



Marcia Zarley Taylor DTN Executive Editor

Teach Kids Respect for Paper Wealth

Land appreciation and record profits from 2008-12 made many once cash-poor farm families feel like the billionaires next door. Anyone who lived through the farm credit crisis of the 1980s knows how fast that kind of paper wealth can vanish and the sacrifices farmers made to earn it back. The problem is, how do we teach responsibility and respect for this sudden wealth to the next generation?

Joining me to discuss the issue is Lance Woodbury, DTN and The Progressive Farmer's family business columnist who is based in Garden City, Kan. Lance trained as a professional mediator and has more than 20 years experience counseling small business owners on family conflicts, succession and transition issues. Like me, I think you'll appreciate his western Kansas sensibilities and values, so here goes. But I hope our chat generates some feedback and folk wisdom from readers.

Taylor, DTN: Lance, we all know heirs who fritter away their windfalls. What do business psychologists tell us to teach our children so they are good stewards instead of lottery winners?

Woodbury: Marcia, I have facilitated a lot of meetings over the last few years where people are returning to the farm, at ages ranging from 23 to 50! For many, they have only experienced the "business" side of the farm in profitable times. The senior partners, however, clearly remember the 1980's and other hard times in certain crop or livestock sectors, and often struggle with how to communicate the lessons from the tough times, or explain the rationale behind a conservative growth strategy.

There are three mechanisms that I find helpful in communicating the values of sound financial and asset management to the next generation.

STORIES

One large family I know gets together every other year, includes all the family members, their spouses, and even the grandparents. The meeting is part business update, part story-telling time (there are always new family members), where the grandparents and parents tell stories of the events and down cycles that forced them to pull together, be conservative with their finances, and stay in business together. Another client, at a meeting in 2013, used a restored 1940's tractor to talk about the values that shaped him while growing up – hard physical work, patience, self-reliance, dependability, etc. So, think creatively about how to tell the stories of life-shaping events that have contributed to your success.

BOOKS/MEDIA

Another family I know used a book, "The Worst Hard Times" by Timothy Egan, to try to help the next generation understand what it was like growing up in the Depression and Dust Bowl. Ken Burns' film, "The Dust Bowl" is another good resource. Yet another good book similar to Steinbeck's "Grapes of Wrath" is Sanora Babb's "Whose Names are Unknown." Reading, watching and discussing these books as a family is a fun way to talk about the importance of being prepared.

CURRENT DECISIONS

Many times, the senior partners are watching the finances and key strategic business decisions, while the younger generation is providing labor or "outside" management. Getting young partners involved in the analysis of business decisions provides a window for them to understand your thinking—which is shaped by your history. Use your meetings with your lender, your tax planning sessions with your CPA, and your input and equipment decisions to help the next generations see how good (and bad!) decisions are made.

Taylor, DTN: Lance, I also hear a lot of concerns that the young professionals coming home to farm have unrealistic lifestyle expectations--like long off-farm vacations and salaries built on \$7 corn. One set of parents told me they had to offer a larger draw to their 30-year-old son than they take themselves after 30 years farming, which seems to cause family friction. If the fat profits in agriculture contract as expected this year, what would you advise?

Woodbury: Marcia, many of the big problems in family businesses are due to flourishing assumptions and unexpressed expectations. Due to the informality of the family relationship, discussions that should happen in a business setting--like compensation, budgeting, and spending limits or controls--often don't happen, or happen only after family members become very frustrated with one another.

Sitting down together to review historical financial trends, projections and expense budgets can help frame a conversation about salary and what might be appropriate--especially with declining commodity prices. Too often only those closest to the accounting work "own" the financial information. Sometimes the numbers are kept private, even from other family members. Broadening the "psychological ownership" of the business' financial performance is key. (For example, does the younger member know they are getting paid more than his/her parents? Would s/he agree it is appropriate?). If the business cannot afford the family living expenses, helping everyone reach this conclusion together is key to determining the appropriate fix.

In terms of work hours, vacation time or other benefits, I encourage both generations to be very clear and direct about what they expect. Think of it as setting policy: What are the benefits we feel are important for everyone in the business? What are the financial and workload implications? If expectations are unrealistic on either side, it can be a tough conversation, but having it before they return or early in the working relationship can save a lot of heartburn later.

Taylor, DTN: Thanks Lance, I hope this is grist for upcoming columns

Follow Marcia Taylor on Twitter@MarciaZTaylor

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Posted at 11:54AM CST 03/07/14 by Marcia Zarley Taylor

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3/7/2014

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Also in need of education are adults who think that the government should guarantee their investments as well as guarantee profits. Trillions in debt and trillions in deficits have consequences.

Posted by T Kuster at 12:36PM CST 03/07/14

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