Planning for the Future of Your Farm

Planning and Discussion Guide

THE OHIO STATE UNIVERSITY
EXTENSION

THE OHIO STATE UNIVERSITY

College Of Food, Agricultural, And Environmental Sciences
Ohio State University Extension

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Dear Student,

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

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

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

Best wishes for the process of successfully transferring your farm to the generation! Our farm succession team is here to help you. Our team has a series of factsheets on farm transition planning and other planning documents available for your use at http://farmoffice.osu.edu. In addition to these resources and our course, we are also available to speak at other events and to conduct kitchen-table meetings with your farm family. Do not hesitate to drop us an email at marrison.2@osu.edu or moore.301@osu.edu for more details.

Sincerely,

David Marrison
Field Specialist – Farm Management
OSU Extension

Robert Moore
Attorney - Agricultural & Resource Law Program
OSU Extension

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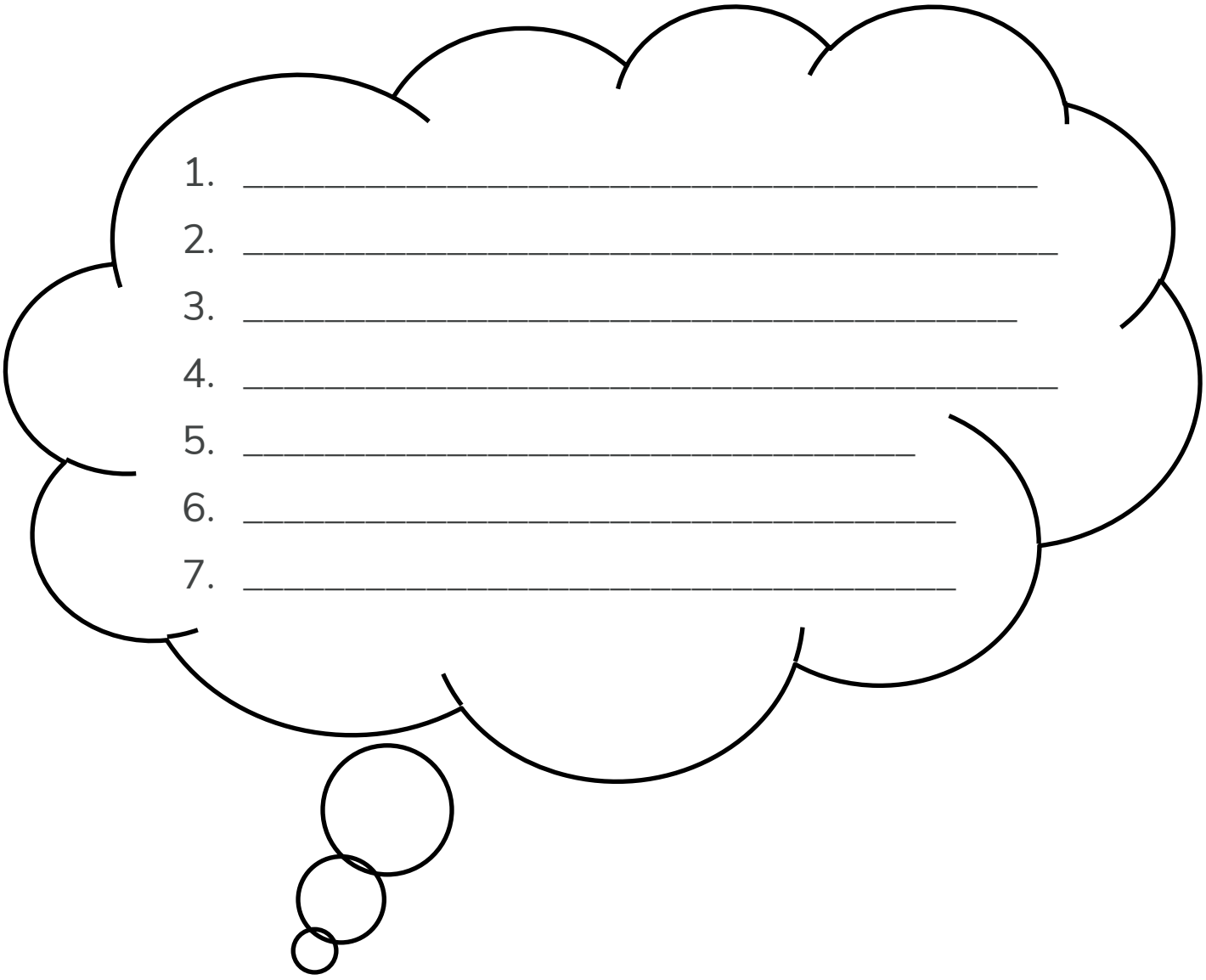
Why Don't We Plan?

What are some of the reasons why farm families don't plan for the transition of the business to the next generation (or what has held your family back)?



Farm Transition Planning

Farm transition (succession) involves the strategic transfer of ownership and management of a family business to the next generation.

Farm Estate Planning

Farm estate planning involves the thoughtful and structured process of deciding the distribution of the farm's assets and operations following the passing of the principal operator(s).

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What Would You Do?

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

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

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

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

Bucket List – Get ‘er Done!

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

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Dear Extension...

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Maintaining Your Farm and Family's Legacy Through Transition Planning

David L. Marrison, Professor and Field Specialist, Farm Management

Transferring a farm business to the next generation can be a challenging task. Legal issues, taxes, family dynamics, the farm's financial position, and managerial styles are some of the issues families must confront when deciding how to transfer the managerial and asset control of a business. Working together, families can answer the tough questions and develop a transition plan that will provide the opportunity for the agricultural business to be successful for many generations. It is also beneficial to identify barriers that impeded communication among family members.

An intentional process is helpful as farm families develop their transition and estate plan. This paper examines two common approaches which were used to develop the OSU Extension Transition Planning Model and a detailed description of this model.

Traditional Problem-Solving Approach

Most are familiar with the traditional method of problem solving (Table 1). This process is linear and takes a systematic approach to solving a problem. In this case, transition planning is viewed as a problem to be solved.

Table 1 *Traditional Problem-Solving Approach*
Problem Identification
Analyze Possible Causes
Analyze Possible Solutions
Action Planning (Treatment)
Implement the Solution
Monitor and Review
Transition Planning is a Problem to be Solved

First a problem arises and is identified. Information is gathered and possible causes are identified. Once the potential causes are determined, then potential solutions are identified. The pros and cons of each solution are analyzed and then a course of action or treatment is chosen. The treatment is implemented and monitored. If the treatment does not solve the problem, then another solution is implemented (Robbins & Coulter, 2018).

Farmers are very proficient at solving the day-to-day problems on their farm. When a problem arises, the cause is determined, potential solutions are developed, and then action is taken. When it comes to fixing a broken piece of machinery or overcoming the latest crop disease, the traditional problem-solving method typically works well. However, farm transition does not always fit neatly into the "see the problem" and "fix the problem" process.

While problem-solving focuses on fixing issues, it may overlook the strengths, successes, and unique opportunities within the farm and family. Farm transition is not just about addressing problems but also about building on the farm's legacy, history, and successful practices. A more positive or strengths-based approach might better inspire the family to think creatively about how to carry forward the best of the farm's traditions while planning for future growth.

Appreciative Inquiry Method

Since the mid 1980's, the Appreciative Inquiry Approach (Moore, 2019) has been used by businesses and communities for futuristic planning. The foundation of appreciative inquiry is collaboration. It builds on the positive aspects of a business rather than focusing solely on its problems and weaknesses. In short, transition planning is a mystery to be embraced in appreciative inquiry.

Table 2 *Appreciative Inquiry Method*
Discover - Appreciation
Dream - Envision
Design – Co-Creation
Destiny - Delivery
Transition Planning is a Mystery-to-be-Embraced

This approach (Table 2) starts with discovery or appreciating the best of what is currently. The process allows participants to dream or envision what could be in the future. Then participants co-create a shared vision for the future. The final step is determining the course of action and implementing it in the destiny or delivery phase (Cooperrider & Whitney, 2005).

The Appreciative Inquiry Method can be a valuable and positive method for families as they plan for the transition of their farm to the next generation. While Appreciative Inquiry has strengths in fostering collaboration and positivity, it may not be the most effective method for farm transition planning.

In transition planning, it is essential to address potential conflicts and obstacles, such as financial disputes, existing family tensions, power imbalances, or legal/tax complexities. The AI approach may inadvertently bypass or minimize these tough conversations.

OSU Extension Farm Transition Planning Approach

Because farm transition planning does not always fit neatly into the "see the problem" and "fix the problem" process or the more collaborative appreciative inquiry approach, OSU Extension advocates farm families use a model which melds the two methods together (Table 3). This approach combines strengths-based thinking with practical, structured methods for addressing the complexities of transition and estate planning.

In this model, transition planning is seen as a process to embrace.

Table 3 *OSU Extension Farm Transition Planning Model*	
Phases	***Key Steps***
Discovery	Appreciate the Legacy Identify Heirs Analyze the Business
Dream (Brainstorming)	Gain Input from all Generations/Heirs Identify Future Goals
Dialogue	Examine Family Communication Patterns Identify Stressors Identify Communication Barriers Hold Family Business Meetings
Design	Develop Plan for Managerial Transition Anticipate and Plan for Unexpected Events Identify Elephants in the Barn Create Transition and Estate Plans
Destiny (Implementation)	Follow Transition Timeline Employ Constant Evaluation Celebrate Milestones
Transition Planning is a Process to Embrace	

Often, farm families get the proverbial cart before the horse when it comes to transition and estate planning. They and sometimes their advisors want to jump into the details of wills, trusts, business structures, transfer on death affidavits, probate, tax mitigation, and how to divide the assets fairly before examining the long-term goals and legacy of the family. This approach starts with examining and appreciating the legacy of what has been (discovery phase), then envisioning what might be (dream phase), and then communicating about it (dialogue phase). This leads to the family working collectively to plan what the future will be (design phase) and then implementing the plan (destiny phase). The following is a more in-depth discussion of each phase.

Discovery Phase: During this phase, family members come together to share stories and experiences of the farm's successes and positive moments throughout its history. This allows everyone to acknowledge and appreciate the strengths, values, and achievements that have contributed to the farm's success. This process also identifies heirs and takes a comprehensive look at the current business structure, management, and financial standing. Some questions to explore during this process include:

- What is the history and legacy of the family & farm?
- What are historical and current “points of pride”?
- What is the farm and family’s mission?
- What values drive the family?
- What agricultural commodities have been or are currently raised?
- Who are the farm’s potential heirs?
- What is the current financial position and viability of the farm?
- What is the farm’s financial standing?
- What would a strengths, weaknesses, opportunities and threats (SWOT) analysis reveal?
- What does the current organizational structure look like?

During this process, the team should develop both personal and farm balance sheets, develop a list of farm assets (machinery, land, and equipment), and review previous financial statements. The family should engage with their financial advisors for assistance in this process.

Dream Phase: In this phase, family members work together to envision or brainstorm about the future they want for the farm. During this time, each member of the family shares their individual goals and aspirations for the farm. In brainstorming, there are no wrong answers, simply the generation of ideas. It is important for each generation to have input. Some questions to explore during this process include:

- What legacy does the current operator(s) want to leave?
- What are the future goals for each participating member?
- What are the collective goals for the farm business for the future?
- Who will be the best care-taker(s) of the farm and land in the future?
- What involvement do the heirs desire with the farm in the future?
- What does the future organizational structure look like?
- What agricultural enterprises could or should be raised in the future?

- What concerns are there about the future of the farm?
- What does the future generation need to learn in order to manage the farm?

Dialogue Phase: In this phase, the family takes time to analyze their communication skills and patterns. It is valuable to identify the different stressors (financial, physical, familial, and emotional) which might be impacting the ability for family members to communicate. Some typical barriers are caused by differences in personality, gender, and generation(s).

- Some questions to explore during this process include:
- What are the family's communication strengths?
- What barriers might exist which weaken communication?
- What are the top stressors with regards to the farm and family?
- What crucial conversations need to happen?
- How can communication be improved?
- What strategies can be utilized to overcome communication barriers?
- What strategies can be used to reduce stress?

Families may wish to attend workshops on effective communication and to engage with their local Extension Educator to help facilitate conversations. Attention should be given to how to establish effective communication patterns between family members. One such idea is to hold regular family business meetings. Good communication patterns will ultimately help the family move into designing and then implementing the farm transition plan.

Design Phase: During the design phase, the family creates a formal farm transition plan based on the positive aspects and the shared vision identified in the previous phases. The focus is on designing a transition that leverages the strengths, values, capital, and human assets of the family business.

Action plans should be developed including a step-by-step plan for training the next generation. This involves outlining roles, responsibilities, timelines, and decision-making structures. An organizational chart should be developed. This plan should also include when and how managerial control will be shifted from the current generation to the succeeding generation(s).

Some questions to ask of the future managers of the farm (heirs) include:

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

This phase also should include discussions on how to mitigate future risks including unexpected events and issues that are obvious but no one wants to discuss (elephants in the barn). These risks should include analyzing production risks and discussing how to overcome unplanned issues such as divorce, second (or subsequent) marriages, disability, long-term care, discord and disagreements, lack of retirement funds, and any legal action. During this phase, the family will have to draw on positive communication strategies to navigate tough conversations.

The culmination of this phase is meeting with financial, legal, tax, and farm advisors to examine which tools and methods can be used to accomplish the transition and estate plan goals. Then a comprehensive farm transition plan should be written.

Destiny Phase: In the destiny or implementation phase, the family starts to execute the transition plan. This usually involves transferring ownership, management responsibilities, and knowledge from one generation to the next. It is important for families to keep the lines of communication open to address any challenges or to make any needed adjustments. The goal is to stay focused on the plan and adapt as necessary. Remember, the implementation of a farm transition plan may take 5-10 years. Make sure to celebrate milestones and successes along the way. Evaluate progress along the process and make changes as needed.

Closing Thoughts

Jack Canfield stated, “By taking the time to stop and appreciate who you are and what you've achieved - and perhaps learned through a few mistakes, stumbles, and losses - you actually can enhance everything about you. Self-acknowledgment and appreciation are what give you the insights and awareness to move forward toward higher goals and accomplishments.”

References:

- Management (2018), Robbins, Stephen and Coulter, Mary. ISBN 9781292215839.
- What is Appreciative Inquiry (2019). Moore, Catherine. Accessed at: https://positivepsychology.com/appreciative-inquiry/#appreciative-inquiry
- Cooperrider, D. L., & Whitney, D. (2005). Appreciative Inquiry: A Positive Revolution in Change. https://www.researchgate.net/publication/237404587_A_Positive_Revolution_in_Change_Appreciative_Inquiry

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The Legacy of Our Farm

As you begin to discuss the future of the farm, it is first helpful to take time for the family to pause to review the legacy of the farm and to reflect on the farm's successes and positive moments throughout its history. This will help everyone to acknowledge and appreciate the strengths, values, and achievements that have contributed to the farm's success. In the space below share key highlights of the family & farm's legacy/history. What are some historical and current "points of pride"? What is the farm's mission? What values have been important or are key to the family and the business? As a family, you are encouraged to brainstorm on how to capture the farm's history for future generations (websites, book, photo journals, videos).

Farm and estate transition planning begins with the senior generation expressing their goals for their desires for the future of the farm. Is the goal to pass the farm on as a functioning business to your children/grandchildren or someone else? Or is the goal to sell the farm business when you are ready to retire. Or maybe the goal is for the farm to remain in the family regardless if it is farmed by a descendent (ie., children will inherit farm and manage it as landlords). Or maybe your goal is to own and operate the farm until your death and then you will allow your heirs to decide whether to farm, lease, or sell it. Below is space for the senior generation to share their goal for the future of the farm and its legacy.

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Who Are My Heirs?

An important task in transition planning is to identify who your heirs will be for both personal estate as well as for the farm. Give some thought on who your heirs will be. Which family members, friends, or others do you wish to bless? Many of us are involved in community groups or organizations and may wish to leave something to these groups upon our passing. Please list all the different entities, people, and organizations you may wish to bless as part of your plan.

Family and Friends	Church/Charities
Civic Organization/Foundations	Community

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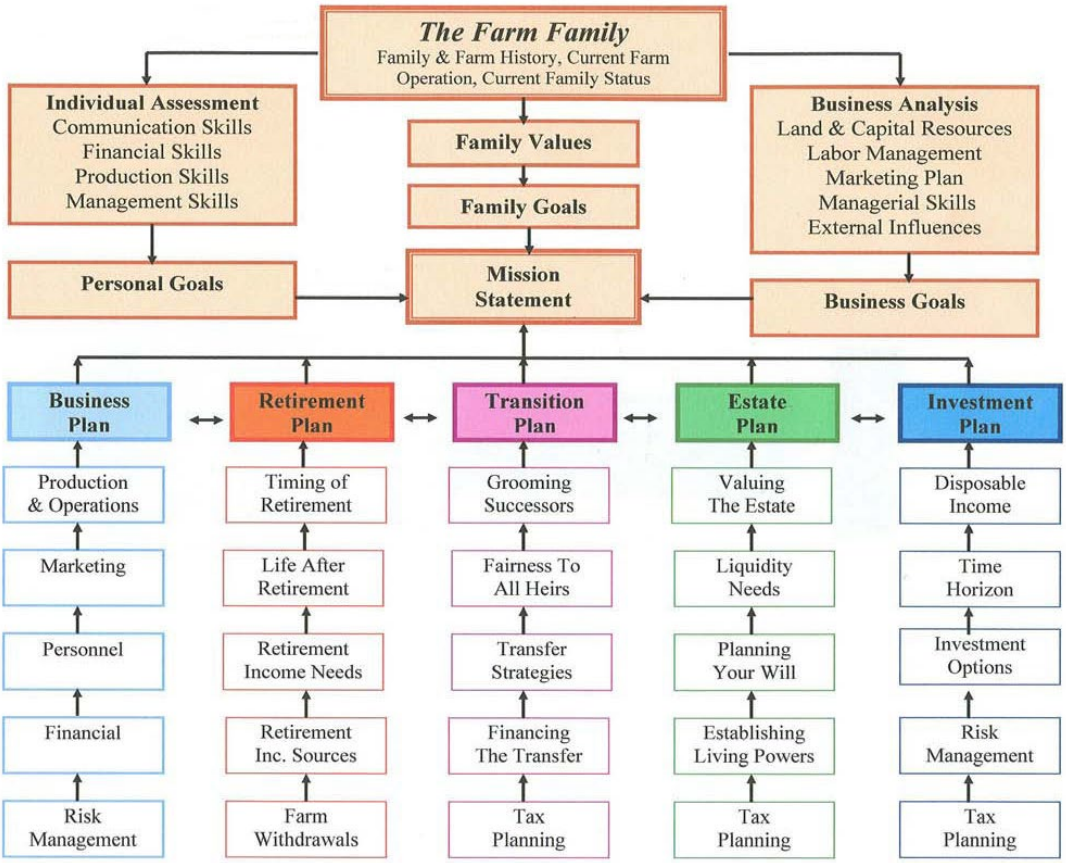
The Farm Family

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



Resources:

- Planning for the Successful Transition of Your Agricultural Business factsheet: https://ohioline.osu.edu/factsheet/anr-47
- Whole Farm Planning Model factsheet: https://ohioline.osu.edu/factsheet/anr-52

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Our Mission and Vision

As part of your planning, it is important to look at the philosophy which drives the business through your vision and mission statements. Your mission statement describes why your farm exists and describes the work it is doing today. Meanwhile, your vision statement describes where you are going or what the desired future of the business is. ***In short, your VISION is about the future and your MISSION is what you do every day to achieve the future you imagine***. Take some time to create (or update) your farm's mission and vision statements.

Mission Statement

Vision Statement

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SWOT Analysis

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

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

Reading Resource:
Conducting a SWOT Analysis of Your Agricultural Business: https://ohioline.osu.edu/factsheet/anr-42

SWOT Topic: _____

STRENGTHS	WEAKNESSES
OPPORTUNITIES	**THREATS**

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

Financial	Labor Management	Facilities	Enterprise Mgmt	Personal

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

Financial	Labor Management	Facilities	Enterprise Mgmt	Personal

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

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What Income is Needed?

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

Retired Generation: $_____

Senior Generation: $_____

Intermediate Generation: $_____

Junior Generation: $_____

Total Income Needed: $_____

What is our historic net farm income?

2024: $_____

2023: $_____

2022: $_____

2021: $_____

2020: $_____

What are some strategies to increase net farm income?

1. _____

2. _____

3. _____

4. _____

5. _____

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How Much Income Do I Need?

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

Estimating our Family's Income Need from the Farm

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

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Asset Inventory Sheet

During the estate planning process, your attorney will need to know the farm's asset base. Make an inventory of farm assets. These assets would include machinery, livestock, and equipment. Include the current market value and/or tax value (is the equipment completely depreciated out?) if you know it.

Asset	Market Value	Tax Value

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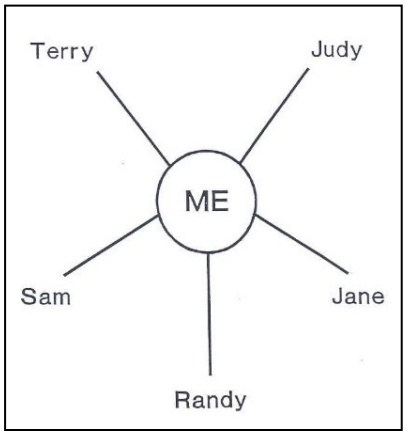
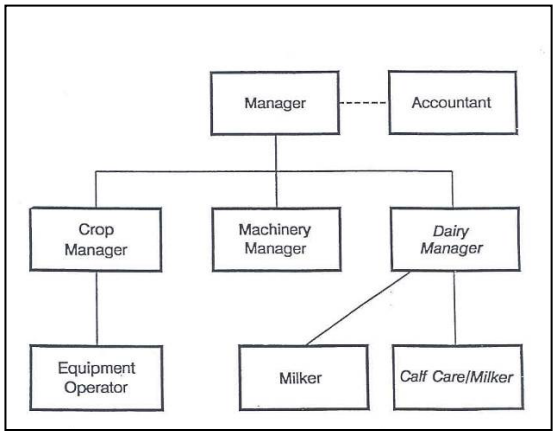
Organizational Structure

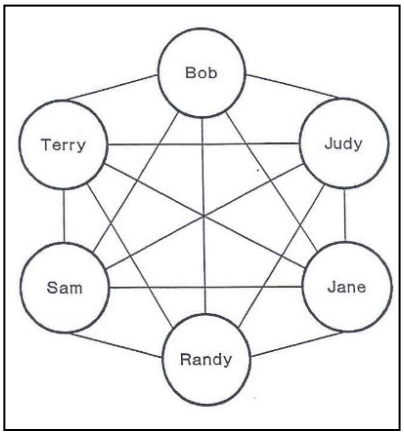
What does the current and future organization structure look like?

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

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







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Farm Advisory Boards

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

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

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____

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Analyzing Your Business Checklist

An analysis of the current state of the farm should be conducted to determine the available land, labor, capital, and management resources. This process looks at the who, what, where, and why of the business.

- Who works on the farm?
- What does the farm grow or raise?
- Where does the farm produce its commodities?
- Why does the farm exist?

This analysis should determine the physical, fiscal and personnel status of the business. This analysis should also examine the operation's efficiency and identify any available resources that are not currently being utilized. The farm's profitability, business structure, operating procedures, and employee management should also be determined. It is also helpful for the management team to identify the external influences that could impact the business in the future. These influences could include any governmental, political, economic, environmental, social or technological elements.

Some of the tasks which farms can undertake are included on the following page.

Task	Date Accomplished
Review History and Legacy of Family and Farm	_____
Define Farm and Family Values	_____
Identify Heirs	_____
Review Mission and Vision Statements	_____
Conduct SWOT of Financial Section of Business	_____
Compile Farm Financial Statements for past 5 years	_____
Compile Tax Returns for past 5 years	_____
Update Farm Balance Sheet	_____
Analyze Family Living Expenses for each partner or future partner	_____
Conduct SWOT of Production Practices	_____
Update Machinery, Building & Livestock Inventory	_____
Complete SWOT Assessment of Land, Tools, Facilities, Machinery, Tools & Equipment	_____
Review Operating Entity (Business Structure)	_____
Review Organizational Structure	_____
Review Risk Management/Insurance Coverages	_____
Have each member complete individual SWOT assessment	_____
Review Human Resource/Employee Management	_____
Review and Modify Existing Business, Retirement, Transition, Investment and Estate Plans	_____

Resources:

- Whole Farm Planning Model factsheet: https://ohioline.osu.edu/factsheet/anr-52
- Developing Goals for the Agricultural Business factsheet: https://ohioline.osu.edu/factsheet/anr-45
- Conducting Successful Family Business Transition Meetings factsheet: https://ohioline.osu.edu/factsheet/anr-53
- Farm Balance Sheet: https://ohioline.osu.edu/factsheet/anr-64

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Brainstorming for the Future of our Farm

It is helpful you talk to each of your potential heirs to gain their perspective on what their goals, dreams, and aspirations are for their future involvement/ownership of the farm. The following questions can be used as you brainstorm about the future of the farm.

What are the future desires and goals for each participating member (senior generation, succeeding generations, and off-farm heirs)? Include short-term, intermediate and long-term.

What are the collective goals for the farm business for the future?

What involvement do the heirs desire with the farm in the future?

What does the future organizational structure look like?

What agricultural enterprises could or should be raised in the future?

What concerns are there about the future of the farm?

What does the future generation need to be equipped to manage the farm in the future?

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Goals for the Future

Short Term Goals

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

Intermediate Goals

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

Long Term Goals

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

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Questions for My Heirs

What is your goal for our family farm?

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

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

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

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

What other comments do you have about the future of the farm?

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What Would You do with the Family Farm?

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

Family Communication

Effective family communication is the cornerstone of a successful farm transition. It ensures that everyone is on the same page, reduces the likelihood of conflicts, and can help preserve both the farm and family relationships for future generations. Regular, open, and honest communication is key to navigating the complexities of farm transitions.

So why is communication important in the farm transition planning process?

It Clarifies Expectations and Roles. Clear communication helps ensure that every family member understands their role in the transition process. Misunderstandings about who is responsible for what, can lead to conflict and confusion. When everyone knows their responsibilities it helps educe the likelihood of disagreements.

It Aligns Goals and Values. Different family members may have different visions for the farm's future. Open discussions help align these visions and ensure that the transition reflects the shared values and goals of the family. Good communication can help a family reach a consensus on the future direction of the farm, making the transition more cohesive, and reducing the potential for conflicts.

It Builds Trust and Reduces Conflict. Transitions can be emotionally charged, especially when issues of inheritance and legacy are involved. Regular, honest communication builds trust and allows family members to express their concerns and feelings, which can help prevent conflicts.

It Can Help Ensure Knowledge Transfer. The older generation possesses a wealth of knowledge about the farm's operations, history, and management. Effective communication ensures this knowledge is passed on to the next generation which will allow the next gen to be better prepared to take over the farm.

The Family is Better Prepared for the Unexpected. Family communication allows for the discussion of contingency plans in case of unexpected events such as illness or death. These conversations, though difficult, are necessary.

It Fosters a Sense of Ownership and Commitment. Involving all family members in discussions about the future of the farm can help everyone feel more engaged and motivated to contribute to the farm’s success, ensuring a smoother transition and a stronger future for the farm.

Yes, communication can be messy but is essential to a good transition and estate plan.

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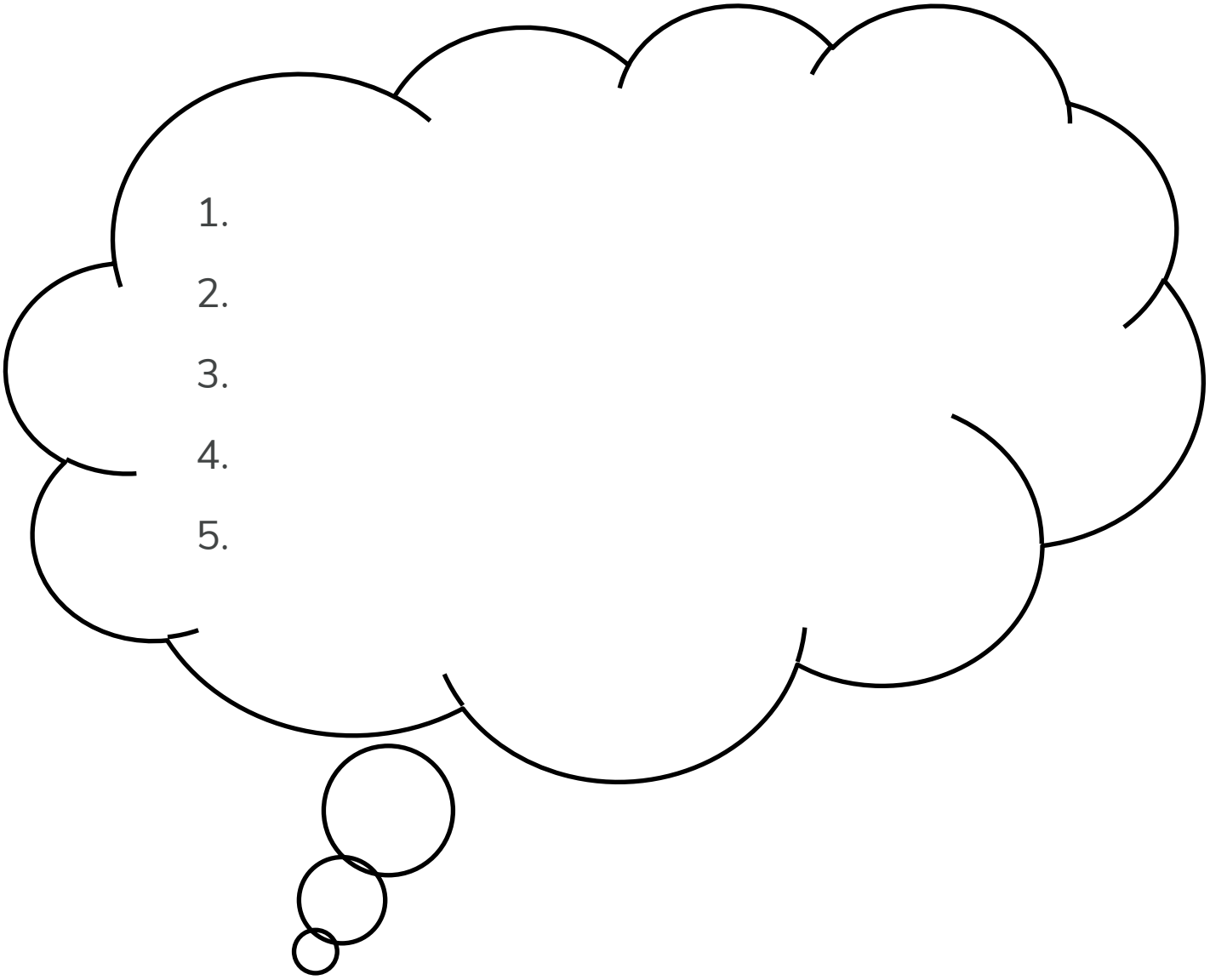
Family Communication

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

What are some barriers to communication on farms?



One of the hardest aspects of farm succession planning and estate planning is maintaining family relationships. Conflict often arises during planning. The key to helping your family is to identify the items which could impact effective family communication and to consider how you can reduce any potential conflicts. The following questions can help identity the strengths and weaknesses of your family communication.

What are your family's communication strengths?

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

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

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

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

What crucial conversations may be necessary to have in the future?

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Family Business Meetings

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

Tentative Agenda for a Family Business Meeting

Call to Order

Minutes from Previous Meeting

Farm Financial Report

Old Business

New Business

Date of Next Meeting

Adjournment

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

1. _____

2. _____

3. _____

4. _____

5. _____

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Choosing the Successor for your Farm Business

My Potential Successors include: _____

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

Attributes/Abilities of Potential Successors	Ranking	Comments
Crop Production Management		
Livestock Management		
Financial Management		
Machinery & Equipment Repair		
Building Repair		
Human Resource (Employee) Management		
Fiscal Management		
Commodity Marketing Abilities		
Risk Tolerance		
Experience		
Commitment		
Management Style		
Communication Skills		
Leadership Abilities		
Creativity		
Guts & Ambition		
Alignment of Values		
Ability to Keep Current		
Other_____		
Other_____		
Total		

Suggested Scale: 1= Poor, 3= Fair, 5= Excellent

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Questions for the Next Manager

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

If you had to take over the farm today, what would you be most the most concerned about?

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

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

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

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Tips for Developing Future Managers

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

Here are some other tips:

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

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Planning for the Unexpected

Successful businesses recognize that life is full of twists and turns. Given this, attention should be given to planning for the unexpected. So, will you plan for the unexpected? First, know that unexpected things will emerge. The key is to prepare for some of the typical unexpected items now before the emergency arises—just like we did when we had fire drills in school. The key is to be prepared so we can react with a clearer mindset when an emergency happens. What unexpected events are you most concerned about? Unexpected Issues arise in every succession and estate plan. Identify how you will overcome the following unexpected events:

Death: _____

Disability: _____

Divorce: _____

2nd/3rd Marriages: _____

Long Term Care (Nursing Home) Expense: _____

Medical Bills: _____

Buying out a Partner's Share of Business: _____

Unexpected Lawsuit: _____

Global or Natural Disaster (pandemic, tornado, flood, fire): _____

_____

Other Events:

_____

_____

_____

_____

Reading Resource:
Is a Prenuptial Agreement Right for Your Farm Business factsheet:
https://ohioline.osu.edu/factsheet/anr-51

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Planning for the Retirement

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

My sources of retirement income will be:

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

Draw a picture of your life in retirement.

Resource:
Planning for a Secure Retirement. Purdue University:
https://ag.purdue.edu/programs/areyouprepared/secureretirement/Pages/default.aspx

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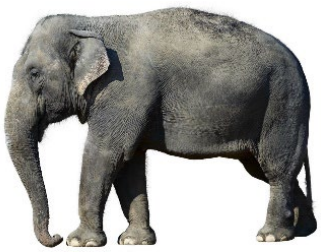
Elephants in the Barn

What is an elephant in the barn? The metaphorical elephant represents an important or enormous topic, question, or controversial issue that is obvious or that everyone knows about but no one wants to discuss. These elephants could include sweat equity, fair versus equal, successor issues, work-life-balance, hurts/habits/hang-ups, family communication issues or gender roles/stereotypes. So…what are the elephants tucked in your barn?

What are the elephants in the barn that your attorney will need to know about as they help you design your farm transition and estate plans?



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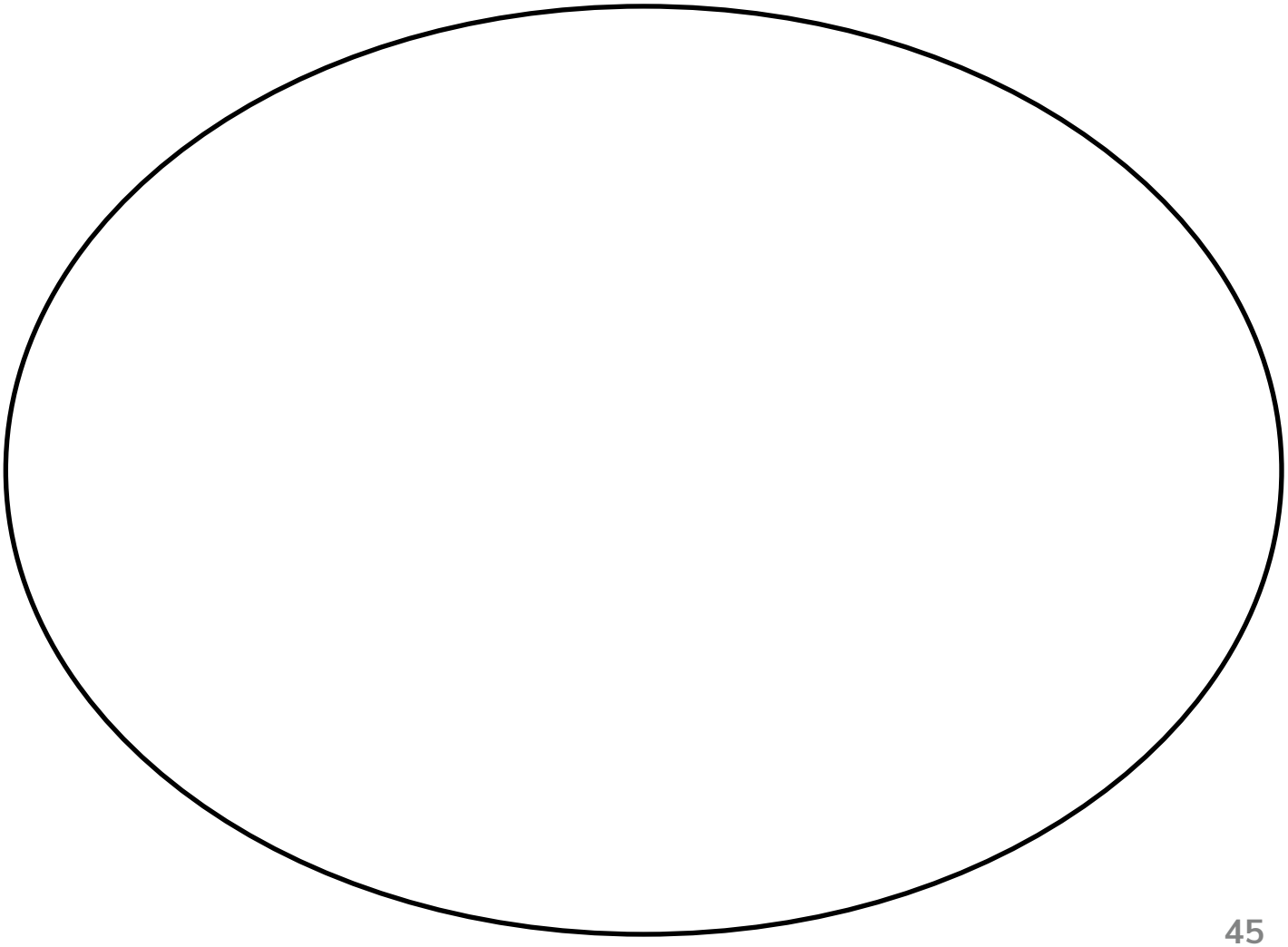
Fair vs Equal

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

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

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



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What Assets Will I Be Leaving My Heirs?

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

Cash Assets:

Intermediate Assets Including Machinery:

Land:

Summary of Debts:

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Where Does Our Farm Stand With Its Planning?

Farm Business

_____ Have an up-to-date balance sheet

_____ Have an up-to-date asset inventory sheet

_____ Have selected a heir(s) for our operation

_____ Have a farm transition plan developed

_____ Hold farm business meetings

_____ Have a business structure which fits our operation (check current type of structure)

____ sole proprietorship

____ partnership

____ limited liability company

____ corporation

Senior Generation

_____ Have an up-to-date will and/or trust

_____ Have a power of attorney for assets

_____ Have a power of attorney for medical decisions

_____ Have a living will

_____ Have long term care insurance

_____ Have disability insurance

Junior Generation

_____ Have an up-to-date will and/or trust

_____ Have a power of attorney for assets

_____ Have a power of attorney for medical decisions

_____ Have a living will

_____ Have long term care insurance

_____ Have disability insurance

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Example Transition Planning Timeline

Below is an **example** transition planning timeline which can be followed by farm families. You are encouraged to select the tasks which your family will need to complete and to set a target date for completion. You can use the "Our Transition Planning Timeline" worksheet to develop your timeline.

Task	Target Date	Date Completed
Review History and Legacy of Family and Farm		
Define Farm and Family Values		
Identify Heirs		
Hold Family Business Meeting #1		
Review Mission and Vision Statements		
Compile Farm Financial Statements for past 5 years		
Compile Tax Returns for past 5 years		
Update Farm Balance Sheet		
Analyze Family Living Expenses		
Conduct SWOT of Financial Section of Business		
Hold Family Business Meeting #2		
Conduct SWOT of Production Practices		
Update Machinery, Building & Livestock Inventory		
Complete SWOT Assessment of Land, Tools, Facilities, Machinery, Tools & Equipment		
Hold Family Business Meeting #3		
Review Operating Entity (Business Structure)		
Review Organizational Structure		
Conduct SWOT of Business Structure		
Conduct SWOT of Organizational & Human Resource Structure		
Review Risk Management/Insurance Coverages		
Hold Family Business Meeting #4		
Complete Individual SWOT Assessments		

Task	Target Date	Date Completed
Complete “Questions for Heirs” Worksheet		
Complete Goal Setting for Each Generation		
Complete “What Would You Do with Farm” Worksheet		
Complete Successor Evaluation Worksheet		
Hold Family Business Meeting #5		
Complete Family Communication and Stress Worksheets		
Complete SWOT of Family Communication		
Complete Planning for the Unexpected Worksheet		
Complete Planning for Retirement Worksheet		
Brainstorm on Elephants in Barn		
Hold Family Business Meeting #6		
Review Human Resource/Employee Management		
Write/Update Job Descriptions		
Review Existing Business, Retirement, Insurance, Transition, Investment and Estate Plans		
Hold Family Business Meeting #7		
Review “Fair versus Equal” Worksheet		
Hold Initial Meeting with Transition and Estate Advisors		
Hold Family Business Meeting #8		
Complete FARMS Spreadsheet		
Develop Initial Transition and Estate Plan Framework		
Hold Family Business Meeting #9		
Meeting with Transition and Estate Advisors		
Complete Advance Directives		
Hold Family Business Meeting #10		
Finalize Transition and Estate Plans		

Task	Target Date	Date Completed
Hold Family Business Meeting #11		
Share Plan With Family & Heirs		
Review Plans at Each Life Milestone/Event		
Hold Quarterly Family Business Meetings		

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Our Transition Planning Timeline

Select the tasks which your family will need to complete and to set a target date for completion.

Task	Check if Need to Complete	Target Completion Date
Review History and Legacy of Family and Farm		
Define Farm and Family Values		
Identify Heirs		
Review Mission and Vision Statements		
Compile Farm Financial Statements for past 5 years		
Compile Tax Returns for past 5 years		
Update Farm Balance Sheet		
Analyze Family Living Expenses		
Conduct SWOT of Financial Section of Business		
Conduct SWOT of Production Practices		
Update Machinery, Building & Livestock Inventory		
Complete SWOT Assessment of Land, Tools, Facilities, Machinery, Tools & Equipment		
Review Operating Entity (Business Structure)		
Review Organizational Structure		
Conduct SWOT of Business Structure		
Conduct SWOT of Organizational & Human Resource Structure		
Review Risk Management/Insurance Coverages		
Complete Individual SWOT Assessments		
Complete “Questions for Heirs” Worksheet		
Complete Goal Setting for Each Generation		
Complete “What Would You Do with Farm” Worksheet		
Complete Successor Evaluation Worksheet		

Task	Check if Need to Complete	Target Completion Date
Complete Family Communication and Stress Worksheets		
Complete SWOT of Family Communication		
Complete Planning for the Unexpected Worksheet		
Complete Planning for Retirement Worksheet		
Brainstorm on Elephants in Barn		
Review Human Resource/Employee Management		
Write/Update Job Descriptions		
Review Existing Business, Retirement, Insurance, Transition, Investment and Estate Plans		
Review “Fair versus Equal” Worksheet		
Hold Initial Meeting with Transition and Estate Advisors		
Complete FARMS Spreadsheet		
Develop Initial Transition and Estate Plan Framework		
Meeting with Transition and Estate Advisors		
Complete Advance Directives		
Finalize Transition and Estate Plans		
Share Plan With Family & Heirs		
Review Plans at Each Life Milestone/Event		
Hold Quarterly Family Business Meetings		

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Dear Extension...

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Thank You Ohio Corn & Wheat

Thank you to Ohio Corn and Wheat for helping to sponsor these materials. We appreciate their support.

Closing Thoughts

Procrastination is not just avoiding a task. It is also avoiding the emotions that accompany an uncomfortable task.

The measure of one's character is not what they get from their ancestors but what they leave their descendants.

I still find the days too short for all the thoughts I want to think, all of the walks I want to take, all the books I want to read, and all the friends I want to see. (J. Burrows)