<u>Farm Transition Planning Considerations</u>

Risk management

Five major events can impact a family business, known as the "5 D's." Make sure your farm transition plan accounts for them.

- Death
- Disability
- Disaster
- Divorce
- Disagreements

Farm evaluation

Before making a farm transition, you should know the type of enterprise your family and community can support, and what resources you may need to obtain in the future. Evaluate your farm by asking answering questions about where your business is now and where it's heading in the future.

- What is the state of your current working assets?
- What is the capital position of your operation?
- How much credit is available?
- Can successors handle management of the business, or do they need more training and experience?
- How much time does each family member give to the operation?
- What are your property rights?

Legal documents and tools

Farm transitions are a transfer of three rights: income, management, and control of equity. Make sure you have the right legal documents to keep your farm stable and responsibilities clearly defined during and after a transfer.

- Determine if the operation is being willed, is part of a trust, or is being gifted.
- Have methods in place to manage estate taxes
- Choose a business entity
- Decide on your buy-sell agreement
- Write up a lease for your operation, if you need someone else to do the farming
- Consider a conservation easement to protect your property

Professional advice

This is a time where you'll need some professional opinions, particularly for the financial and legal aspects of your farm transition.

- Consult with an attorney, a financial planner, and an accountant
- Consider also speaking with a life insurance agent, a trust officer, a financial planner, or a mediator.
- Gather information about your operation to share with your professional advisors, such as personal and family information, bank accounts, stock, life insurance, trusts, loans, real estate, and retirement benefits.