

Woodbury: Farm Family Business Start the Conversation



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Bio

3 minutes ago

This time of year can be a great time for family business conversations. The pace is slower, there are opportunities to travel together to industry meetings, and people are generally thinking about the year to come, which lends itself to planning discussions.

I receive a lot of calls, however, from people who know they need to have a family business discussion but don't know how to get started. I recently spoke with a younger family member who felt that asking his parents to talk about the future transition plan would suggest he wanted to know what his "take" of the estate might be. Another inquirer felt that by pushing the idea of a planning meeting, his parents might get the impression he was pushing them out. And a father told me that because of a history of poor communication patterns with his kids, they would be hesitant to come to the table.



Staying mum on serious family business issues like transition or retirement planning can lead to disasters. (Photo by Gustty, Creative Commons License)

Enter the concept of consequences. The reality of not having good planning conversations is that the transition can be a disaster. It would be like choosing to not prepare the planter every spring -- just pulling it out of storage, filling it and going hard without spending time getting the equipment ready. It wouldn't take much time before you were broken down and planting was behind. What a stressful event, just at the time you need everything to work well!

The same holds true for succession and estate planning. The consequences of not talking about the handover of management, of not planning for the transition of equipment, or of not predetermining the transfer of land, can wreak havoc on a family business. The next generation may be unprepared to manage a complex business. There may be a big tax liability associated with transferring equipment due to depreciation. And there may be significant conflict over how the land is divided between on- and off-farm heirs, not to mention estate tax ramifications. So what I've found over the years is that if you spend just a little time talking about the potential consequences -- the potential conflict, confusion and financial uncertainty (including tax consequences) that can occur -- it can motivate family members to come to the table.

Almost everyone knows of a family that didn't plan effectively and it resulted in the break-up or sale of the farm. The alternative to such an ending is a healthy conversation that looks at the future of people's roles, the retiring generation's intent for asset distribution and strategies used by your family adviser (CPA or attorney or wealth manager) to help other family businesses through the ownership transition.

In addition to asking family members about the consequences of a lack of planning, I recommend that the initiator of the conversation ask for permission to talk about such plans at a later time. For example: "Dad, I would like to have a better understanding of your thoughts around the future transition of management, and was wondering if we might sit down sometime in the next two weeks?" This allows the other person some time to get ready for the conversation. These types of discussions are serious enough that you should not expect to jump right in without giving other partners a chance to reflect and prepare.

In the agriculture industry, the weather and markets are out of our control. But the direction of the family business is not. A primary benefit to having conversations about the future is that such conversations can help resolve uncertainty and can clarify what the future might look like. We all have plans and goals, and the transition of a family business can be the most significant factor affecting those plans.



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Even if the conversation is difficult, having the discussion is better than not knowing where you stand. Sometimes a third party is needed, but I would encourage you to first try the conversation on your own. And get it started with some simple questions about the consequences of not planning. (You can also print this article and share it as a way to break the ice!)

EDITOR'S NOTE: Lance Woodbury works as a consultant to family owned and closely held businesses in Garden City, Kan., with a special emphasis on business planning, mediation and conflict resolution. He also maintains an interest in his family's western Kansas ranch. E-mail comments or suggestions for this column to lance@lancewoodbury.com.

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