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Farm Succession: Estate Planning

If you own a house, land, equipment, livestock, stocks, or really any asset, you own an estate. Someday, hopefully far in the future, you will die, and then someone else will own your estate. You get to choose who and how that is... but only if you plan properly. Farm succession and estate planning can be an uncomfortable topic for many families as it involves not only the parents no longer being around but also heritage for the children. Many estate owners think they are too young to make a plan or they don't have time, however not making a plan creates a lot of problems later on. If a plan isn't made, then the state decides what happens, which is very unlikely to go how you would have preferred it.

Estate planning is just one piece of farm succession. Although estate planning is the more defined piece, the majority of farm succession is the gradual process and philosophy of transferring the farm from one generation to the next. Estate planning is ideally, oddly enough, the first and last step of farm succession. Estate plans can be used in the beginning of farm succession to establish goals, communicate plans, and fully realize the present estate. During the process of farm succession, estate plans need to be updated as families change due to marriage, divorce, kids, and changing assets. The end, of at least that generation of farm succession, occurs when the estate plans go into effect, usually through a death of the primary estate owner(s). Farm succession itself never actually ends as the new generation is brought onto the farm operation. Please note that farm succession is not limited to just within the family itself. Plenty of farms are taken over by someone outside the family who had a vested interest in managing it.

According to an older publication from K-State Extension specialist Joyce Jones, estate planning has six steps: 1. Initiate the discussion; 2. Take stock of the present; 3. Develop objectives; 4. Choose professional advisers; 5. Consider alternatives and implement the plan; 6. Review and modify. Initiating the discussion means talking with the family or invested people, and often, can be the hardest step. Family specialist Dr. Shoup Olson states, “The talking (with family) has to happen first if you are to know what to share with the professionals along the way.” She also mentions that there is a fear succession planning will fracture family relationships and that is too emotional of a process. However, there are ways and times of communicating to overcome the obstacles. Taking stock of the present is the functional step of determining the current financial situation. K-State Research and Extension has a couple of check lists to help cover all the bases of the full estate. The developing objectives step can be at least started in the initial discussions. It comes down to determining what everyone’s individual goals are. However, these will most certainly change with time. Step 4 is where outside help comes in and can involve attorneys, accountants, trust advisers, and insurance agents. Estate planning is complex and legalist but insist on knowing and understanding what the plan is the professionals are creating. To me, the steps 5 and 6 are similar. Once a plan is created, it needs to be fully communicated, but also changed over time as the operation and family or invested people change as well.

This Thanksgiving would be a great time to at least approach the family with plans to begin the estate planning process. To get you ready, K-State Research and Extension Wildcat District will have a Farm Succession and Tax Control program on November 21st from 6:00 to 8:00 p.m. at the Southeast Extension Center in Parsons, KS. We will get comfortable with the terms and concepts of wills, trusts, taxes, and other estate planning topics. Cost of the program is just \$5 per person as most of dinner and program costs are being covered by our sponsor Community National Bank and Trust. Please call the Wildcat District Girard office to RSVP at 620-724-8233.

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