are only interested in how **MUCH MONEY** they may receive from the farm estate and when will they get it.
ALL the children (both farming and non-farming as well as sons and daughters) should **ALL SHARE** in their parents’ estate and inheritance.

**BUT in a fair and equitable division.**

**SOLUTION: Having the “Family Talk” by the parents with all the adult children**

The non-farming children must be made to realize and understand this fact.

It is the **duty of the parents** to tell the adult non-farming children this very fact and make them understand that what they some day will inherit their brother/sister has already helped to make possible.
Challenge #4

Hot Topics in Agriculture Law

Continuing the Legacy of Family Farming
What are these 11 Potential Challenges?

Fourth Challenge: The challenge of controlling parents. Will the parents help their adult children start farming without any strings being attached?
The Challenge of Controlling Parents

Some parents may actually raise their children to be followers. Adult children might be expected to always do what the parents may want.

What is the behavior expected by the parents for their adult children working in their farming business?

- Do the parents want their adult children to be just puppets (i.e. do what we want) OR independent thinking adults with their own ideas and initiative?
Another interesting question to consider!

Is it the parent's dream for the children to return back home to the family farm?

Or is it the children’s dream to farm with Mom and Dad?

➢ Or is it EVERYONE’s Dream as a family to farm together?

The Challenge of Controlling Parents

An idea for parents to consider when farming with their adult children as a solution.

Instead of trying to control or supervise, why not try mentoring. Results will be more positive with a better chance for success.
An important point to remember:

Children should never feel obligated to return back home to the family farm after college when their career interests or dreams lie elsewhere.

Challenge #5

Hot Topics in Agriculture Law
Fifth Challenge: Are the parents willing to share ownership of their family farm with their adult children?

Back to the Issue of Controlling Parents and the Transfer of Ownership

So who will end up owning or taking over the family farm business when the parents retire?

Farm Business Ownership Family Succession: Keeping a Farm in the Family for the Next Generation
Which children in the family will have the opportunity to buy in and gain actual farm ownership?

What share of the farming operation could they some day own?

When will this change of ownership actually happen?

Or will the parents still retain total ownership as well as control until their eventual death?
What changes can now be expected when this ownership transfer actually happens?

Have previous promises by the parents already been made to any of the children?
Will these promises be honored by the parents? Or have the parents already changed their mind without telling anyone?

➢ Thus everything still remains ONE BIG SECRET by the parents!
Sixth Challenge: What is a fair selling price for a family farm? Does sweat equity by the adult farming child count for anything in the family?

The Challenge of a Fair Selling Price

Is the ultimate goal to keep the farm in the family name for another generation?
There will never be a FOR SALE sign on this family farm property.

The Challenge of a Fair Selling Price

Most parents cannot afford to just give their farm away or even sell at the lowest bargain price.

Know the reason WHY?
Here lies the real problem:
The largest share of the parents’ financial investment for retirement is tied up in their farming operation. Nearly all of their personal assets are farm related.

Mom and Dad’s retirement is simply spelled F-A-R-M.
The Challenge of a Fair Selling Price

Working out a fair selling price for the farm that provides the parents with a secure financial retirement BUT at a price that the children buying the farm can afford as a feasible financial investment is certainly NO easy matter to resolve for farm family succession.

A strategy for parents to consider as a solution to this challenge.

From the very start of bringing a son or daughter into the farm business operation, the parents must find a way to help them acquire farm assets (in their name) and to build their own net worth.
Challenge #7

Hot Topics in Agriculture Law

Continuing the Legacy of Family Farming
What are these 11 Potential Challenges?

Seventh Challenge: Parents are not willing to discuss the “what if” family issues that might confront their family and thus prevent the family from accomplishing a farm succession plan.
Most farm families simply fail to discuss the real life “What If Issues”.

Why is “What If” so difficult to discuss within a family?

Because it is so much easier to pretend that this would never happen in our family.
What If The “What If” Actually Happens?

But there are “many difficult as well as emotional issues” to discuss among all the family members involved.

“What If” usually happens when you very least expect it. So why not expect the unexpected and have a plan ready for when it does happen.
The Overriding Question:
If “What If” did happen to a farm and/or to a family, does everyone in that entire family know and understand what will happen next?

Continuing the Legacy of Family Farming

Unfortunately you may need to understand this fact of life!

Some parents will actually avoid these issues entirely. Consequently nothing get done.
Just A Personal Reminder: AVOIDING the discussion of these farm family business ownership succession issues NOW will only result in disastrous consequences LATER.
Challenge #8

Continuing the Legacy of Family Farming
What are these 11 Potential Challenges?

Eighth Challenge: Parents are not able to agree and fail to work together in developing their farm family succession plan.
What if Mom and Dad cannot agree on these succession issues between themselves and are unable to work out a plan?

Now what happens?

Now what happens? NOTHING
An important point to remember: Mom and Dad must stand together on these issues being discussed. They must work through this until they both agree on a strategy that carries out their wishes for their farm estate.
Continuing the Legacy of Family Farming
What are these 11 Potential Challenges?

Ninth Challenge: Some children may already feel that they are entitled.
How do you deal with this feeling of entitlement?

The challenge of entitlement by some adult children.

Children should RESPECT the decisions being made by their parents.
Challenge #10

Hot Topics in Agriculture Law

Continuing the Legacy of Family Farming
What are these 11 Potential Challenges?

Tenth Challenge: Greed has now become a factor in some farm families.
There has been a recent change in the personal attitudes by the non-farming children.

Greed often brings lawyers into the middle of a family legal dispute between family members when settling a farm estate.

Continuing the Legacy of Family Farming
Keeping a Farm in the Family for the Next Generation

Greed often brings lawyers into the middle of a family legal dispute between family members when settling a farm estate.
Continuing the Legacy of Family Farming

Keeping a Farm in the Family for the Next Generation

Be careful of the “curse of family wealth.”

My personal observation, wealth can eventually destroy family relationships and put an end to a family farming legacy.
What was fair a generation ago is no longer fair today when passing down the farm between generations.

Must now find a way that ALL the children have some share of farm ownership (even a small share) in the family farm and their parents’ estate.

This a new challenge facing parents as they plan their estate
Challenge #11

Continuing the Legacy of Family Farming
What are these 11 Potential Challenges?

Eleventh Challenge: Do the parents have a VISION for the future of their farm?
Continuing the Legacy of Family Farming

Do all the adult children in that farm family share this same vision with their parents? They should!

My personal challenge to consider:

- Does that farm family have a dream?
- Does that farm family have a vision?
- Is there a family farming legacy to protect?
- Is there a plan in place that protects this legacy?
Continuing the Legacy of Family Farming

Overcoming the Family Challenges to Farm Succession Planning for Success

My advice to farm parents:

Why not spend some of your estate? Why not enjoy your remaining years?

FACT or FICTION?

You are not going to be taking your estate and money with you when you die. There are no banks or ATM’s in heaven.
FACT or FICTION?

If the parents don’t spend all or part of their estate, their children will quickly find a way to spend the money for them.

Let’s take time for some farm cartoons!

Hot Topics in Agriculture Law
"Okay, which one of you has been laying the hard boiled eggs?"

Tanning Hides
IT AIN'T A GOOD SIGN WHEN THE VET SHOWS UP CARRYIN' A SHOVEL."

Where 2% Milk Comes From
WE'RE COMPLETELY SELF-SUFFICIENT IN OUR HOME...
WE GROW ALL OUR OWN FRUIT AND VEGETABLES.

WE USE RAINWATER FOR COOKING AND BATHING.
HENRIETTA PROVIDES US WITH EGGS AND WHEN SHE STOPS LAYING, WE'LL EAT HER.

PICKING UP ANOTHER DOZEN EGGs, HENRIETTA?
Is There a Succession Plan to Accomplish This?

Have you ever considered this situation?

What if Mom Should Happen to Out Live Dad and Takes Over Control?

What happens if Dad should die unexpectedly? Does a Family Farming Legacy now end?
How actively was Mom involved with Dad on the family farm?

Was Mom a partner with Dad on the family farm? Or did Mom always feel that it was HIS farm?

What if Mom Out Lives Dad?

What if Mom gets remarried? Now what changes?
What if Mom gets remarried?

Now what changes?
EVERYTHING

Continuing the Legacy of Family Farming

Keeping the Farm in the Family for the Next Generation:
Is There A Succession Plan?
Where do we start? How does this process for succession planning begin? How can this be accomplished?

What are the solutions and possible answers to these issues and situations we have been discussing this afternoon?
Mom and Dad must begin the discussion process now and begin to create a vision for passing on their farm and their estate to the next generation (their adult children).

**STEP #1:** What are your dreams and hopes as parents? What is your ultimate goal to accomplish in your life?

Remember that Mom and Dad’s happiness and their personal well being during their later years of life is really what is most important.
STEP #2: Start writing down your thoughts and ideas. Put your feelings into actual words. Parents must draft out a plan of what they would like to accomplish with their farm as well as their personal estate for their children.

Once Mom and Dad have agreed upon their vision (dream) and now have their ideas for passing on their farm and their estate to the next generation, it is now time for STEP #3.
How do we begin developing a succession plan for our family farm to continue our legacy?

**STEP #3**

Put together a Farm Succession Management Team to work with the family to achieve their VISION and carrying forward their goals.

Who are the members of your Farm Succession Management Planning Team?

1. Tax Accountant or CPA
2. Attorney
3. Your Farm Ag Lender
4. Estate Planner/Financial Advisor (wealth management specialist)
An important fact to consider:

A GOAL without having a deadline to be accomplished is nothing more than a DREAM.

That is exactly why many family farming goals never become a reality.
My personal challenge to farm families:

What have we been discussing for your farm? For your family?

GOALS or DREAMS

Farm Family Business Ownership Succession

What potential questions and challenges can you think of that might be real farm ownership succession issues for your farm clients??
Please remember that it is never TOO EARLY to start succession planning but it can already be TOO LATE to start a farm business succession plan for some families.

Continuing the Legacy of Family Farming

Keeping the Farm in the Family for the Next Generation: Is There A Succession Plan?
SUMMARY

Overcoming the Family Challenges to Farm Succession Planning for Success

Four ideas well worth remembering today!
Farm Family Business Ownership Succession Summary

First Point to Remember:
People change. Situations change. Circumstances change. THINGS JUST HAPPEN!

Second Point to Remember:
No one likes being SURPRISED when it comes to estate planning and/or a family will involving their inheritance.
No one likes being SURPRISED.
I have seen situations where funerals have brought a family together.
And situations where funerals have torn a family apart.

Third Point to Remember:
If someone is not willing to discuss these issues and/or not willing to put something in writing - - - that should already tell you something.
Fourth Point to Remember:

**Secrets** cause family problems and **destroy trust** between family members. When that happens, **family members lose respect for each other.**

Some Helpful Hints to encourage your farm clients to consider.

1. Start talking now.
2. Put things in writing.
4. Expect the unexpected.
5. Time very seldom solves problems. Deal with issues now.
Spoken words in a family that spell disaster and leave very little chance for success.

When was that decided?
Why wasn’t I told about this?
Who put you in charge?
When was that changed?
That’s not what I was told!
We’ll see about this!

We’ll see about this!

These are 
**fighting words** within a family. So get ready for the worst.

Very seldom is a positive outcome ever achieved when this happens. Now it’s already too late.
Final Thoughts to Remember:

Family relationships are IMPORTANT.
Keep these family issues and challenges in perspective.

Final Thoughts to Remember:

Farms can be REPLACED but FARM FAMILIES CANNOT.
No FARM is worth losing a family and/or destroying family a relationship.
My last word of advice and a final question to consider.

Farm succession planning requires communicating as a family.
Is that possible for a family?
Can that family sit down together and begin talking.

Is everyone willing to share their feelings with each other?

Want to continue a family farming legacy for another generation? Want to accomplish a successful succession plan?

Then try this strategy.
Want to continue a family farming legacy for another generation? Want to accomplish a successful succession plan? Then try this strategy.


And COMMUNICATE!

Never underestimate the power of having both honest and effective communications between farm family members when farming together.
If parents have certain wishes for their farm as well as their final estate upon their death, how can their wishes ever be accomplished and carried out if they are not communicated and most importantly, put in writing to avoid any conflicts and misunderstanding among their children?

A question that you need to ask!

Always remember:

Graves are always silent!

Very few administrators of a person’s estate are actually mind readers!
If parents don’t tell others now their plans, WHO WILL later?
Please remember that it is never too early to start succession planning. The mistake is waiting until it might be too late.

Continuing the Legacy of Family Farming
Keeping a Farm in the Family for the Next Generation - - Is There A Succession Plan?
Final Wrap-Up for my program.

What were the teachable moments?
What are you taking home with you from this program?
Did this program benefit your ability to work with and counsel your farm clients?
My travels and experiences have taught me that every farm family has a personal story to share when passing a farm from one generation to next.

What stories could you share?

Thanks for allowing me the opportunity to share my farm family business ownership succession program with you this afternoon.
THANK YOU for sharing your attention with me. You have been a great ISBA audience!

Please take a moment today and express your appreciation to your Conference Planning Committee (and especially Charles).