

BRINGING IN THE NEXT GENERATION

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3rd generation farmer

PA Farm Succession

- 40% plan to never retire
 - 29% plan to semi-retire
 - 24% plan to retire
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- 32% identified a successor
 - 64% did not identify a successor
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- 21% talked to no one, including family about retirement

from PA Farm Link survey

Three universal dilemmas every family must resolve

- Retaining an adequate retirement income
- Being “fair” to all the children
- Managing transition so that successors are not overburdened with unreasonable debt

How well you resolve them ultimately determines your farm transfer success!

Australian Research

Keys to successful transitions

- Good communication
- Early planning

Taken from interviews with 30 Senior and 30 Junior couples in farm transitions

Who Succeeds

Succession is not always straightforward

Frequently dependent on:

- Resolution of family complexities
- Economic stability of the farm
- Current state of the agriculture industry
- Family indecision about succession

Children and Equity

- Treating children equally and ensuring succession is a financial impossibility for most families.
- The farm child usually has put in more time and sacrificed more income to stay on the farm.
- Fair treatment may mean favoring the farm child when transferring farm assets.
- Other children could receive other assets and/or family heirlooms.

Communication is Key

- Involve spouse or partner early on and completely.
- Assume nothing
- Get it in writing
- Expectations need to be made clear
- Utilize best legal and accounting advisors
- Measure progress, review, reexamine assumptions
- Involve spouse or partner early on and completely.

Talk it out

- Poor communication causes 90% of business problems
- Communication is more than talking
- Key to good communication is listening-at best we only hear 25% of what is said
- Active listening-be able to repeat back what the other person said

Set Goals

- Goals get you to state who you are, where you are going, and how you are going to get there
- Goals should be realistic, time-bound, measurable, specific, and results oriented.
- Goals can't be accomplished without communicating, listening, and responding.

Early Planning

- Earlier planning is always better. More options, more time to make decisions
- It is never too late to start; you just have fewer options
- Start planning the transition from the beginning of your farming career and
- Step up to management and asset transfer in your 50's and 60's
- It is never too early to start.

First Farm Transfer

- Parents in leadership role—actively involved mid-60s.
- Next generation—mid-30's, establish farm business
- Farm price reasonable—slightly below market price, 10 year restriction
- Sibling issues present but family meetings addressed concerns
- Financial position—adequate time and flexibility

Second Farm Transfer

- Parent no longer in leadership role-mother deceased; father in nursing home
- Successors now in 50's, want to preserve the farm
- Farm sold at market value
- Siblings much more involved; power struggles, resentment, family relationships suffered
- Financial position and short time frame rules out beginners, 10-15 years till retirement.