

Farm Succession Planning

Ag Profitability Conference
Lyons, KS
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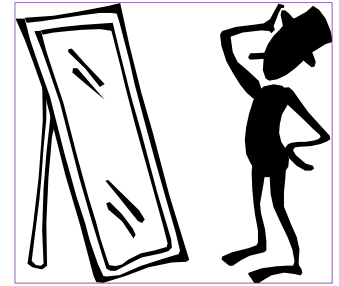
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A Little About Me...

- K-State Research & Extension Assistant Director – Agriculture, Natural Resources and Community Development
 - Extension Profession Coach
- Extension Farm Management Specialist & Associate Professor
 - University of Wisconsin – Extension
 - University of Wisconsin – River Falls
- Feed Industry
- Farming



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Rules and Promises



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Today's Goals

- Learn about farm succession by discussing discussion commonly held beliefs about succession
- Provide succession planning recommendations
- Encourage you to start succession planning



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Why?



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Succession Belief 1:

WE DON'T NEED A DETAILED SUCCESSION PLAN



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Test Questions To Determine If You Need Succession Planning

- To the current generation of owner/manager:
 - Do you always agree with your successor's business philosophy, management ideas and decisions?
- To the next generation of owner/manager:
 - Do you always agree with the current owner/manager's business philosophy, management ideas and decisions?



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If Someone Said No, You Are Honest
And Need Succession Planning



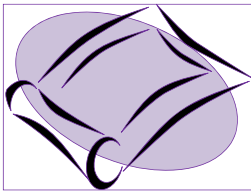
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If Everybody Said Yes, You Are
Probably A Liar Or Kidding Yourself!



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Most Farm and Ranch Situations
Require A Detailed Succession Plan



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Succession Belief 2:

MOST SUCCESSIONS FAIL DUE TO THE LACK OF A GOOD ESTATE PLAN



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Not Always

- Disagreements about business philosophy
- Inadequate earning capability
- Transfer of work and management decision making
- Emotional roadblocks
- Poor communication
- Death, disease, disability, disaster, divorce (5 Ds)
- Poor estate plans



13

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Succession Belief 3:

ESTATE PLANNING IS SUCCESSION PLANNING



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False, But What Is Succession Planning?



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Estate Planning & Succession Planning

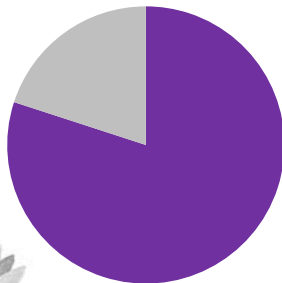
- My perspective
 - ESTATE PLANNING is about how assets will be transferred to heirs
 - SUCCESSION PLANNING involves discussing so much more:
 - Estate planning
 - Establishing the business philosophy rights
 - Management and workload rights
 - Determining how the partners will work and communicate together
 - Succession feasibility



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Estate Planning Is One Piece Of The Succession Planning Pie

Succession Planning



- Other Aspects
- Estate Planning



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Succession Belief 4:

ESTATE PLANNING IS THE FIRST STEP OF THE PROCESS



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False, But What Are The Steps?



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Succession Steps

Succession Participants' Perspective

Concern	Step
Estate Plan	1
Financial Feasibility	2
Business Plan	3
Dealing with Emotional Roadblocks	4
Learning how to Communicate	5

Succession Facilitators' Perspective

Concern	Step
Estate	5
Financial	4
Business Plan	3
Dealing with Emotional Roadblocks	2
Learning how to Communicate	1



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Succession Belief 5:

SUCCESSION PLANNING SHOULD BE CONDUCTED WHEN THE OWNER WANTS TO RETIRE



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False, But When Should You Start Succession Planning



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Today!

- On-going process
- The actual succession plan should be developed before the next generation starts working for the farm in a career position
- The plan should be reassessed frequently
- Never know when one of the 5 Ds will hit



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Succession Belief 6:

DEVELOPING A SUCCESSION PLAN IS A LENGTHY PROCESS



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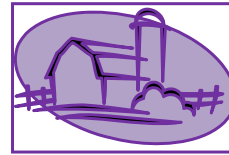
True!

Succession Planning Meeting	Meetings Required (1/2 Day Meeting)
Team building	1 to 2 Meetings
Communications	1 Meeting
Conflict management	1 Meeting
Business philosophy and strategy Issues	1 to 3 Meetings
Operational issues	1 to 3 Meetings
Financial issues	1 to 2 Meetings
Decision making and work responsibility transition map	1 to 2 Meetings
Estate planning	1 to 4 Meetings
Plan finalization	1 to 2 Meetings



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But It Is So Worth It!



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Succession Belief 7:

ONLY BLOOD RELATIVES SHOULD BE INVOLVED IN SUCCESSION PLANNING



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Controversial, But If The Goal Is To Remove Obstacles To A Successful Succession...



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It Is Better To Be Inclusive!

- Possible participants
 - The current owner/managers
 - The next generation of owner/managers
 - Do you really know who wants to be?
 - Non-farming heirs
 - Spouses



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Succession Belief 8:

OUR FARM WON'T HAVE TO CHANGE



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That Would Be A Rare Situation!

- The farm or ranch has to pay for
 - Itself
 - Its investment
 - The current owner's labor and management
 - The next generation owner's labor and management
- The financial risk needs to be assessed



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How Can We Make The Pie Bigger?



How do we better
ensure we keep the
pie?



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Succession Belief 9:

FARM SUCCESSION PLANNING SESSIONS CAN BE STRESSFUL



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Yes!

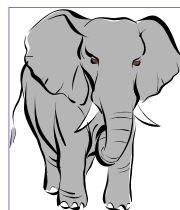
- Succession planning can be stressful
- It helps to have rules that govern the planning process



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Yes!

- The skeletons will come out of the closet and the elephant in the room needs to be addressed



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Succession Belief 10:

ALL WE NEED TO MAKE THIS WORK IS A GOOD LAWYER



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Perhaps...



37

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Expertise Needed

- Communication specialists
- Conflict management experts
- Counselors
- Mediators
- Financial analysts
- Lawyers
- **Succession planning facilitator**



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Recommendations

- | | |
|---|---|
| <ul style="list-style-type: none">• Start as soon as possible• Allow enough time• Use experts• Work on:<ul style="list-style-type: none">– Communication– Emotional roadblocks– Business issue– Financial analysis– Estate plan• Address the 5 Ds | <ul style="list-style-type: none">• Develop planning rules• Be inclusive and transparent• Map out the transfer of management power• Make sure the farm can support all involved and itself• Print the written plan• Revisit the plan often |
|---|---|



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Thank You!

Good Luck With Your Farm or Ranch
Succession!



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