No Heirs. No Desire. **Now What?**

Here are three strategies to consider.

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Imagine this situation: You inherited some land, added some of your own and, over the last 30 years, have built a significant farming business. Now you are starting the generational transition process in earnest, and the problem is you have no heirs.

Or, you have heirs, but they have no interest in developing what you have built. Or worse, they have interest but don't have the wherewithal to manage the business. In a word, you're stuck.

I've received numerous questions during the years on how to handle such situations. If you want to keep the assets intact or hold the accumulated wealth together, there may be several strategies to consider.

A BIGGER IMPACT. A foundation board on which I serve faced this exact situation. A brother and sister received an inheritance of farming and ranching assets, but never married and had no heirs. Later in life, they established a foundation with these assets to support three primary causes. During the rest of their lifetime and after their death, a percentage of net income from the business assets was and is divided among these organizations. Over the years, the foundation has contributed millions of dollars to deserving causes, leaving not only an agricultural legacy but also a philanthropic one. The keys to this strategy are charitable intent and an asset base that will sustain the administration of a foundation.

INTRODUCING INDEPENDENT DIRECTORS. Some families who want to keep the wealth in the family but aren't confident in the next generation's ability to manage the operation have changed the governance of their organization to allow for independent (nonfamily) influence. They have established in their legal documents an official board of directors and have codified the role of independent directors. The independent directors have a vote but don't necessarily control the direction of the company.

In other cases, the independent directors are given much more power; it's assumed they will prevent the family from making poor business decisions. For example, naming two independent directors to a board of five with three family members requires the family to act in unison to outvote the independent directors.

WAITING FOR GRANDCHILDREN. Sometimes, the grandchildren express interest in the business but may not be ready to take over. If you consider the difficulty of American agriculture in the 1980s, many of those parents, now at retirement age, encouraged their offspring to seek their calling away from the farm. As a result, it shouldn't be surprising that we might have a period of time in which there is no one willing or able to run the business.

In such cases, I've seen the use of long-term leases, sometimes lasting more than 10 years, either with a neighboring family with a deep bench of talent or with a beginning farmer. The idea is that if the grandchildren return to the business in adulthood, they will be able to take over the family ground. However, someone still needs to assess their competence. If the heir doesn't appear, the family can sell the land or continue leasing it.

As with all strategies, the key is to first determine your goals. Is it important to keep the wealth together? Is having an active business important to your legacy? What impact do you want to have on your community? Do you want to help a young person in agriculture get started? Once you know your goals and have a realistic assessment of family talent, consider the strategies listed here as points of departure for thinking about the future.

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