5 Priceless Gifts In the Family Business

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In family-farm and ranch transitions, valuable gifts are an integral part of estate-planning strategies. Money, land, equipment, shares of a legal entity or family heirlooms were accumulated over a lifetime or were originally purchased with scarce economic resources, and have high economic or sentimental value.

Another set of gifts have a high value but a comparatively low cost. They are gifts rooted in thoughtful planning and important conversations, gifts that will set the stage for positive family relationships well into the future. Consider the following discussions and processes as part of your transition.

1 Model good planning and discussion. Parents who lack clarity or agreement about their estate plans, or who aren't sure how to handle conflict between their kids are often guilty of doing nothing. They refuse to talk about the future, hoping things will get better with time, while the next generation is left to make assumptions about what the future holds.

One gift you can give to the next generation is to model good communication. Discuss difficult topics, even if you have to use a mediator. Create a conversation about the future to get ideas and aspirations on the table. Opening up communication and helping everyone understand the options and preferences offers more certainty than remaining silent.

2 Give permission to make changes. In leadership of the business, the next generation may feel that change is necessary. Exiting an unprofitable business, selling an asset that has become overvalued or unproductive, or parting ways with an employee are difficult choices. Give members of the next generation explicit permission to change the business if they believe it positions them for success.

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3 Transfer control sooner. I'm often surprised by how many parents took over the prior generation's business at ages 15 or 20 years earlier than the ages of their current adult children. One concern I hear is that the younger members aren't ready. However, if the next generation is in their 40s or early 50s, and not making significant decisions, there is likely a high degree of frustration and an increased risk that the transition won't work. Give the gift of authority over parts or all of the business sooner rather than later.

4 Provide a process to end their partnership. Many parents don't give their children the choice to be business partners; they put the next generation in business because of estate tax strategies or out of a desire for equality. They might pass undivided interests in land, transfer assets in a partnership or give shares of a corporation.

If younger family members have different goals or have trouble working together, it may make sense for your children or grandchildren to get out of business together. You can create a process for future generations to exit before tensions run high. Visit with an attorney about a buy-sell agreement that facilitates the sale of land or shares before anyone needs it.

5 Recognize the different contributions of heirs. If some adult children come back to the farm or ranch, and help build your net worth, consider recognizing their contribution differently than off-farm heirs. It's frustrating for a younger family member to help build a business only to then have to buy a portion of it, especially at market value, from siblings who left and created their own nest egg. It may require being unequal with your estate, but creating expectations early is the key to differentiated gifts.

Sometimes, the most valuable gifts you can give to others don't cost much money. When the success of both a family and a business are at stake, strategic communication, timely handoffs and thoughtful decisions can be as valuable as the financial assets you plan to transfer. ///