



A LASTING LEGACY

**Transitioning a Farm or Ranch
To the Next Generation**

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USDA-RMA & CTAHR-Hawaii Extension

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Today's Speakers



Rod Sharp

- Agriculture & Business Management Economist at CSU
- 31 years of experience



Jeff Tranel

- Agriculture and Business Economist at CSU
- 27 years of experience



John Hewlett

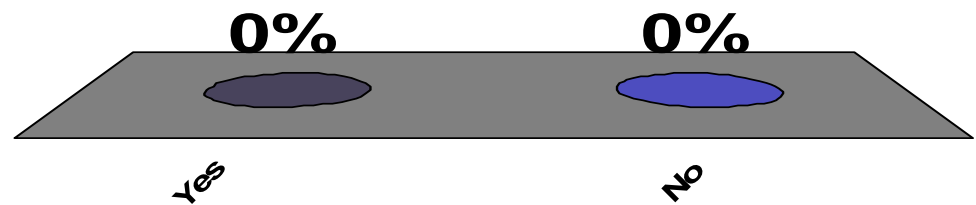
- Farm and Ranch Management Specialist at UW
- 24 years of experience

Audience Poll



Do you have a will?

1. Yes
2. No

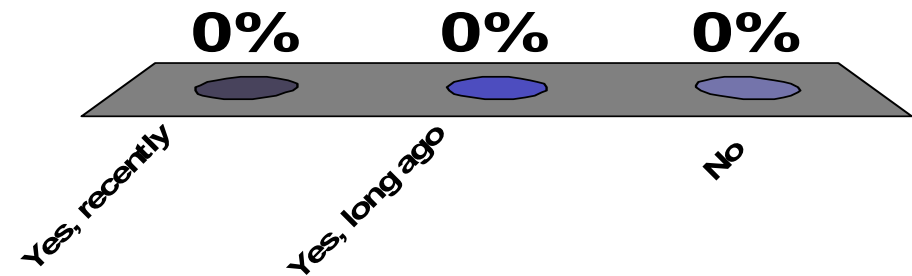


Audience Poll



Has your family had discussions about succession planning?

1. Yes, recently
2. Yes, long ago
3. No





Communication between generations.

- Money, death, and family relations difficult to talk about!
- Elders
 - “Kids have their heads buried in the sand.”
 - “Kids don’t want to hear about death.”
- Adult Children

55 percent of adult Americans die without a will (2007).

Inheritance vs. Legacy



Inheritance

- Implies one's life work can be coldly calculated in dollars and cents.
- A process filled with legal hair-splitting.

Legacy

- Found to be more positive.
- Suggests a road map for the future, an enduring imprint of someone's life.
- Both generations embraced the idea of leaving a legacy.

Survey of Americans



Legacy –

Captures all facets of an individual's life:

- Family traditions
- Individual values
- Personal wishes



Non-Financial = 10X More Important Than Financial

- Accomplishments
- Impacts



Components of a Legacy





Unique Obstacles for Agriculture

- Farming and ranching are both a **business and lifestyle**
- Greater expectations that the farm/ranch will stay in family
- Emotional ties to the land

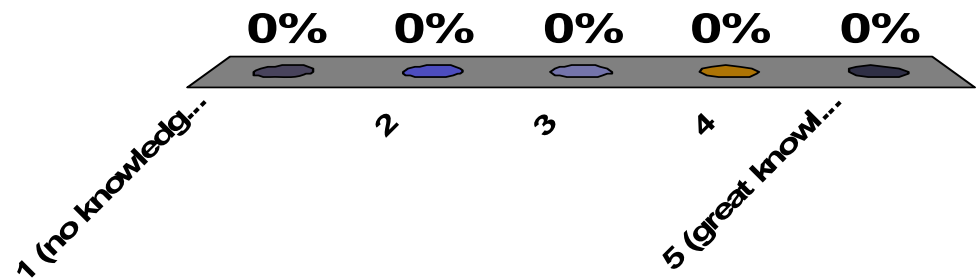


Audience Poll



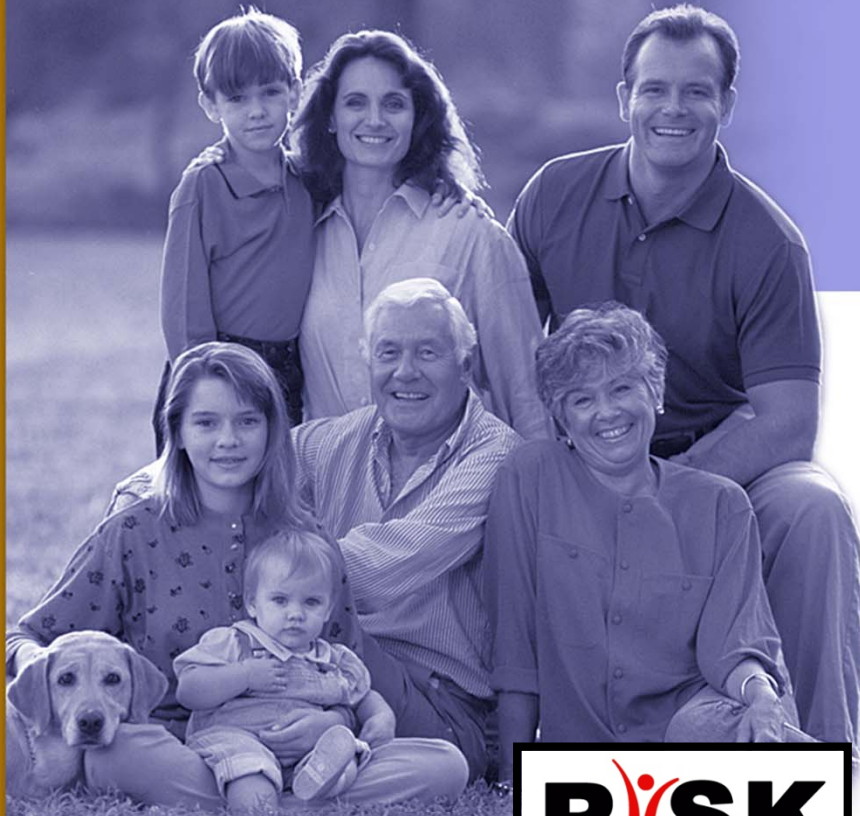
Rate your knowledge about legacy planning?

1. 1 (no knowledge)
2. 2
3. 3
4. 4
5. 5 (great knowledge)



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Intergenerational Relationships





Obstacles to communication

- Money
- Death
- Family Relations



- Feelings, both positive and negative, are greater during times of transition, such as retirement and death

Sources of Stress



Different Values



Different Values



Different Stages



Different Expectations

For example:

- how to spend money
- choices in friends and partners
- how to raise children,
- religious beliefs

Sources of Stress



Different Stages of Live



Different Values



Different Stages



Different Expectations

Parents may be dealing with issues such as aging, poor health, retirement or relocation.

Children may be dealing with new marriage, children, business identity.

Sources of Stress



Different Expectations



Different Values



Different Stages



Different Expectations

For example:

Parents: Disappointed in lack of respect

Adult Children: Disappointed in the lack of financial support

Managing the Family Component

- To effectively manage the communication channels in the family component, utilize:
 - Family Council Meetings
 - Family Business Meetings
 - Family Business Rules and Policies
 - Workbook pages 23-24



Family Communication



Family Council Meetings:

- Inform all family members about the family business.
- Listen to views on issues that impact the family.



A Lasting Legacy Workbook



Pages 19-20

Vignette - Family Council Meeting



The Scene: Family Council Meeting

- In Attendance
 - Grandma (Eva)
 - Mom and Dad (Fred and Wilma)
 - Daughter, Son-in-Law, & Grandson (Lucy, Ricky, Little Ricky)
 - Son (Gomer)

Vignette - Family Council Meeting



The Scene: Family Council Meeting

Agenda

- Purpose of Meeting
- Meeting Rules
- History of Family Business
- Plans for the Business
- Questions or Concerns about the Family Farm

Vignette - Family Council Meeting



The Scene: Family Council Meeting

Meeting Rules:

- Designed to keep broader family informed
- Agenda
- Family Participants
 - Encouraged to ask questions and voice concerns
 - Expected to have the spirit of cooperation



Family Business Meetings

- Active Family Members
- Dedicated communication forum to discuss family issues



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Pages 21-22

Conflict Resolution



Conflict Resolution Process

- Identify the issue
- Describes each persons motivation
- Outline possible solutions
- List pros and cons of each solution
- Select an option
- Evaluate how the solution is working



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Pages 25-26



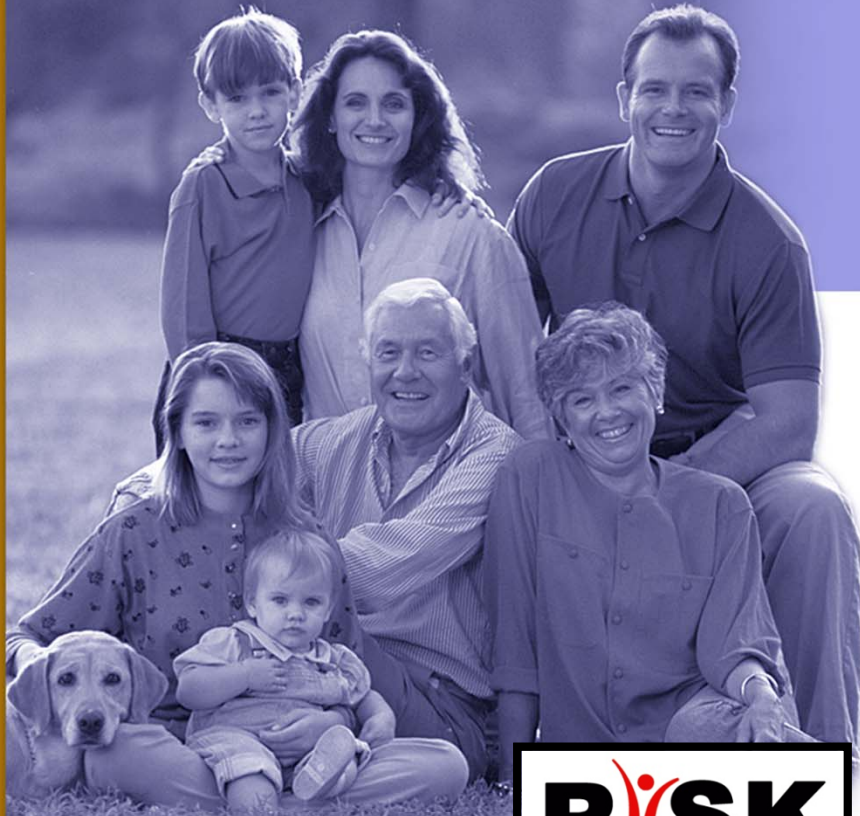
Summary

- Effective communication between parents and their adult children is essential to a mutually satisfying legacy transfer.
- Practicing the communication skills presented in this lesson will make the task (talking about difficult topics like death) easier for everyone involved and reduce the amount of conflict that can arise.



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Values and Life Lessons



UNIVERSITY
OF WYOMING
New Thinking



Colorado
State
University
Cooperative
Extension

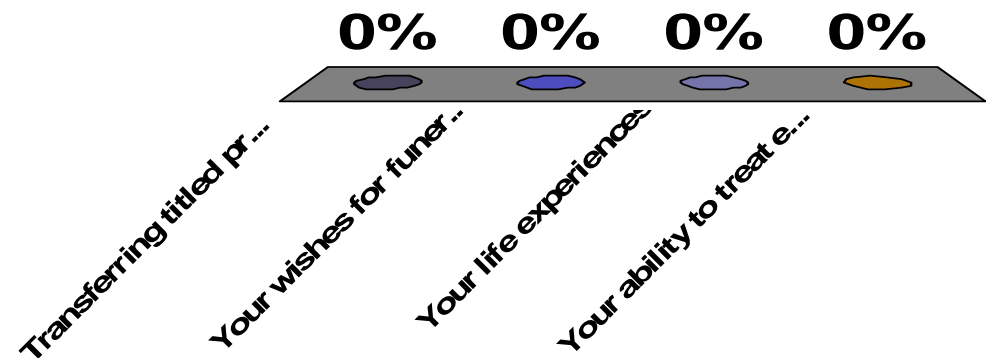


Audience Poll



Values and Life Lessons are based on:

1. Transferring titled property
2. Your wishes for funeral arrangements
3. Your life experiences
4. Your ability to treat everyone equal

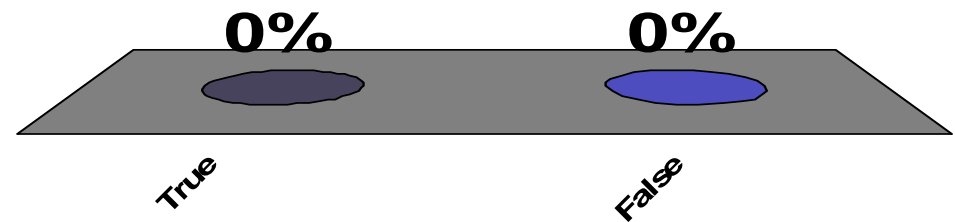


Audience Poll



“Family Traditions” is a component of Values and Life Lessons?

1. True
2. False





Sharing Your Values and Life Lessons

- Personal and family values and lessons
- Spiritual values
- Hopes and blessings for future generations
- Experiences

Values & Life Lessons



Three Components of Values and Life Lessons

Family Traditions

Family History

Belief Systems





Traditions

- Celebration Traditions
 - Special Occasions
 - Holidays, birthdays, anniversaries, etc.
- Family Traditions
 - Special Activities
 - Vacations, camping, pizza nights, etc.
- Patterned Family Interactions
 - Repeating Events
 - Dinnertime, bed time, Sunday afternoons, etc.





Personal History

- *Pedigree information*
- *Family information*
 - *Spouse and children*
 - *Marriage information*
 - *Nicknames, friends, hobbies, favorites (books, movies, songs, color, food, drinks, etc.)*
- *Medical history*
 - *Medications, surgeries, illnesses*
- *Life experiences*
 - *Special memories or accomplishments*
- *Schools and Education*
 - *Schools attended*
 - *Years attended, degrees, awards*
 - *Class sizes*
 - *Favorite subjects, teachers*
 - *Memorable school experiences*
- *Community Service Activities*
- *Military Service History*
 - *Military branch, rank and decorations, injuries, etc.*



Personal and Family Information

- Birth Information
- Physical description
- Places you have lived
- Professional trainings and occupations
- Interests (likes, dislikes, hobbies)

Values & Life Lessons



Getting To Know Me – Worksheet

Nicknames	
By spouse:	By parents:
By children:	By friends:
By grandchildren:	By others:
Best Friends	
In childhood:	As adult:
In high school:	Retirement:
In college:	Other:
Activities	
Hobbies:	Sports to play:
Memberships:	Sports to watch:
Favorites	
Scriptures:	Books:
Poems:	Movies:
Hymns:	Songs:
Clothes, jewelry, etc.	Musical instruments:
Animals:	Color:
Foods and drinks:	Restaurants:
Vacation places:	Retreat places:
Sayings/quotes:	

A Lasting Legacy
Workbook

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Family History: Medical History

- Medications
- Surgical Operation
- Hospital Admissions
- Diseases and illnesses
- Family medical history
 - Causes of death (family members)
 - Common diseases
- Illnesses

A Lasting Legacy **Workbook**



Pages 6-7



Belief Systems

- A set of values on which we base everything we do and say.
- A 'set of rules' that define how we process and store information.
- Provides you with a set of core values.
- It is the truth, as you understand the truth to be, regarding the way life is.



Values & Life Lessons



Belief Systems

- Family
- Friends
- Career
- Education
- Religion

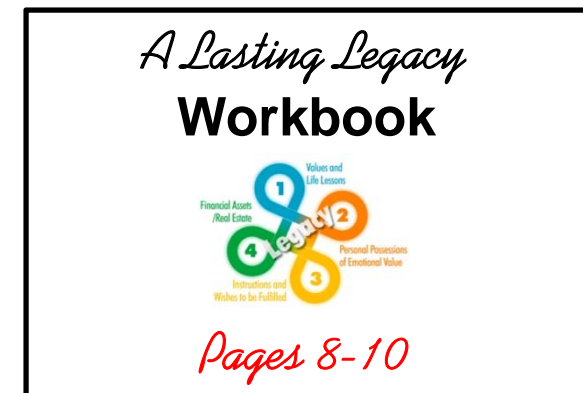




Workbook Activity: Belief Systems

- List at least 1 belief you have related to parenting

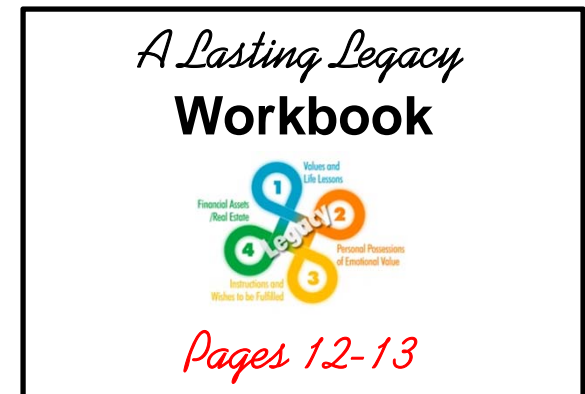
- List at least 1 belief you have about education





Personal Experiences: Schools and Education

- Names and locations of schools attended
 - Class sizes
 - Favorite subjects
- Memorable experiences
 - Dances, sports, field trips, band, choir, graduation, grades/report cards
 - Teachers and classmates
 - Fashions
- Awards, degrees, and other accomplishments





Workbook Activity: School Experiences

- List 3 school activities (dance, sports, band, graduation, etc.) that have special memories for you.
 - Activity and experience
- List a classmate and a teacher that brings back special memories
 - Teacher/classmate and memorable experience

A Lasting Legacy **Workbook**



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Personal Experiences – Community Service

- Service Organizations
- Volunteerism
- Community services
- Friendships
- Accomplishments

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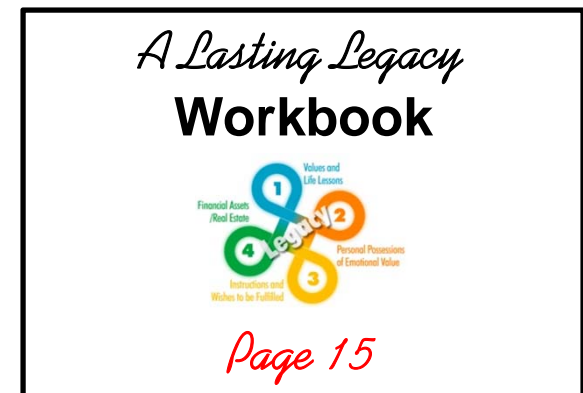


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Personal Experiences – Military Service

- Age during service
- Military branch
- Military bases
- The part of the world in which you served
- Rank and any military decorations
- Injuries sustained
- “Awards” and special memories

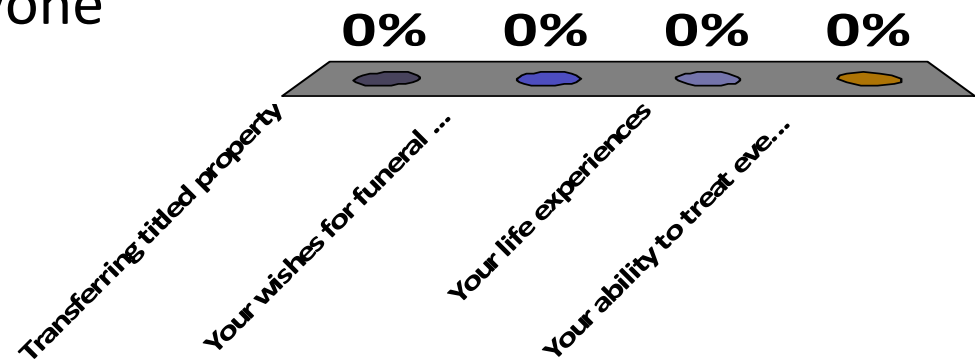


Audience Poll



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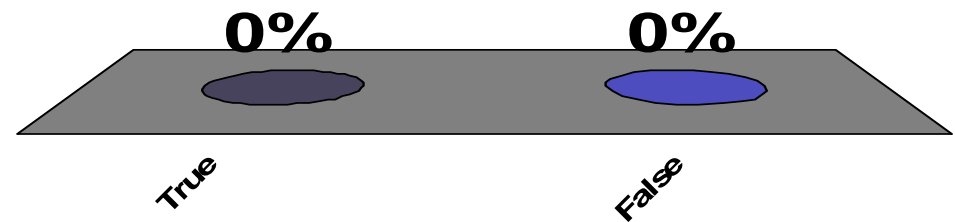


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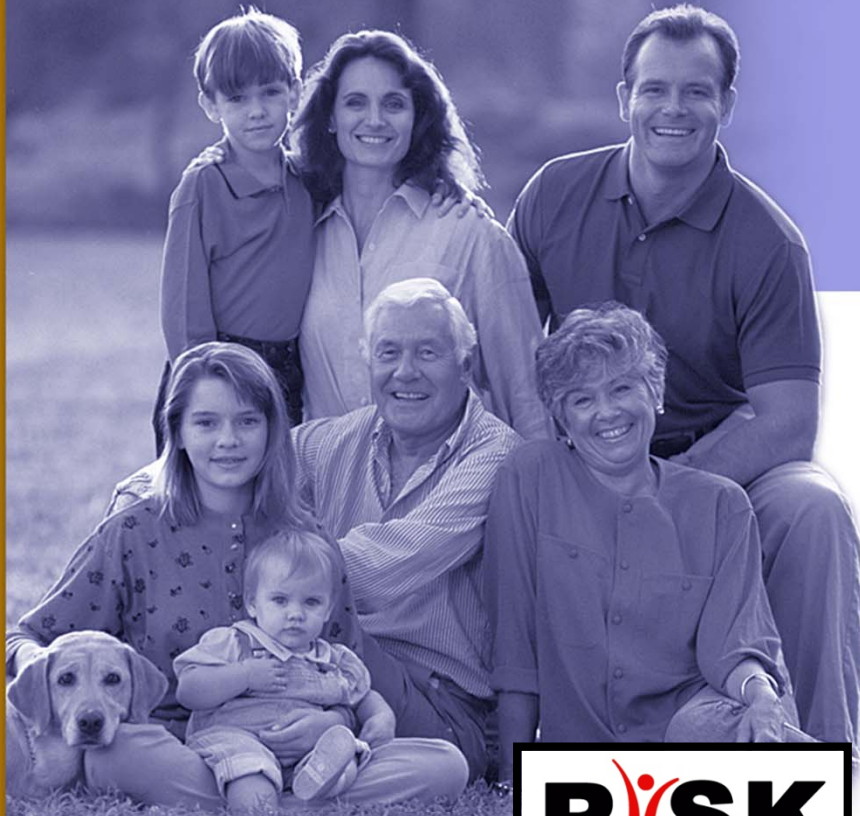
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1. True
2. False



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Personal Possessions of Emotional Value

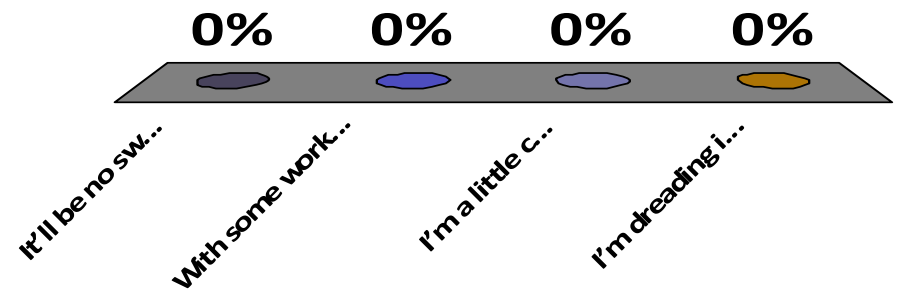


Audience Poll



What's your state of mind about transferring or distributing your personal possessions?

1. It'll be no sweat
2. With some work we'll be okay
3. I'm a little concerned
4. I'm dreading it

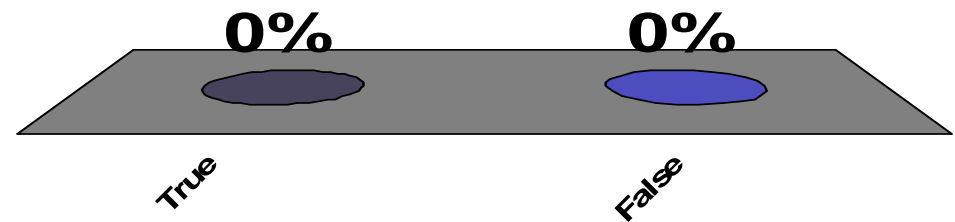


Audience Poll



Are your mother's china dishes an example of non-titled property?

1. True
2. False

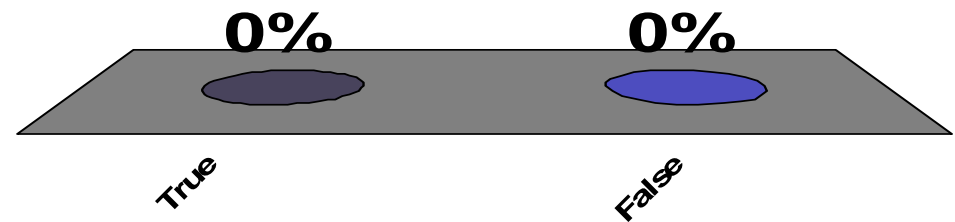


Audience Poll



Does “fair” always mean “equal”?

1. True
2. False



Types of Property



Titled Property – Identified Owner

(on written document)

- Real Estate
- Savings & Checking Accounts
- Motor Vehicles
- Machinery
- Stocks & Bonds



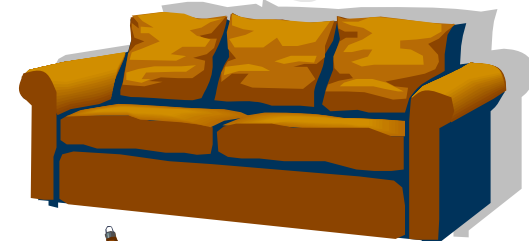
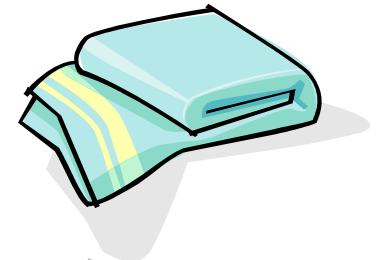
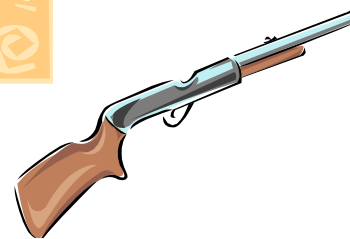
Types of Property



Non-titled Property – No Identified Owner

(on written document)

- Guns
- Tools
- Furniture, dishes
- Linens & needlework
- Collections
- Wedding photographs
- Baseball glove
- Books
- Christmas decorations
- Jewelry



What is Fair?



Determine How Results will be Fair

Equal

- All persons
- This cost
- dollar

Equitable

- Takes into
- These different
- needs, care giving
- distinctive differences

People have
different perceptions of
what is a fair process
and what are fair results.



What is Fair?



Who should be involved?

Decide what is fair in your family to:

- Spouse
- Children, step children, children in-law
- Grandchildren
- Siblings
- Friends
- Partners
- The executor of your estate
- The courts



Personal Possessions



Identify Special Items

- Explain how they are special:
 - A memory you would like to pass on
 - May have monetary value
- List potential recipients:
 - Use your list to help you decide who should get what
 - This will assure that your goals are considered as you make your decisions



A Lasting Legacy **Workbook**



Pages 29-30



Factors to Consider

1. Recognize sensitivity of the issue
2. Determine what you want to accomplish
3. Decide what's fair in the context of your family
4. Understand that belongings have different meanings to different people
5. Consider distribution options/consequences
6. Agree to manage conflicts if they arise

Vignette - Personal Possessions



The Scene: Taking Inventory of Personal Possessions

- In Attendance
 - Grandma (Eva)
 - Dad and Mother (Fred and Wilma)
 - Daughter (Lucy)
 - Son (Gomer)

Vignette - Personal Possessions



The Scene: Taking Inventory of Personal Possessions

- Identify the item
- Discuss any memories or emotional value
- Discuss potential recipients
- Grandma makes the final decision



Common Distribution Methods

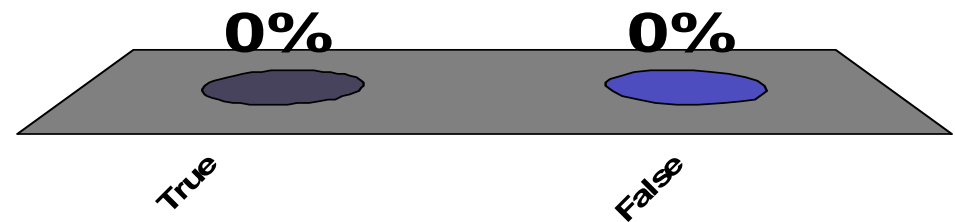
- Formal
 - Wills, gifting, promises, intestate transfers
- Sales
 - Estate, public auctions, private auctions, silent auctions, garage/yard sales
- Donations
 - Tax deductible vs. non-tax deductible

Audience Poll



Are your mother's china dishes an example of non-titled property?

1. True
2. False

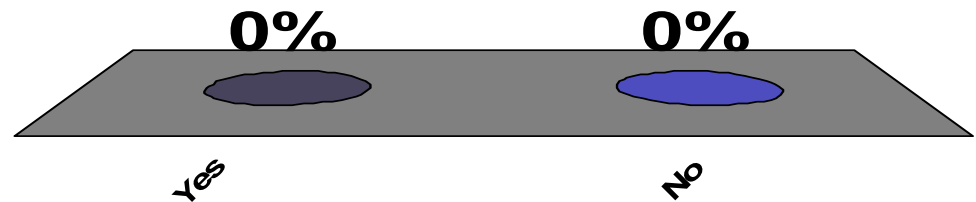


Audience Poll



Does “fair” always mean “equal”?

1. Yes
2. No

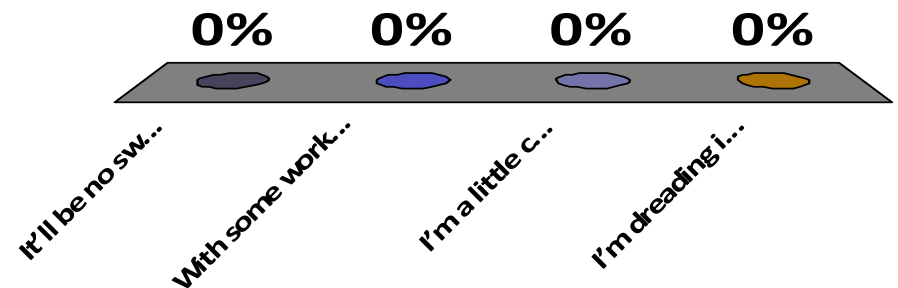


Audience Poll



Now, what's your state of mind about transferring personal possessions in your family?

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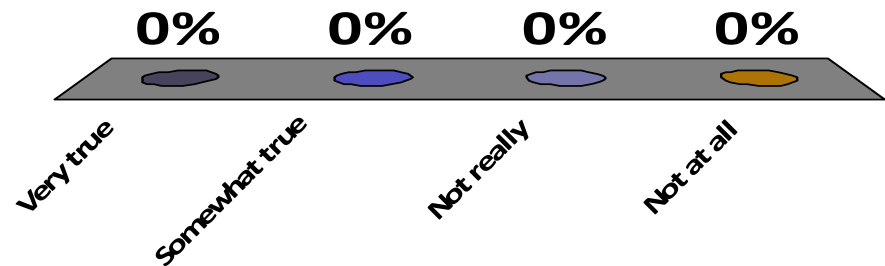


Audience Poll



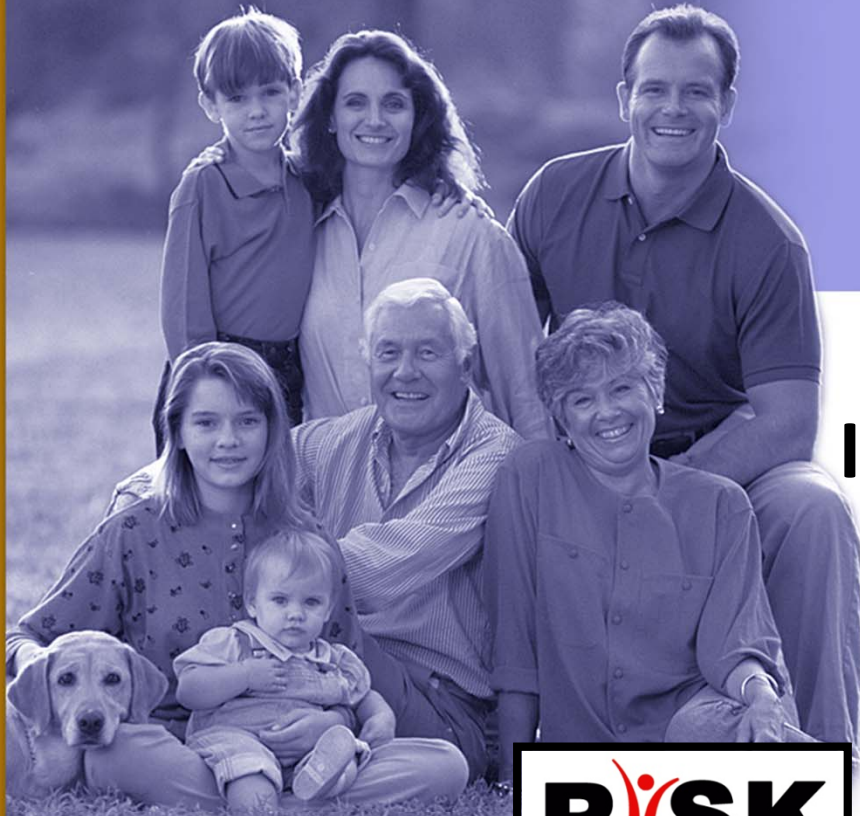
Now, I'm more confident about the passing of personal possessions of emotional value.

1. Very true
2. Somewhat true
3. Not really
4. Not at all



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Instructions & Final Wishes

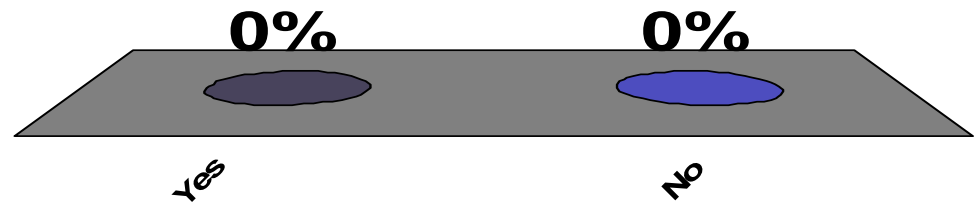


Audience Poll



Do you have a living will (or similar document)?

1. Yes
2. No

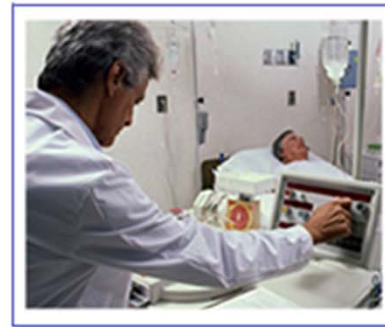


Good Death?



Consider the End

Which of these scenarios come to your mind when you consider the end of your life? Why?



Good Death?



What is a “good” death?

- To me?
- To those left behind?



It is the process of reflecting on and talking with others about how we want to die that is important

Good Death?



Why is a “good” death important?

- Live life to the fullest.
- Preferred treatment.
- Preferred environment.

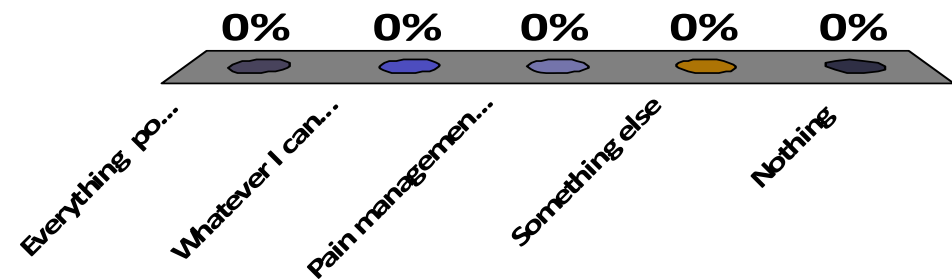


Audience Poll



What life sustaining treatments do you prefer for yourself?

1. Everything possible
2. Whatever I can afford
3. Pain management only
4. Something else
5. Nothing

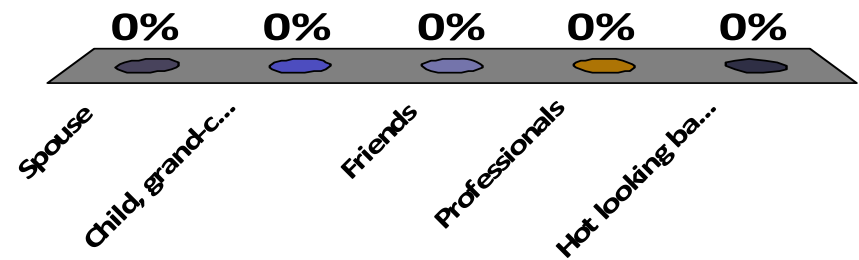


Audience Poll



Who do you prefer to care for you at the end of your life?

1. Spouse
2. Child, grand-children, etc.
3. Friends
4. Professionals
5. Hot looking babe/dude

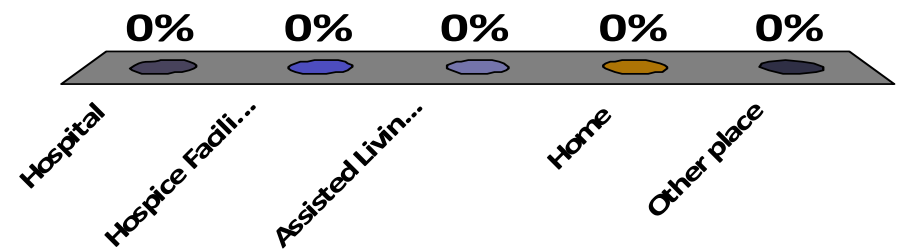


Audience Poll



Where do you prefer to spend your last days?

1. Hospital
2. Hospice Facility
3. Assisted Living/Nursing Home
4. Home
5. Other place





Factors to Consider for “Last Days”

- Is there a choice?
- Can family members provide some medical care?
- Can home accommodate medical equipment?
- How far from home to “town”?
- How far would family members need to travel?
- Who makes final decisions?
- How will my family and friends be impacted?

Pre-Death Wishes



Who makes final decisions?

- Family – majority rule? consensus?
- Specified individual?
- Other?
- Legal documents?

**Family knows and agrees with my preferences?
My decisions will be fulfilled?**

Vignette - End of Life Preferences



The Scene: Grandma's Hospital Room

Family visiting with Grandmother in the hospital. She has "1 month" to live.

All immediate family members present:

- ✓ Grandma
- ✓ Father
- ✓ Mother
- ✓ Daughter
- ✓ Son

Documenting Your Wishes

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Types of Documents

- Informational copy
- Certified copy
- Legal



Documenting Your Wishes

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The Paperwork

Birth certificate

Adoption papers

Citizenship documents

Social security card

Marriage licenses

Separation/divorce decrees

Military service records

Religious certificates



Advance Directives

- Formal documents that explicitly describe your wishes for care near the end.
- Include:
 - Medical/health care directive
 - Living will
 - Powers of attorney
 - Will
 - Estate plan





Dependents

- Need to arrange for someone to care for their needs when you are unable to do so.
- The nature of the dependent's needs will influence your alternative care arrangements.



A Lasting Legacy
Workbook



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Animals

- Are there pets, livestock or other animals in your care?
- Animals with special needs
 - Feeding and watering
 - Grooming
 - Health care
 - Exercising
 - Affection



A Lasting Legacy **Workbook**



Pages 48-49

Ceremony Planning

- Funeral? Memorial Service? Viewing? Wake?
- Who should (should not) attend?
- Who should participate?
 - Pallbearers, singers, eulogists, religious leader, other
- Decorations
 - Flowers, pictures, memorabilia,
- Music
- Program
 - Video, slide show, other
- Reception

A Lasting Legacy
Workbook



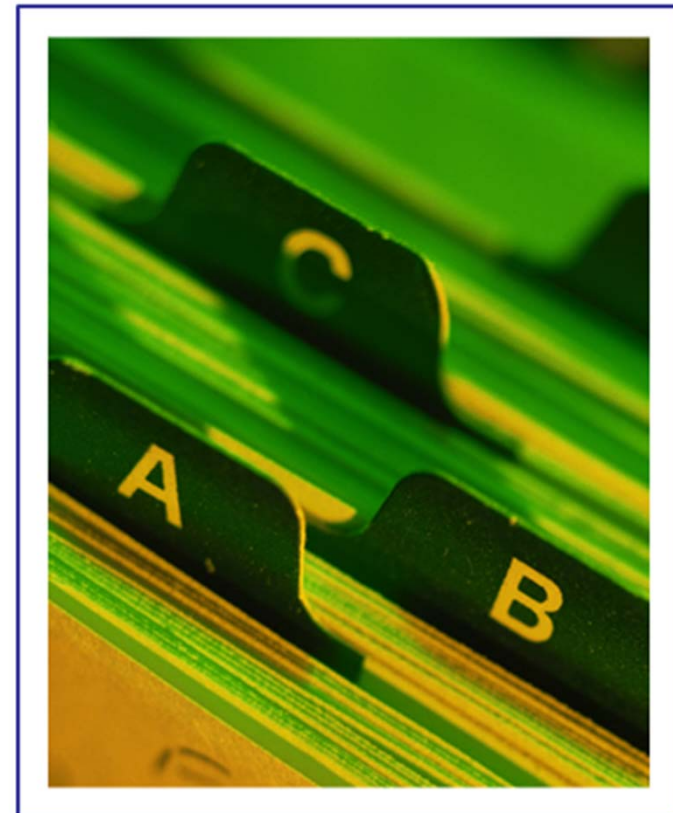
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Final Instructions & Documents - Personal

- What
 - Final instructions
 - Wills, trusts, etc.
 - Life insurance policies
 - Property ownership documents
 - Income tax records
 - Powers of attorney
- Where
 - Can someone locate the documents?

Final Instructions & Documents - Business

- Property titles or other ownership documents
- Financial documents
 - Net worth statement
 - Income tax records
- Operational procedures
- Compliance plans



After Death Instructions

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Secured Places and Passwords

- Make a list
 - Locations of documents
 - Passwords
- Keep the list
 - Separate, secure place
 - Give to trusted person
- Update the list
 - Whenever a change is made



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Workbook



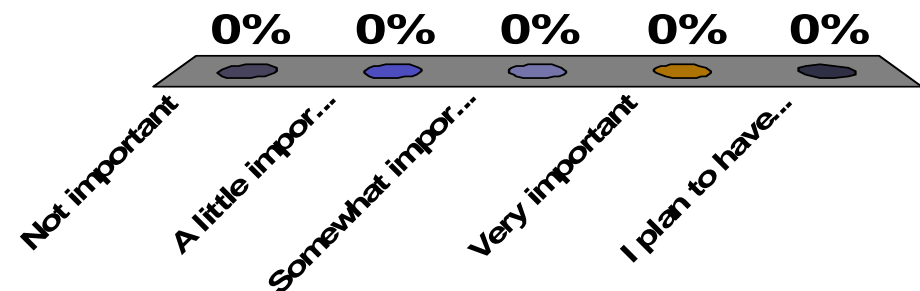
Pages 46-47

Audience Poll



Now, how important is it that you have a living will (or similar document)?

1. Not important
2. A little important
3. Somewhat important
4. Very important
5. I plan to have one drafted within the next month

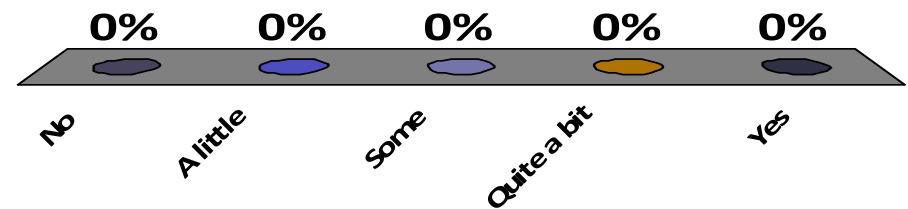


Audience Poll

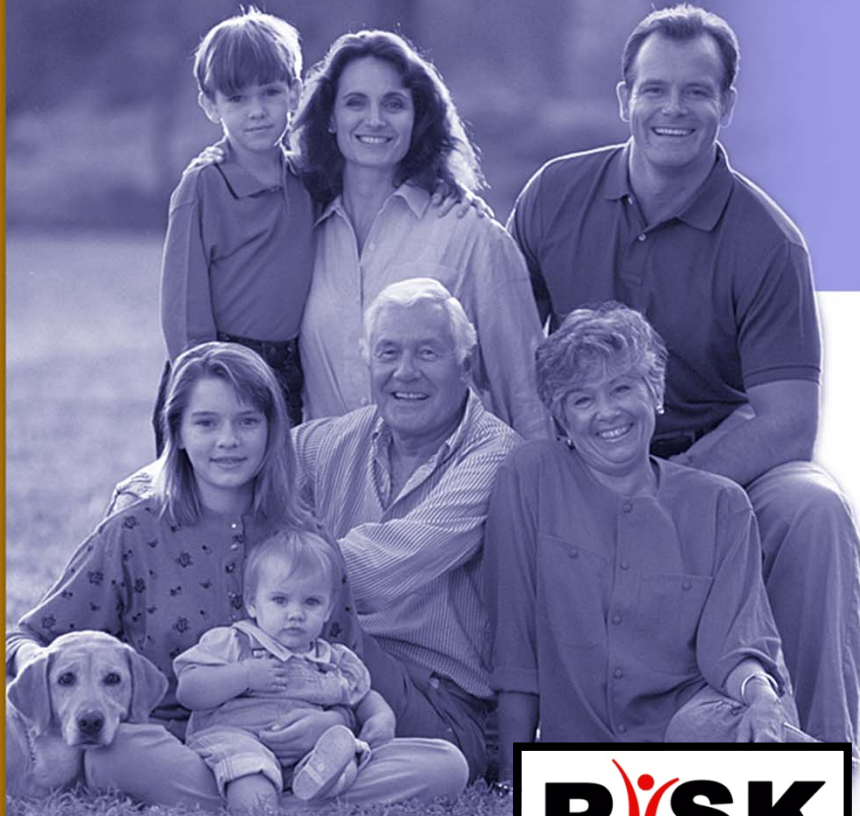


Is it important to let people know your end-of-life wishes?

1. No
2. A little
3. Some
4. Quite a bit
5. Yes



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Financial Assets & Real Estate



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New Thinking



Colorado
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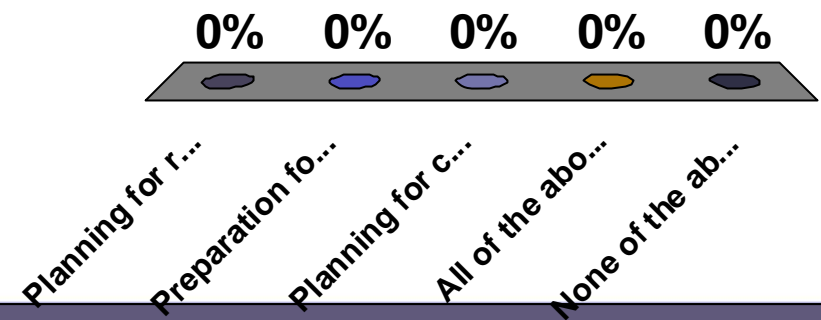


Audience Poll



What is Estate Planning?

1. Planning for retirement
2. Preparation for the transfer of assets
3. Planning for continuation of a business
4. All of the above
5. None of the above

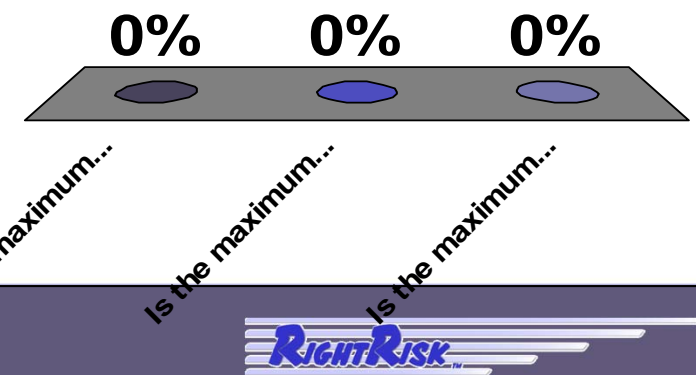


Audience Poll



The \$13,000 Annual Gift Exclusion (in 2011)...

1. Is the maximum you can gift (tax-free) per recipient in a calendar year.
2. Is the maximum one person can gift (tax-free) to all recipients in a calendar year.
3. Is the maximum a married couple can gift in a calendar year.

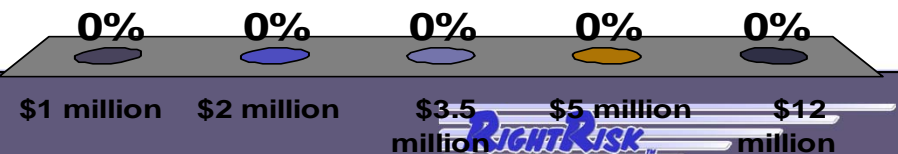


Audience Poll



Estate planning is especially critical for estates valued over (in 2011)...

1. \$1 million
2. \$2 million
3. \$3.5 million
4. \$5 million
5. \$12 million





What is Estate Planning?

- Estate planning provides for:
 - Financial security in retirement
 - Transfer of assets to heirs
 - Continuation of the family business
- Each and every taxpayer has their OWN estate
 - The value is based on the type of assets owned, how they are owned, and with whom.



Goals and Objectives of an Estate Plan

1. What do you want to have happen?
2. What does your family want?
3. How can it best happen?



Common Objectives of an Estate Plan

- Minimize income taxes while alive
- Minimize estate taxes upon death
- Provide continuity of the family business
- Provide a fair division of assets among the beneficiaries



Other Common Objectives of an Estate Plan

- Provide for charitable interests
- Provide liquidity for payment of bills and taxes upon death
- Encourage good character development of younger generations
- To leave a legacy

Goals and Objectives for Transferring Real Property

- Ultimate goal for real property
- When is the best time to transfer ownership
 - During your lifetime
 - At death
 - Long after death
- To whom do you want to transfer ownership



Other Factors to Consider in an Estate Plan

1. Current legal structure
2. Portion of estate needed by surviving spouse
 - a. Plan that works regardless of which spouse dies first
 - b. Provisions if spouse re-marries
3. Tax consequences
4. Other (compliance plans, easements, etc.)



Potential Issues that could Impact an Estate Plan

- Health problems
- Poor management skills of beneficiaries
- Intra-family distrust or hostility
- Alcohol and/or drug abuse by beneficiaries
- Risk of divorce
- Equal versus equity



Calculating Your Taxable Estate

- Gross Estate - All asset you own at death (in any location)
 - Personal property, home, business interests, life insurance, stock options, retirement plans, pensions, investments, real estate, bank accounts, jewelry, taxable gifts, etc.
- Subtract Liabilities
 - Loans, funeral expenses, legal/estate administration costs, charitable contributions
- Subtract assets passing on to a surviving spouse
- Equals an estimate of your taxable estate



Unified Estate Tax Credit

- In 2011, every individual has the equivalent of a \$5,000,000 lifetime exemption.
 - Amount every individual, separate taxpayer is able to pass on with no tax.
- The Federal Estate Tax and Gift Tax are integrated into one tax system
 - Gifts under \$13,000 per year per recipient are not counted in the calculation of estate taxes

Estate Planning - Step 1



Select your Estate Planning Advisors

- Family accountant
- Estate planning attorney
- Financial planners
- University faculty
- Life insurance agents
- Appraisers

(Choose advisors that are needed for your specific situation)

Estate Planning - Step 1



Traits of a “Good” Advisor

- Honest and trustworthy
- Good listener
- Easily understood
- Understandings family situation
- Knowledgeable
 - Finances
 - Tax laws
 - Inheritance and estate laws

Will help you maximize the long-term value of your estate while meeting other goals



Fact Gathering – Legal Documents

- People
 - SSN's, birth certificates, marriage certificates, divorce decrees, death certificates
- Financial
 - property titles, insurance policies, financial accounts, tax returns, etc.
- Powers of attorney



Fact Gathering – Property

- Net worth
 - List all assets and liabilities
 - Valuation
- Types of accounts and ownership
 - Joint, joint with right of survivorship, etc.
 - Sole proprietorship, partnerships, corporate, trust, other

Estate Planning - Step 3



Analyze the Information

- In the event of your death, what would happen to:
 - Your estate?
 - Your business?
 - Your family?



Review Estate Planning Strategies

- Review the choices and suggestions of your estate planning team
- Management strategies to consider:
 - Optimize the marital deduction
 - Benefits of alternative business organizational structures
 - Uses of trusts
 - Value of gifting
 - Annual exclusion, charitable, split interest, life insurance, grandchildren, lifetime gifts
 - Installment sales



Optimize Marital Deductions

- Allows the first spouse to die to **defer** all estate tax due until after the death of the second (surviving) spouse
- Avoid the “One Exemption Equivalent” issue...
 - Avoid joint tenancy and simple wills
 - Establish trusts so remaining assets pass estate tax-free to the person named as remainder beneficiaries (families children)



General Information

- Executor/administrator is required to file Form-706 within 9 months of the person's death
 - Executor is named in will or appointed by the court if no will.
- Estate taxes are paid in cash 9 months after the date of death
 - Installments over 20 years.

Estate Planning - Step 5



Decide and Implement

- Choose correct or best plans
- Sign wills and trusts
- Purchase necessary insurance
- Change investments as necessary
- Make necessary management adjustments



Periodic Review

- Review the plan at least annually
 - Assets change
 - Laws change
 - Relationships change
 - Investments change
 - Goals and objectives change

Transferring Real Property

A LASTING LEGACY

Equal or Equitable?

- Valuing real property
 - In parts
 - Whole
- Inheritors
 - Equal value?
 - Equitable value?

Audience Poll



The \$13,000 Annual Gift Exclusion...

1. Is the maximum you can gift (tax-free) per recipient in a calendar year.
2. Is the maximum one person can gift (tax-free) to all recipients in a calendar year.
3. Is the maximum a married couple can gift in a calendar year.

0%

0%

0%

Applies to each pers...

Is the maximum one ...

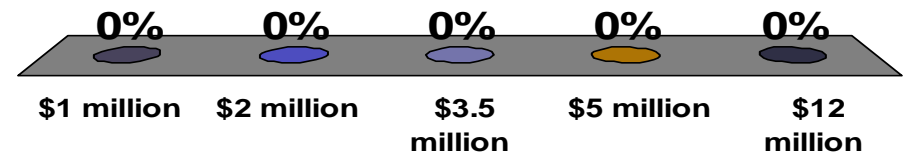
Is the maximum a ma...

Audience Poll



In 2011, estate planning is especially critical for estates valued over...

1. \$1 million
2. \$2 million
3. \$3.5 million
4. \$5 million
5. \$12 million





Summary

- Death is a part of life
- You can reduce the burdens placed on others
 - Provide information
 - Plan
 - Have business affairs in order
- Talk with family and friends
- Seek professional assistance

Components of a Legacy



Legacy Summary



Make a Plan

- Pass on your beliefs
- Continue some traditions you instilled
- Reduce burden of your death on your family
- Gain a sense of peace
- **Leave a Lasting Legacy**

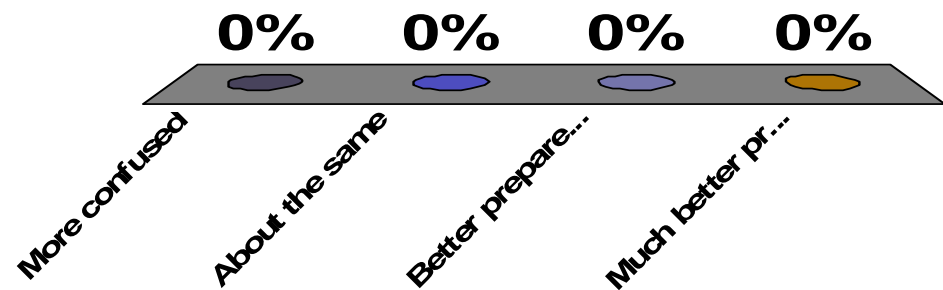


Audience Poll



How prepared are you to have family discussions about succession planning following this workshop?

1. More confused
2. About the same
3. Better prepared
4. Much better prepared

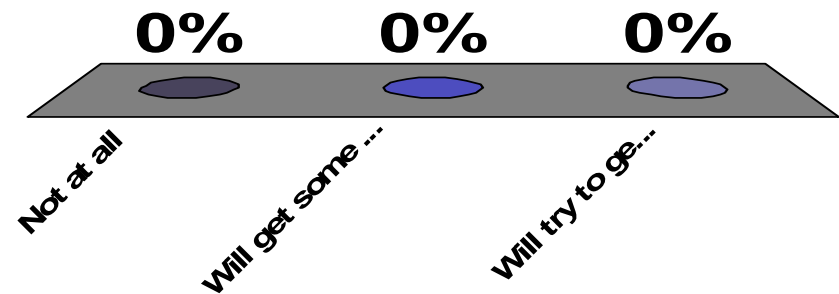


Audience Poll



How likely are you to develop a legacy plan?

1. Not at all
2. Will get some documents in order (business & personal)
3. Will try to get all documents in order (business & personal)

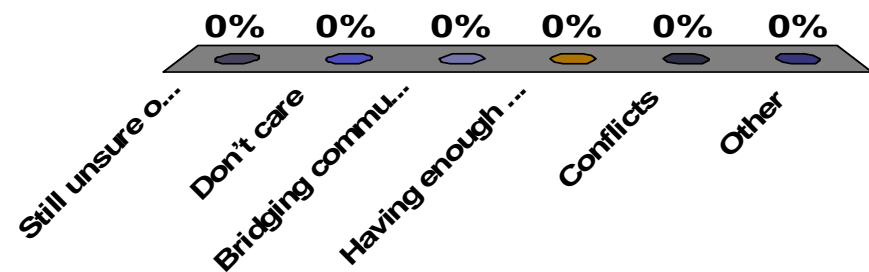


Audience Poll



What is your biggest obstacle to “Leaving a Lasting Legacy”?

1. Still unsure of the process
2. Don't care
3. Bridging communication gap (elders & adult children)
4. Having enough time
5. Conflicts
6. Other

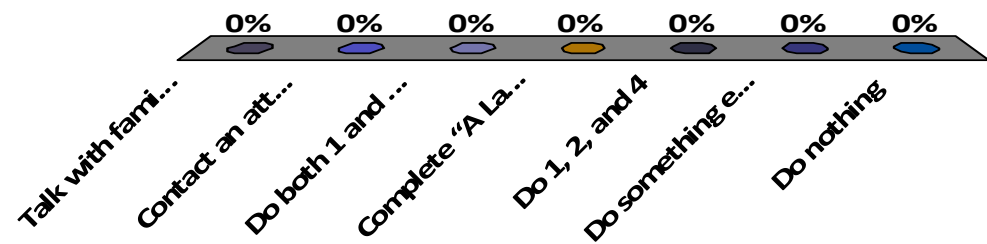


Audience Poll



Within the next 12 months, I will:

1. Talk with family
2. Contact an attorney or other consultant
3. Do both 1 and 2
4. Complete "A Lasting Legacy" workbook
5. Do 1, 2, and 4
6. Do something else
7. Do nothing

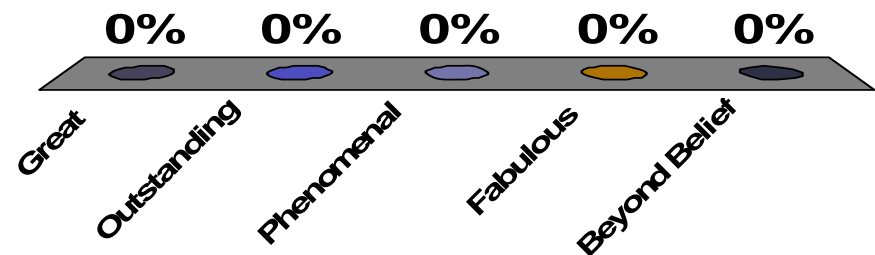


Audience Poll



Overall, how would you rate the value of this educational opportunity?

1. Great
2. Outstanding
3. Phenomenal
4. Fabulous
5. Beyond Belief

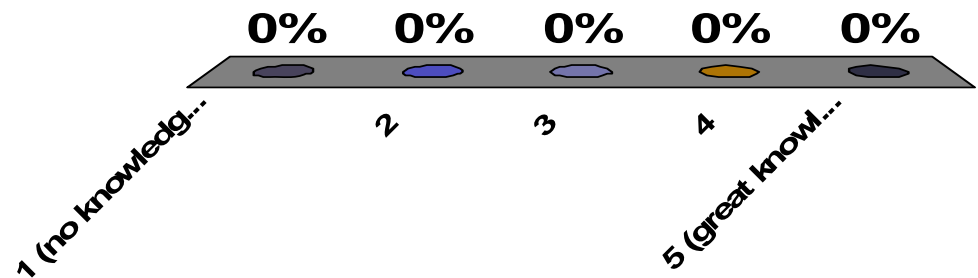


Audience Poll



Rate your knowledge about legacy planning?

1. 1 (no knowledge)
2. 2
3. 3
4. 4
5. 5 (great knowledge)



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