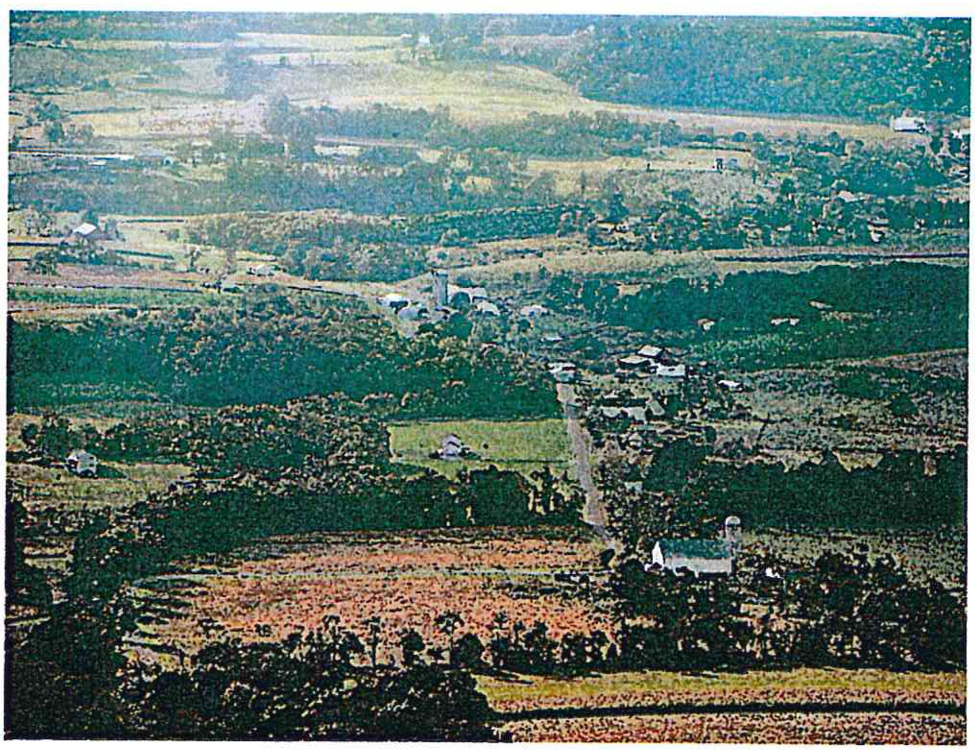
Section One:

DEVELOPING YOUR VISION FOR THE FUTURE



A Proposed Definition

Farm Transfer Planning. *n.* A process of decision-making that protects your land's agricultural and forest production while preserving family relationships and enhancing community development.

If you are to really tackle developing a plan for your farm's future, the above definition covers the essential bases. The concepts explored in this workbook go beyond simple estate planning, which is merely the distribution of your *stuff* when you die. Most folks do not like to think of their own death, and are often less interested in discussing it. Therefore, we prefer to use the word "transfer" (as in farm transfer, or even wealth transfer), mostly for the fact that transfer is about change in who farms, who owns land, and who manages the land. Your and your family's ability to manage this transfer during your life is what the future of your farm is ultimately about.

First, farm transfer planning is indeed a ***process***. As Dwight Eisenhower is supposed to have said, "The Plan is nothing. *Planning* is everything." What he surely meant was: things will change, but our ability to gather and evaluate information will enable us to make better decisions as we go along. Farm transfer planning embraces the same idea. It is not a passive event, and there is no one tool or silver bullet that will make it easy or make challenges go away. Indeed it is a series of transactions executed overtime within a flexible framework. There are tools that provide a good foundation and framework in which to make changes over time. It is the act of going through the process that makes the difference. Planning is hard work, but more likely produce the future you want for you, your family, and your farm.

Your process supports better ***decision-making***. The process you employ to methodically gather information about what you and your family want for the farm and your own lives, what your farm is good for (ie. if you need income from it), and what you own and the extent of its value empowers you to choose among the tools available to you. Legal tools can be executed to minimize forseeable risks and accomplish articulated goals, but as things change in life, the outcome those tools were designed to produce may no longer fit the situation. In other words, it does not end with the execution of a will, no matter how good you think that will expresses your desire at the time your lawyer writes it. If a will distribution scheme needlessly risks a farming heir's long term tenure on needed ground, the will cannot change itself. Only you have that power, and you need to have a flexible framework that will make needed changes easier to make as your and your family's lives unfold over the years.

Your decisions should ***reduce risks to productivity*** of the farm. If it is important to you and your family that your farm remain in the family and/or in production as it passes to the next generation, your decisions should allow for a smooth transition in the use and management of that land. If a family member is farming it, he or she will need to know their use of the land is a secure resource for their farm enterprises.

"The Plan is Nothing. Planning is Everything."

Dwight D. Eienhower

This planning process supports your true legacy: ***preserving your family***. How well your children get along after you are gone, and how they remember the example you (Mom and Dad) set for them is a true legacy. Keeping land in a family where the family relationships are deteriorating defeats the purpose of keeping wealth in the family, and often leads to loss of wealth. It certainly leads to stress on the farmer or manager of the land, causing them to pull back investment. Without planning, many families will find that land is a fertile field upon which to play out lifelong sibling rivalries.

Finally, how a family plans for the future use of their land depends in some measure on the ***community development*** around them. What programs and resources (such as marketing infrastructure) are available in a community ultimately depends on how many farms avail themselves of these resources. For example, local agricultural economic development initiatives, farmers markets and other regional distribution channels all depend on farmer and landowner participation. In a word, the relationship is symbiotic. Community development around agriculture depends on the aggregate of individual decisions that families make about their farms. It has been said that, in spite of the individualism we often associate with farming, no one has ever farmed alone.

STARTING WITH WHAT YOU WANT

A farm owner's personal values will ultimately drive farm transfer decisions, and whether another – often younger – farmer will have the opportunity to farm the land. Therefore, the first question you should ask yourself is "What do you *want* to see happen to your farm?" This question comes before considering the situation through any lens of goals analysis, resource evaluation, or the laws that govern the transfer of wealth.

This question – *what do you want*? – like the farm transfer process itself, touches on a lot of seemingly different things that one may find important: keeping family harmony, passing on a farming tradition, retaining hard-earned wealth for heirs, and sometimes, simply not paying taxes to the government. Sometimes families find that their collective wants for the future of the farm, while not necessarily conflicting with each other, will nonetheless require modification and compromise.

To develop a vision for the future, it may be important that all family members share with you what they want to happen to the farm.

For example, you may simply *want* the farm to "stay in the family." What do you mean by this statement, and more importantly, *why* is this important to you? Often that "why" is simple family heritage. Many families in Pennsylvania can trace their lineal ownership back to a grant from King George III, and perhaps this bestows an obligation on each generation holding title to the land throughout the years to pass title to a family member. The desire to pass on the land to lineal heirs will drive many owners in their decision-making. Will it satisfy this obligation if one lineal heir gains title to the land? Or a non-lineal family member (ie. a nephew or niece)? If this is done, what wealth will be transferred to the other heirs?

There may be another value that drives your decisions: wanting your children to get along with each other after your decisions on the farm have been made, and ultimately carried through either by sale, gift or inheritance. To accomplish the desire that the farm land stay in the family, it may not be possible to divide it equally among heirs. Indeed, as noted in Section Two, *How Do You Own Your Property?*, creating ownership interests among multiple heirs may endanger the ability of any heir to effectively manage and earn income from the land. But with land as the highest value asset in most families, there are often few other assets to balance the overall estate equally among all the heirs.

When transferring farm wealth across generations, many people have a strong desire to treat heirs - particularly children - equally rather than fairly. "Equal" normally means an equal distribution of dollar value of the parents' wealth. "Fair," on the other hand, considers the totality of the circumstances in making distribution decisions where the heirs' absolute right to the wealth is modified in pursuit of certain goals (such as securing a farming heir's access to the land). "Fair" may also take into account the realistic need to make sure that the next generation can produce income from the land to support the elder generation in their later years.

To develop a vision for the future of the farm, it may be important that all family members share with you what they want to happen to the farm. Sometimes the response to such an exercise is apathy. If the apathy about the future of the farm comes from both Mom and Dad -- "You kids figure it out" -- it is probably best that the estate plan divides up the assets -- including the landholdings -- as equally as possible. Nonetheless, your goals for the farm - perhaps that it remain in production - may cause you to accept transferring the land outside the family.

The worksheet *Rating Family Values* consists of a number of statements to get you thinking about what is really important to you, and more importantly, why it is important. Each statement has a number value attached to rank importance that will provide a framework to prioritize your values. What will make tough decisions easier for family members will be openness in the process, where there will be no surprises that lead to distrust and ill-will among heirs. Your answers and comments to the questions will form the basis for shaping and sharing your decisions with the family. It will also help your advisers understand which planning tools are appropriate for you. Two additional worksheets offer an opportunity to assess your comfort level with certain decisions, and a chance for Mom and Dad to sketch their vision of retirement.

An underlying theme of this workbook is that there are no easy answers. Fortunately, there are legal tools available - such as trusts, business entities and other agreements - where access to income can be assured, along with a stake in the value of the land. Fairness will lie in how decisions balance the abilities of all heirs to access that wealth in the future. Fairness is also built into your family's understanding of the distribution decisions in your farm transfer plan.

The sooner Mom and Dad can gain common understanding of each other's views of "fair," the stronger the process will be. The potential heirs may not have an ultimate say, but it's important for them to at least know why you have made certain decisions.

Ultimately, whatever the various motivations, all heirs must recognize that these decisions have been tackled by generations before them, and now ultimately it is the title holders - Mom and/or Dad - who must decide. In the event they cannot recognize this, you may find that the best course of action is to keep your plans to yourselves.

Managing Risk In Farm Transfer: The D's

Evaluating risks associated with keeping farmland available for production is an early step in building a plan to address and/or reduce these risks. What follows is a discussion about how accepting and planning for these risks will provide you information to consider in evaluating your risks and developing a plan to reduce these risks.

Developing a risk management plan should begin with developing family, business, and personal goals. If you have identified these goals in the worksheets section, then you can begin the process of developing a plan to reduce the risks associated with accomplishing these goals. The worksheet *Quick Risk Assessment* is a way to identify the risks that your proposed plan and/or agreement will face.

Planning to manage the D's

One key to beginning the process of planning is accepting that even the best laid plans sometimes do not work out. Therefore, even though we may be reluctant to discuss negative issues, it is critical to discuss the cons as well as the pros of any proposed distribution of the farm. While we cannot control the future or plan for every eventuality, recognizing as many risks as possible and communicating your concerns about these risks - particularly those that seem unique to your family's circumstances - to your professional advisers will be critical to help craft the best plan to achieve your goals.

> *One key to beginning the process of planning is accepting at the beginning that even the best laid plans sometimes do not work out.*

There are many major events that can severely impact a farm family or a family business. For convenience, let us break them into those you cannot control and those that result of decisions gone wrong. Those you can't control are: death, disease and disability, and disaster. Those that can result from your decisions are divorce, disagreement, disengagement and debt. Planning a farm transfer without putting legal tools and agreements in place to manage the effects of these risks amounts to gambling with your future and your family's future.

Death

Planning for the eventual death of an owner or operator should consider how that person's passing will impact the ownership and management of the farm, specifically who will own, who will manage, and who will earn income from the farm. In many cases, the primary issue will be the diffiulties imposed on a farm heir if the farm property is distributed equally to his or her siblings upon the last parent's passing.

It is important to understand that when a person dies, their assets are distributed according to their estate plan, or in the absence of one, by state law. The distribution plan may create co-ownership interests - known as Tenancy in Common - in the assets that may make them unavailable for continued use by the farm business. This can have a devastating effect on families when heirs have different ideas about what they want done with the assets. Under Pennsylvania state law, any fractional owner can request that a court divide or partition the land. If the land cannot be fairly divided and the farming heir cannot afford to purchase the other interests, it will likely be sold in its entirety outside the family. Though this may not often happen, the road co-owners must take in dividing up land by agreement may be one that helps their relationships to one another.

Landowners can manage risk with proper estate planning tools and/or business agreements to guide the distribution of assets. These include wills, which distribute property or place assets in a trust where they are managed and ultimately distributed by a trustee. Some landowners use "business entities," which can provide for the orderly transfer of assets through purchase options and terms advantageous to owners who are actively farming.

For farm businesses that depend on the earning capacity of a key operator, life insurance can provide protection for families and/or the business in the event of an "untimely" death of one of its members. Sometimes life insurance is purchased to buy out other member interests in an entity such as a limited liability company, per that entities operating agreement. For young families with higher debt and lower cash reserves, term life insurance may offer low cost alternative to whole life or other investment protection. Term policies only have value upon the death of the insured. Insurance is also commonly used to "equalize" wealth, allowing cash to go to some heirs while allowing a farming heir to inherit the land.

Disease and Disability
Farming is a dangerous occupation, and crippling accidents are common relative to other lines of work. Also, as grim as it may sound, there are many folks who express a desire that, given the choice, they would prefer to go suddenly after a full life. However, the more likely scenario is that all of us will experience a period of declining health later in our life. Sometimes diseases such as Parkinson's or Alzheimer's can deprive a landowner or business owner of the mental capacity legally required to make legal decisions.

Farm owners should always have a properly executed power of attorney in place in the event they become disabled. It is important to remember that one's last will and testament is only operable on the death of its creator; it has no effect prior to death. Therefore, everyone needs documents that will give a trusted person - often a family member - the ability to handle that person's affairs, both health care and financial. Their powers can be broad or restrictive, depending on the family circumstances.

Income protection may also be important for a farm family or business owner. Disability or income continuation insurance can provide the dollars to cover living or labor expenses during the period of disability.

Often, farmers operating together under a business entity such as a limited liability company will want to ensure that the operating agreement ensures that the operation will have the ability to purchase a disabled member's interest in the event of prolonged disability. This allows continuation in management, prevents the costs of the member's disability from affecting the assets of the entity, and directs that the purchase money will go to the family of that member.

Whatever the circumstances, farmers and landowners should be aware of how events such as disease and disability will affect their transfer decisions and have the legal infrastructure in place in which to make needed changes.

Disaster and Debt
The word "disaster" generally causes people to think of natural disasters like tornados, droughts, or floods. For these events, most farm operators carry the proper crop and casualty insurance, and in extreme cases the federal government often provides an additional safety net. However, a broader definition could include any non-weather event (or more likely a combination of events) which suddenly and severely impacts the farming operation, or weighs it down financially to the point it no longer has flexibility to operate. These might include an unpayable purchase demand in the event that a farmland owner requires immediate exit, or debt extended to the point where a bad year finally exhausts the debt-holder's flexibility to keep working with you.

Disaster can also come in the form of a claim from someone outside the family, such as an injured visitor to the farm, or an injured end user of the farm's product traced back to the farm. For any such events, depending on the type of your operation, the best risk managment tool available will be the proper insurance tailored to your operation or risks associated with your land.

One key consideration for most farms is ensuring that liabilities caused by their operation do not allow claimants access to their personal and key assets, including the farmland. Without adequate legal entity protection, the claim of an outside creditor can be made on all of a farm's assets. Depending on the type of operation and the risks associated with such an operation -- including employees, processed farm products, on-farm visitors, etc. -- farm owners are advised to separate their operations from their land by creating a legal business entity to manage farm operations. When renting land, landowers should make sure a written agreement is in place so no inference can be made that there existed a partnership between the landowner and farm operator.

Divorce
While death is inevitable, divorce is a matter of probability that most do not plan for. Nevertheless, we know that many marriages end in divorce. Coupled with other risks involved in farming, the potential for a divorce cannot be ignored, considering the stressful nature -- both financial and physical -- of owning and operating a farm. Facing the possibility up front can alleviate some of the uncertainty about a diffusion of farm assets should a divorce happen.

One way to protect against the effects of divorce is to use operating and landholding entities for the farm. The governing agreement for such entities can spell out the buy-back options other owners or the company itself has in the event that one member suffers a divorce decree where a judge has awarded his or her share of the land or business to the estranged spouse. Such buy out provisions can be crafted to allow the members to purchase the interest over a period of time. Trusts can sometimes be implemented to similar effect, ensuring that beneficiaries of the trust are limited to lineal heirs of the trust's creator.

It may be possible to have a marital property agreement -- often called a "prenuptial agreement" -- limiting the rights of a spouse to certain assets in the event of divorce. Practically, this is not often done except where one side of the family has a lot of wealth to protect. If this is under consideration, such an agreement must be fair to both, particularly the spouse coming to the marriage from "outside" the family. Sometimes even with a marital property agreement, equitable distribution rules may cause the court to find the agreement inequitable or unenforceable. Therefore, the provisions of any marital property agreement should be thoroughly discussed between the parties and be reviewed by each with their own separate attorney prior to signing.

Lastly, in many farming situations, at least one spouse has an off-farm job. The disruption of a marriage will necessarily remove this income stream from the farming operation. Married couples considering purchasing a farm and starting a farm business may consider having an agreement between themselves about how the assets will be distributed in the case of divorce. This equally applies to unmarried couples who decide to purchase land assets together. This will save both parties a considerable amount of money in attorneys fees.

Disagreements and Disengagement

Major disagreements can emerge over time with multiple farm families involved in a farm business arrangement. Individuals, families and their circumstances change over time. As younger farm members get married and have children, their circumstances, values and goals may become quite different than when they entered into a joint farming operation with their parents or other unrelated persons. Older and younger generations will of course have different tolerance for risk, and can disagree over what direction the farm business should take. Disagreements over capital allocations can cause friction, and the speed at which farm assets are transferred to the younger generation can cause tension. Farm debt levels can cause difficulty; what the younger side sees as needed debt for expansion, the older side may see as a very real risk to their retirement assets. Any number of personal difficulties may develop between persons or families involved in the joint farm business.

When developing a business arrangement it is important to consider how to take it apart if it is not working.

All parties should know in advance what the financial implications will be when a future separation occurs.

At the commencement of a business arrangement, a plan should be developed for how multiple families will sever their joint farming operation. Generally a plan is needed where departing members receive only part of their investment at the time of severing the joint farming operations. When developing a business arrangement it is important to consider how to take it apart if it is not working. In other words, a plan for exit should be created at the same time as the plan for entry.

Business agreements such as operating agreements for a limited liability company can spell out the exit strategy in details that are both fair and affordable to all parties. Indeed, it should be clear enough that parties can make a sound decision to enter the business in the first place. These agreements can also dictate what steps the parties will go through in case of a disagreement. Similarly, leases can spell out how each party can end the arranged use of the land, and how differences will be settled.

Finally, risk analysis must include an acceptance of the cost of reducing those risks, including insurance and attorneys fees. Most folks are reluctant to put money out on the front end, but most analyses show how the up-front costs will pale in comparison. As a wise person once said, "Help me," is cheaper than "Fix me."

Worksheet 1.1

Quick Risk Assessment: the D's

Each family member should use this worksheet as a preliminary assessment of the 5 D's and how they could affect your *current plan* - or simple goals - for your future and the future of your farm. Start by keeping in mind the business, family, and personal goals of your family members. List the present plan in the column titled "Current Risk Management Plan"; for example, a document you currently have in place like a will. Next list the risks not addressed in the next column. Rank the possibility of this risk occurring in the next column. Then consider the impact on meeting the identified goals if this event were to occur. After completing these columns the 5 D's rank the risks in priority from 1 to 5 or as high, medium, or low. The last step is to identify steps to take to manage these risks. These steps become the building blocks of your farm transfer plan. The plan should be reviewed and updated as changes occur in the business or the people involved, and as goals change.

Risk	Current Risk Management Plan	Risks not currently addressed	Probability of risk at present	Impact of event on current plans	Steps needed to manage risk
Death					
Disability and Disease					
Disaster and Debt					
Divorce					
Disagreement and Disengagement					

Improving Farm Family Communication

Users of this workbook - particularly Mom and Dad - may want to seek input from family members in order to develop a shared vision for the future of the farm. At the end of the day, Mom and Dad must decide what to do with the farm assets. However, many times some decisions cannot be reached without input from other family members. Indeed, as emphasized throughout this workbook, keeping a farm in the family requires agreement between generations, which cannot be achieved from one side of the generational equation.

Keeping a farm in the family requires agreement between generations, which cannot be achieved from one side of the generational equation.

Often where there is open discussion about the future of a family business -- and more specifically, the value of its land assets -- there will be differing opinions on how it should be used or otherwise treated. Rather than hope that everyone will be in agreement with what is proposed for the farm, you should accept that differing opinions will be part of this process. If you do, perhaps when decisions are ultimately reached and documents executed, everyone will know where those decisions came from and be more likely to support them.

If one can suppose that conflict leads to stronger agreement, communication is the fire that forges the end product. It may be helpful to think of communication as a loop, from sender to receiver and back again, encompassing six elements: sender, message, receiver, channels, feedback, and effect. The sender sends a message through a channel -- verbal, written, or non-verbal -- to a receiver, who will then respond through the same or another channel (or not respond, itself a response). When received, the sender can determine if the message was understood, or otherwise process the effect of the response. The loop requires diligence among participants to avoid breakdowns and misperceived communication throughout, which of course entrenches disagreement (the biggest of the D's when it comes to farm transfer).

A few common sense ground rules can be agreed to by all parties so that the process does not break down. Here are a few items to keep in mind:

1. **Every message can be misinterpreted.** This is the situation where a sender has sent the message, but the receiver is unclear as to its meaning. If the receiver does not respond, the sender may either get the message that their position is understood, or that they are being ignored. At the get-go, all parties should agree that non-response to their position is not an affirmation that their position is correct, or otherwise agreed to. Even a non-response can be interpreted wrongly, or a non-verbal response (if in person) such as a furrowed brow will create its own message. All parties should adopt a stance of prompt feedback, even if it is to simply acknowledge receipt of the message and let the sending party know if they need time to consider or gather more information.

2. **Please never utter the word "non-negotiable."** Sometimes, this is the first thing someone will say to draw their "line in the sand." It is a bullying technique that by its very nature destroys trust, and carries with it no information useful in developing mutual agreement. It sends the message that what anyone else has to say is valueless. Try to avoid using it at any point in a family discussion.

3. **Be honest about your motives.** Nothing can be more frustrating than flowery language or idealistic imagery in a discussion about land and money. One reason to encourage family members to explore their own personal values about conservation and farming is to help folks be honest with *themselves* about what they want to see happen to the farm. Until this happens, explaining why you want something will be very difficult if that explanation is needed to educate other family members about your own position.

4. **Pay attention to listening skills.** Good listening skills can be improved by 1) simply making the decision that you will listen, 2) refraining from interrupting or immediately reacting (verbally or with body-language) to what is said by the speaker, 3) providing some form of positive feedback that you understand what the speaker is saying, maybe even to the point that you understand why they have their

position. All of this requires self-discipline.

5. **Communicate in an environment without distractions.** People are busy, and it is difficult to set aside time away from everyday tasks and deadlines. However, distractions that interrupt the back and forth flow of communication leave important questions unresolved, and often these are hard to revisit if progress is indeed being made between the parties. Family meetings, meetings between business partners, and meetings between a landlord and tenant should all be held in an environment where foreseeable distraction is minimized (ie. young children, a busy farm shop, etc.)

6. **Try to speak the same language.** This can be particularly challenging in farm planning situations, where not all parties to the discussion are farmers. Farm issues and terminology can get very technical, particularly when discussing yield conditions, input requirements and costs, equipment depreciations, commodity markets, etc. This applied equally to non-farm participants that have their own professional expertise, perhaps in law or investing. As best as possible all parties should realize that each does not necessarily possess the same expertise, and be prepared to explain the rationale that forms the basis for their opinions or positions.

With those tips in mind, it has been suggested that there are three dimensions where disagreement can develop. First there is the **substantive**. This is the nuts and bolts, the detailed outcomes of decisions such as ownership, management, organizational structure, timing, taxes, division of income and wealth (often the details relating to right to income from, authority to manage, and division of equity in that wealth). The second dimension is **relational**: people's feelings, emotions and differing perceptions of themselves and family members that often cloud rational decision-making on the substantive issues. The third dimension can be summarized as **process**. Often disagreement can flow from perceptions of fairness in the decision-making process, including the adequacy of gathering and sharing of information and alternate viewpoints, and when certain relationships create a perception of inequity.

Often the dynamics of disagreement are predictable, and disagreement in any of the three dimensions described above can lead to antagonism. Lifelong relationships can infuse diagreement with suspicions and questions about the other person's motives.As suspicions are shared among the like-minded, and not those we are suspicious of, silence broadens the gap and the ultimate cost of resolution. As noted earlier in this workbook, in the complex discussion about the future ownership of land, it is ultimately counterproductive to outsmart your siblings by being less than forthcoming about your motives.

Often the relational may be damaged by decades of sibling rivalry. The substantive may equally prove elusive due to differing fortunes throughout the lives of children reaching adulthood and having families of their own. In this instance, perhaps it is the *process* through which family can find common ground. Indeed, that is the focus of this section of the workbook, since we cannot alter the history that underscores the other two elements (ie. relationships and wealth needs).

In closing, a workshop held years ago in Albemarle County, Virginia offered an interesting visual demonstration about communication. A presenter was presenting on this subject before an audience of farm families. On a whiteboard, he drew a table with stick figure on either side, noting that this is how we often view discussions over an issue, with two sides of negotiation. He then redrew the picture with the stick figures on the same side, looking at the problem on the table. The presenter, Mr. Larry Hoover, a law professor at Virginia's Washington & Lee University, told the audience:

> *Negotiation is the predominant conflict resolution process, but unfortunately the adversarial, win/lose model imported from the legal system is too often adopted. What's needed is an interest-based, collaborative process, the important component of which is mutual empathetic listening to understand the interests, needs and priorities of others, while gaining clarity about our own. We must also search for creative additional value to bring to the table, which may depend on differing needs, valuations or time preferences, and use this information to feed a brainstorming of possible solutions and evaluating of options.*

His point: the more effort invested in addressing the issue of farm transfer as a shared family interest, the less energy (and money) will be expended on negotiating the outcome from identified positions.

Worksheet 1.2

PLANNING THE FAMILY MEETING

Meeting with family to discuss important issues relating to the farm may be helpful in establishing and meeting your goals. This worksheet is to help you get everyone to the kitchen table, with an agenda to guide the discussion in a business-like fashion.

Target meeting date: ____________________ Place: ____

Time start: ____________________________

Persons needed to attend:	Date contacted:	Best dates to attend:
______________________	______________________	______________________
______________________	______________________	______________________
______________________	______________________	______________________
______________________	______________________	______________________
______________________	______________________	______________________
______________________	______________________	______________________
______________________	______________________	______________________
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Proposed agenda:

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Suggested preparation tasks	Person(s) responsible	Target completion date
1.		
2.		
3.		
4.		
5.		
6.		
7.		

Worksheet 1.3

Rating Family Values

To help start your planning, read and rate the questions below. Rate the importance of each item, with 1 = not important, 2 = somewhat important, and 3 = very important. You can use these ratings to support your family discussion. Have each family member complete the worksheet to help get a clearer picture of what is most important to each in the farm transfer process. Conflicting values can then be discussed.

I want the farm to remain in our family's possession. *Why is this important/not important to you?*	1	2	3
I want the farm to continue to be farmed after I/we retire. *By who?*	1	2	3
I would like to remain physically involved in the farm after I/we retire. *Why is this important/not important to you?*	1	2	3
I want our children to have the opportunity to continue management of the family farm. *In what capacity?*	1	2	3
I would like the division of farm property to be equal in dollar value among our children.	1	2	3
I want the division of property among our children to be fair (not necessarily equal).	1	2	3
I want to give financial help to our children who choose a farm career.	1	2	3
I want to have the financial resources to do new things after farming. *What do you want to do? (see Sketch Your Lifestyle Plan)*	1	2	3
It is important that our children agree with our plans for the farm's future. *Why is this important/not important?*	1	2	3
I would like to maintain some measure of financial control over the farm while I am alive. *Reason:*	1	2	3
I would like to be involved in the decision-making of the farm throughout my life. *Reason:*	1	2	3
I want to receive what the farm is worth when it is transferred. *What is your farm worth to you? (E.g. full market value?)*	1	2	3
I want our children to play a part in the decision-making for the farm's future. *Why is this important/not important?*	1	2	3
I would like everyone in the family to be satisfied with the plan for the future of the farm.	1	2	3
It is important to me that our children's requests regarding the farm transfer be honored.	1	2	3

Worksheet 1.4

Rating Your Comfort Level

It's a given that risk tolerance differs between generations. The senior members of the farm family are quite justified in their concern about protecting what they have. Confidence in their own ability to manage resources to meet their own needs often eclipses their ability to transfer management to the next generation. Likewise, the younger members can see the necessity that their ideas and energy be put to work earlier to grow and secure their income interests. Agreement is not easy, but exposing risk tolerance levels helps each generation understand the other. The table below contains a list of possible actions for your farm during/after the farm transition process starts. Please rate your personal level of comfort for each of these actions on a scale of 0-10 (Zero indicates you are very uncomfortable with taking that action; 10 indicates you are extremely comfortable with taking that action). Each member of the family that is interested in managing the farm should fill out this form and compare. Add your numerical responses, and divide by eleven (11); the resulting figure is your "risk basis" of how far each of you have to go in reaching a consensus. Use each statement above as a platform to discuss your ideas on changes you would make in management of the farm resources.

Expanding the size of the current operation	1	2	3	4	5	6	7	8	9	10
Reducing the size of the current operation	1	2	3	4	5	6	7	8	9	10
Taking on added debt to expand	1	2	3	4	5	6	7	8	9	10
Adding new enterprises	1	2	3	4	5	6	7	8	9	10
Eliminating one or more enterprises	1	2	3	4	5	6	7	8	9	10
Making dramatic changes to the operation	1	2	3	4	5	6	7	8	9	10
Taking more time away from the operation	1	2	3	4	5	6	7	8	9	10
Increasing the amount of management you provide to the operation	1	2	3	4	5	6	7	8	9	10
Increasing your managerial responsibilities	1	2	3	4	5	6	7	8	9	10
Relinquishing managerial responsibilities	1	2	3	4	5	6	7	8	9	10

Worksheet 1.5

Sketching Your Lifestyle Plan

As you consider the long term future, it might be helpful to sketch out what you would like to do as your farm responsibilities wind down in later years. In farming, retirement can be a vague concept, as it often simply means transitioning to less labor, management, and risk-intensive activity. Nevertheless, this exercise may serve to help in situations where parents are looking to articulate how they would like to spend their time away from farm work and management to make room for use of the land by another family member or tenant. Though space is limited, jot down a few ideas in the grid provided, and use other paper to further explore your ideas.

Activities	What will you do and where will you do it?	How much time per week? (or which months)	Related expenses (dues, clothing, travel, material)	How will your health affect your planned activities?
Farm work				
Involvement in organizations (church, Farm Bureau, etc.)				
Second career				
Special interests and hobbies				
Travel				
Visiting with friends and family				

(Inspired by *Business Planning for Farmers: Planning the Late-career, Retirement-mode Years*, Midwest Plan Service, 2003)

Worksheet 1.6

ESTIMATING INCOME AND EXPENSES

Use this worksheet to estimate your annual living expenses. This is useful to get a real grasp of your retirement income and expenses, or if not nearing retirement, your annual living and income needs.

Part I: Income	**Current**	**Expected**
Wages (Annual)		
Social Security		
Pension/IRA/401K		
Social Security		
Net Farm Income		
Other Business Income		
Rent/Lease Income		
Conservation Program Income		
Forestry Income		
Taxable Interest		
Tax-Exempt Interest		
Stock Dividends		
Annuity Payments		
Other (e.g. alimony)		
Total Gross Income		
Estimated Taxes		
Federal		
State		
Medicare/Social Security		
Total Taxes		
TOTAL NET INCOME		
Part II: Expenses	**Current**	**Expected**
A. Housing		
Gas/Oil/LP		
Electric		
Real Estate Taxes		
Mortgage Payments (P+I)		
Home Equity Line		
Home-Owners Insurance		

Expenses Cont'd	**Current**	**Expected**
Rent		
Homeowner dues		
Water/Sewer/Garbage		
Telephone		
Maintenance and Repairs		
Lawn Care/Cleaning		
Miscellaneous Household		
B. Food/Clothing/ Transportation		
Food/Groceries/Supplies		
Clothing		
Laundry/Dry-cleaning		
Auto Loan/Lease		
Auto Insurance		
Gasoline		
Auto Maintenance/Taxes		
Public Transportation		
C. Discretionary		
Charitable Contributions		
Movies/Concerts/Dining		
Recreation/Vacation		
Gifts (birthdays/holidays)		
Children sports/lessons		
Pet Veterinary		
Cable Television/Internet		
Sub-Total Expenses (this page)		

Expenses Cont'd	**Current**	**Expected**
Sub-Total From Previous Page		
D. Insurance/Medical		
Health Insurance Premiums		
Co-pays, Deductibles		
Disability Insurance Premiums		
Life Insurance Premiums		
Long-term Care Insurance Premiums		
E. Other Expenses (List Below)		
Total Expenses		
TOTAL NET INCOME		
(Subtract)		
TOTAL EXPENSES		
(equals)		
TOTAL DISCRETIONARY INCOME		

NOTES:

Developing Goals and Meeting Objectives

A key challenge faced by farmers and landowners is the clear articulation of their goals and objectives to their professional advisers. Busy practitioners are challenged to spend enough time with clients to help them -- and their families -- explore their goals and objectives and identify hidden and potentially conflicting goals. The more work that can be done to articulate goals and objectives before meeting with advisers, the better they will be able to help you. Indeed, the many decisions of farm transfer are built on a clear understanding of a shared vision. This can only be achieved by the exercise of writing down goals and objectives. Generally, you should think of goals as long term (5 to 10 years) and objectives as those shorter-term achievements that take you to your goals. Tasks are your specific "things to do," and though you may not know exactly the tool you need to accomplish the objective, your professional advisers will help you with those tasks The following worksheets should provide a platform to get you and your family started.

Your goals and objectives for your estate are yours alone, and the goals and objectives of your family members may be different from yours. You, the owner of the farm, will ultimately create the will and make the estate decisions. Nevertheless, discussion of your goals and the desires of family members and business associates can reduce the likelihood of strife during the transfer.

After you have a feel for your own goals and those of your family, sit down and list your individual objectives in achieving these goals. Rank your objectives in order of importance. Consider the suggested bullet lists below as a guide. Once your objectives are clearer, your professional adviser will have a much better time of ensuring your estate plan works and is adaptable to meet your goals.

The list below reflects common goals followed by objectives to reach those goals associated with farm transfer and estate planning. You and your family's goals and objectives are as varied as the individuals who have estates to plan. Not mentioned are the less laudable objectives that can include using one's estate plan to manipulate friends, relatives and business associates, or to take revenge. Be careful while planning your estate to avoid unforeseen consequences that may result in litigation over your estate after your death. If you fear your estate will be embroiled in controversy, be sure to alert your financial counselor or legal adviser. This is not a complete list, and is meant only as a guide to get you going.

A sampling of suggested goals, objectives and associated tasks:

GOAL: Provide security for your surviving spouse.

OBJECTIVE: Relieve your surviving spouse of management responsibilities.

TASK: Provide management flexibility for your surviving spouse in a trust.

TASK: Nominate a guardian or draw up a durable power of attorney and nominate an agent in the event of your own disability.

OBJECTIVE: Retire at a specified age (for example, 50, 60, or 70).

OBJECTIVE: Provide security for both spouses after retirement.

TASK: Make advance decisions about end-of-life issues including whether to terminate life support, whether to use alternatives such as hospice care, and whether to use certain medical technologies.

GOAL: Assure continuity of a farm, ranch, or other businesses.

OBJECTIVE: Protect business associates and the business from adverse consequences of your death.

TASK: Review the current operation and ownership of the farm, ranch or other business, and restructure as needed to promote sound business management.

TASK: Purchase investments and insurance that minimize the financial consequences of your incapacity or disability.

TASK: Transfer property during your lifetime by means of business entity interest gift.

TASK: Provide for the payment of the estate's taxes, debts, and expenses.

TASK: Transfer specific property to specific heirs or others.

TASK: Nominate a health care agent to make health care decisions in the event of your incapacity.

GOAL: Transfer as much of your wealth as possible to your chosen heirs.

OBJECTIVE: Minimize other taxes, including income, property, and gift taxes that may adversely affect you, your business or your heirs.

OBJECTIVE: Provide for coordination between federal and state taxes to minimize the overall tax burden.

TASK: Reduce income taxes through re-organization of income producing property during your lifetime.

TASK: Transfer assets to a trust to minimize expenses associated with settling an estate.

OBJECTIVE: Provide financial and physical security for an incapacitated heir.

TASK: Have a lawyer create a special needs trust to allow incapacitated heir to receive necessary support payments.

TASK: Nominate guardians or designate trustees for minor children and/or an incapacitated heir.

TASK: Nominate executor(s) of your estate.

GOAL: Provide equitable (although not necessarily equal) treatment of children.

OBJECTIVE: Make gifts to heirs and others during your lifetime.

TASK: Transfer non-titled personal property of significant emotional value but little monetary value in a cost-effective manner that satisfies heirs.

OBJECTIVE: Plan division of real estate.

TASK: Inventory real estate holdings, determine values from property tax assessments, consider needs of farming heir in farmland, consider distributing non-farm land to other heirs.

TASK: Update will and/or trust to reflect specific distribution plans.

Worksheet 1.7

SETTING GOALS AND OBJECTIVES

Use this worksheet to write down your long-term goals, what you want to do over the next ten years. Then take a shot at drafting shorter term objectives you think are necessary to achieve these goals. Try as best you are able to separate your personal goals and your goals for the management of the farm (ie. your involvement in the income the farm produces, passively or as a family farm business). Make copies of this sheet and have each family member fill it out for discussion at your family meeting.

Long Run Goals (5 to 10 years)	
A. Personal	
1	
2	
3	
4	
5	
B. Farm, other business or career	
1	
2	
3	
4	
5	
Shorter Term Objectives (12 months to 2 years)	
A. Personal	
1	
2	
3	
4	
5	
B. Farm, other business or career	
1	
2	
3	
4	
5	

Worksheet 1.8

RECONCILING PRIORITIES

Use this worksheet to summarize the discussions and agreements reached in a family conference. This is done after you have reviewed and discussed the objectives and goals from the "Setting Goals and Objectives" worksheet filled out by each family member. Focus on the most important goals and objectives for each family member, and identify the common ground and where potential conflicts exist.

Have each family member rank their top 2 longer-run goals	
Name	Brief description of goals
	1.
	2.
	1.
	2.
	1.
	2.
	1.
	2.
	1.
	2.
List the SHARED goals and note whom they are shared by	
List the potential CONFLICTING goals identified above	

Worksheet 1.9

TURNING GOALS AND OBJECTIVES INTO ACTION

Now that you have identified longer term business and personal goals in the previous worksheets, and hopefully met to reconcile priorities among each family member's goals, use this worksheet to further identify the actions steps for each goal and objective, followed by a person responsible and when the tasks should be completed. Task deadlines should be set in advance of a next scheduled meeting.

Goal	Objective	Action Steps	Person(s) Responsible	Deadline

This layout was inspired by Wise, D.K. and Sneed's, C.T. Retirement Planning: Realities and Resources. Chapter in Planning Today for Tomorrow's Farms. The University of Tennessee.

Notes