

Family Business Matters

Take Time to Tell



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Bio

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Editor's Note: Lance Woodbury writes for both DTN and our sister publication, The Progressive Farmer. He is a Garden City, Kan., author, consultant and professional mediator specializing in agriculture and closely held businesses and a featured speaker at a pre-Ag Summit DTN University workshop Dec. 7 in Chicago. For details go to www.dtnagsummit.com or <http://goo.gl/....> To pose questions for this column email lance@lancewoodbury.com

The first verses of Ecclesiastes, Chapter 3, remind us that for everything there is a season. Farmers and ranchers can identify closely with several of the lines, especially perhaps "a time to plant and a time to uproot" and "a time to tear down and a time to build."

Another verse in this chapter appropriate for the family business is "a time to be silent and a time to speak." I think of this verse specifically around estate planning. Over the years, I've had people in their 40s, 50s and even 60s tell me they have limited or no knowledge about what their parents plan to do with their assets.

For instance, a caller several months ago told me his 85-year-old father had taken care of tax concerns, yet he would not speak of how he intended to leave the ownership of the ground between him, the on-farm heir, and his off-farm siblings. The lack of information left this 60-year-old gentleman guessing about what ground would or wouldn't be part of his business, what the financial relationship would be between he and his siblings, and what land he could plan to pass on to his children who were now working on the farm.

WHY FAMILIES DON'T TALK

One reason the senior generation sometimes avoids telling the next generation how assets will be passed down is that they are concerned with the conflict that may develop. Their adult children may be mad at them or mad at their siblings. People may even quit speaking to one another or stop spending holidays together.

Sometimes the senior generation doesn't speak of their intentions because they aren't sure of what they will do. But even an honest "I don't know" can help family members realize where they stand, begin to discuss a plan, and avoid the assumptions that come with silence. Here are two important reasons you should speak to your family about your intentions.

1. Planning for the business.

Agriculture's mature, capital intensive and cyclical nature requires long-term business planning. Although we've experienced significant short-term land appreciation and commodity price volatility the last few years, our industry has generally been one of long-term asset appreciation and equity growth over time. Deciding whether to rent or purchase ground, investing in equipment, and improving property requires a long-term view of the business because so much money is needed in all three areas. And planning for a "land-rich-but-cash-poor" business requires quite a balancing act between capital needs and living expenses.

Put simply, it's helpful if the next generation on the farm knows how their capital will need to be directed. Should they plan to purchase the senior generation's interest? Will they need to buy out off-farm heirs? Will they inherit most of the business? Telling family members what they can expect based on the senior generation's estate planning can be helpful to the long-term needs of the business. Such knowledge lets



Addressing business transition plans before death gives families much stronger opportunity for reconciliation. There's little substitute for hearing a parent's rationale now to soothe damaged feelings later. (Progressive Farmer photo by AgStock/Dave Reede)



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future stewards of the land plan for growth and investment.

2. Managing conflict in the family.

A reality in estate planning is that "fair" is often not "equal," meaning that family members may inherit assets with unequal values. Parents may give those who returned to the farm -- or returned earlier -- more equity. They may choose to vest control with one sibling over several others. Or they may give emotionally laden assets to family members they think will most appreciate them, over the objections of other family members who also feel deserving.

In such situations, conflict may quickly develop. But if conflict is in the cards, delaying it until the end of life or until after the parents are deceased lends finality to the troubled relationship from which a sense of family recovery is difficult. If people are going to be upset, I encourage you to work through those feelings now, in such a way as to leave open the door for future reconciliation. Telling family members your intentions is helpful to each individual's decision-making process, and ultimately can contribute to family harmony.

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