



Cornhusker Economics

Farm Succession Planning - Why and How?

If you visit with an Ag Professional and ask them “What percentage of farmers and ranchers have an Estate plan, or an up-to-date Estate/Succession plan?” the answer will be half, or just less than half. This article will examine why that happens and give some simple steps for anyone to follow to create an up-to-date Estate or Succession plan.

Farmers and Ranchers don’t have a plan for a variety of reasons. These might include not ever planning to retire, not wanting to give up control, or not wanting to admit that they will ever pass away. Too often, we don’t want to take time away from the farming operation to think about what happens when we are no longer part of the process. The point of this article is to draw attention to the fact that planning is a necessity. No one has been able to avoid their demise--we are all going to pass. For the sake of each person in your family, begin the steps now of outlining what happens to your stuff when you are gone.

Here are simple steps that can be taken now to get moving on putting together your estate or succession plan.

Step One: You need a great list of your ‘stuff.’ There is an article that outlines this process in detail at: <https://cap.unl.edu/succession/preparing-farm-and-ranch-succession-how-you-select-lawyer>. In summary, you need a detailed inventory of your assets owned, how they are owned, what is owed (if anything) and how

much it is worth currently. In other words, a detailed balance sheet. An excellent resource is [Iowa State University’s publication titled “Evaluating Your Estate Plan: Estate Planning Questionnaire”](#) (File C4-57) as a part of the ISU Ag Decision Maker publication series. That publication can be completed online and printed before meeting a lawyer. It has all the above items plus a few additional considerations.

Step Two: Meet with your family. This is an optional step. I recommend it to allow everyone to have input. Let’s be honest, how does anyone feel like they are a part of any group? They feel better about that group if they are allowed to have input. If you proceed with a family meeting, know that it will be just to gather everyone’s input. What should happen to “Great Grandma’s Yellow Pie plate?” Who is interested in having that as a part of their inheritance? How will the other assets be divided? Who might be interested in owning property?

After this input is gathered, decision-making will be made by the grandpa/grandma (matriarch and patriarch) and possibly their children.

Step Three: What is the perfect solution? Given the input you have received, an ideal succession or estate plan can be developed. At this time, don’t worry about how that will be done. Just know how you want this to go in your perfect world. Make a list that outlines who you would ideally prefer to match up each item with when you are gone.

Step Four: Take the great inventory/balance sheet lists developed in step one and the ideal succession plan developed in step three to your lawyer. During this visit to your professional, you will hear about options or tools that might be used to make the estate planning and succession successful for your assets.

Step Five: With input from your professional, which is likely to be your attorney, make decisions about what tool you will use to pass assets. Likely this will include your will and LLC or will and trust, or just your will. The attorney's input is important here as they understand all the ramifications of each option. You may want to involve your tax professional in this step to be sure that the tool/estate plan being implemented does not cause undue tax consequences.

Step Six: The succession/estate plan is written and signed – congratulations! Be sure to let the immediate family know about the decisions made so that there are no surprises when you pass.

Step Seven: The last step is to know that the plan you have implemented will change with time--meaning that family events and circumstances will make your current plan invalid. So, be sure to review the plan periodically and amend or edit the plan as needed.

This seems like a lot of steps. But, if you keep going and follow these steps, you will have a successful plan for what happens to your 'stuff' when you are gone.

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