



# Planning for the Future of the Farm and Ranch



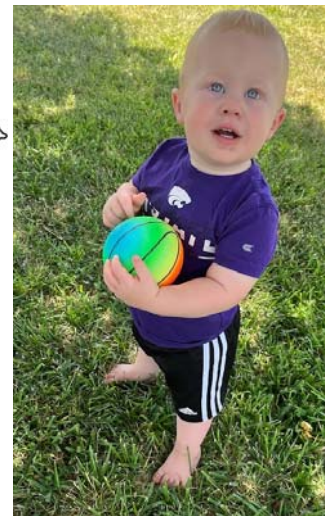
**AgKansitions**  
Protecting Your Ag Legacy

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## About Me



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## About Kansas

- Farms in Kansas: 58,600
- Avg. Acres per Farm: 780
- Land in Farms: 45.7 million acres
- Avg. Age of Producers: 58.1 years old
- **84.6% of Kansas Farms are Family Owned!**

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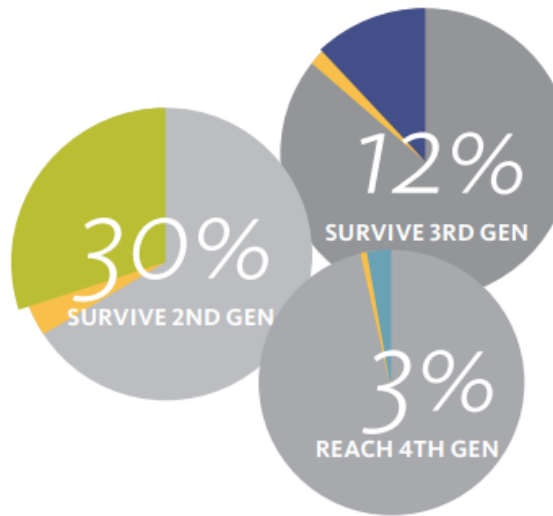


## Statistics of Family-Owned Businesses

- 70% of family-owned businesses fail to transition successfully
  - 60% fail due to problems with **COMMUNICATION & TRUST**
  - 25% FAIL due to **LACK OF PREPARATION** of the next generation

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## Statistics of Family-Owned Businesses



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## Objectives

- Differentiate Succession Planning from Estate Planning
- Compile questions to help formulate goals
- Identify questions to help facilitate conversations with farm families
- Motivate the conversation!

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## Estate vs. Succession Planning

- Estate Planning: transfer of assets (everybody)
- Succession Planning: transfer of management (business owners)



## Succession Planning Definition

A process of decision making:



Protects the ongoing viability of the agricultural operation.



Provides for the orderly transition of the agricultural operation to new ownership.



Preserves family harmony.



## How can we get started today?

- Determine legacy, values, and goals
- Identify who needs to be involved
- Begin family collaboration
- Focus on informing before deciding
- Identify the barriers to succession
- Take action



## Legacy of the Farm

- How did you start into farming?
- What events has shaped the operation?
- What are some of the traditions that the farm holds dearly?
- What is the farm known for?
- What does this farm life mean to you?



## Values of the Farm

- Identify the core values that lay the foundation for all the planning to follow
- For example:
  - Accountability, Ambition, Community, Curiosity, Determination, Efficiency, Faith, Generosity, Hard Work, Intelligence, Love, Preparedness, Reliability, Service, Thoughtfulness, Vision



## Goals of the Farm

- What can I do today to get closer to one of my goals?
- Short Term Goals:
  - They're simple.
  - They're quick and easy to accomplish.
  - They help you stay motivated.
  - They allow you to celebrate your achievements frequently.
  - They improve your confidence.
  - They let you assess your goals as you go so that you can adjust them if necessary.
- Long Term Goals:
  - They give you direction.
  - They give you a sense of purpose.
  - They allow you to see potential obstacles.
  - They shape our interactions with our environment.
- Goals should be SMART



## Identify who needs to be involved

- Who is considered family?
- Who has the interest, willingness, and ability to own and operate the farm/ranch?
- What role will other family members play in the transition?



## Identify who needs to be involved continued

- Learn about the personalities, desires, and experiences of all farm family members to see all perspectives.
- Consider enlisting the help of a transition advisor to help with the transition planning process.



## Begin family collaboration

- Initial discussion looks different for each family depending on relationships, dynamics and logistics.
  - Option 1: In person family meeting
  - Option 2: Individual reflection with questionnaires, followed by a family meeting



## Begin family collaboration continued

- Set ground rules for family meetings to promote efficient and effective discussion.
- Get widespread family buy-in and commitment to following a professional transition process.
- Identify key issues that need to be addressed.





## Focus on informing before deciding

- Review and document family history, financial trends, management structure, job roles, etc.
- Consider farm legacy and family values to find common ground amongst family members and establish a long term vision.



## Focus on informing before deciding continued

- Share individual goals for operation and reinforce the importance of family relationships.
- How can we transfer the farm and also have family Christmas?



## Identify the barriers to a successful transition

- Is there an alignment among all family members on mission, vision and values?
- Determine the strengths, weaknesses, opportunities and threats for the future of the operation.



## Take Action

- As tasks are defined, assign responsibilities and deadlines to family members or advisors helping with the transition process.



## Team of Professionals

- Lawyer
- Accountant
- Financial Planner
- Banker/Lender
- Insurance Agent
- Farm Consultant



## Lawyer

- Legally protect your legacy
- Used for agreements and contracts
- Some Examples:
  - Will or Living Trust
  - Buyout Agreements
  - Corporations, LLCs, and Partnership Agreements



## Accountant

- Protect your legacy to minimize tax liability
- They know your business almost as well as you do
- Some Examples:
  - Business Structures
  - Capital Gains
  - Estate Tax Liability



## Financial Planner

- Provide knowledge on retirement
- They know about programs that could aid in retirement
- Some Examples:
  - Investments
  - Long-Term Care
  - Dealing with debt



## Banker/Lender

- Provide information on potential financial options for transferring ownership and assets
- How much ownership does the next generation have to receive competitive loans?
- Some Examples:
  - Operating Loans
  - Land Loans
  - FSA Beginning Farmer and Rancher loans



## Insurance agent

- Provide information on insurance and how it can factor into the whole succession pplan
- Some Examples:
  - Life Insurance
  - Disability Insurance
  - Health Insurance



## Farm Consultant

- Acts as your quarterback for succession planning
- Organizes everything for you
- Some Examples:
  - Resolves family conflicts
  - Evaluates different succession options
  - Facilitates meetings with other professionals

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## The Office of Farm and Ranch Transition

- Mission: Keep Kansas Families in Farming and Ranching
- Deliverables:
  1. Land-Link
  2. One-on-one consultations
  3. Beginning Farmer and Rancher Trainings

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## Deliverables

- 1) Development of a land-link program to introduce exiting landowners with beginning farmers/ranchers through an application and curated matching process



## Deliverables

- 2) Provide one-on-one technical services to facilitate transition of an existing farm/ranch operation



## Deliverables

- 3) Develop an extensive training program for beginning farmers/ranchers to master critical financial and business skills.



## Parting words

- Your business's long-term success is dependent upon the understanding of 4 life lessons:
  - Retirement is inevitable.
  - Succession planning is necessary.
  - Next generation development is critical.
  - Timing is everything.



## Real Ending

- Just do it! Your family will thank you for it.
- Thank you for listening!



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