



# Preparing and Planning for the Next Generation of Successful Farmers

FOR THE

#GATORGOOD

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*“Entry into farming is a process, not an event.”*

- Dr. Paul Lasley



# DECIDE TO SECURE YOUR LEGACY

- Only one-third of farms have a designated successor.
- It's becoming more difficult for "Traditional Farms" to support a family.
- Increased regulation contributes to cost and difficulty of maintaining a family farm.
- While 78% of farmers plan to transfer control to the next generation, 40% of farmers have no formal succession plan.



Do you want to transfer the ranch/farm as a “viable business” or simply as a “group of assets”?

# WHY PLAN?

## Old Model

Farm until you die, then kids divide

Multi-generation farms

## Today's Model

Less than 10% of people raised on a farm return to the farm

Older farmers are seeking slow-down or retirement, but may still rely on farm income

What will happen to YOUR farm?

What legacy do you want to leave your children?



# WHY DON'T WE PLAN?

It's too complicated.

We don't like to plan.

We fear facing our own mortality.



# WHAT HAPPENS IF YOU DON'T PLAN?

- Estate tax consequences for larger estates
- Unmet retirement goals
- Financial insecurity
- Missed leadership development opportunities
- Unintended beneficiaries
- Family conflict





# WHAT IS AT STAKE?

What happens to the farm?

What happens to the land?

What happens to all that I built?

What happens to those left  
behind?





# THE FARM

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graph TD; Farm[THE FARM] --> Priority1[Owner's priority<br/>Continuation of farm<br/>family business]; Farm --> Priority2[Owner's priority<br/>Continuation of family<br/>ownership of farmland]; Priority1 --> Succession[SUCCESSION PLAN]; Priority2 --> Estate[ESTATE PLAN]; Succession --> Assets[ASSETS]; Succession --> Money[MONEY]; Succession --> Management[MANAGEMENT]; Money --> Business[BUSINESS<br/>SUCCESSOR]; Estate --> Heirs[HEIRS]; Business -.- Heirs;
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Owner's priority  
Continuation of farm  
family *business*

SUCCESSION PLAN

ASSETS

MONEY

MANAGEMENT

BUSINESS  
SUCCESSOR

Owner's priority  
Continuation of *family*  
*ownership* of farmland

ESTATE PLAN

HEIRS

# PLANNING IS DECIDING

- How long the transition will last
- What management decisions are delegated to the successor
- Which assets are transferred and when
- When the owner retires
- What retirement means
- What the source or retirement income is





## VALUES

What is important to me? What do I hold dear?

## VISION

What does the future look like?

## MISSION

Why are we here? What do we believe in?

## GOALS

What do we want to do? What do we want to be?

## OBJECTIVES

How will we measure activity? How will we know when we have arrived?

## STRATEGIES

How are we going to get there?

## TACTICS

What do we need to carry out our strategies?  
Who is responsible for the necessary activities?

# DIFFICULT QUESTIONS

Do the owners desire to continue family ownership?

Can the family withstand the stress of succession planning?

Can the family withstand the stress of not planning?

Is there a successor capable of managing the business?

Does the successor want to manage the family business?

Will the owners recognize the authority of the successor?

Are all interested parties identified, informed and involved?

Is there a mutually agreed upon decision-making process?



# DIFFICULT QUESTIONS

Have successors been chosen for key positions?

Have training plans been developed for those positions?

Is there an estate plan with equitable division of property?

Have contingency plans been developed?

## **Activity #1: Succession Goals/Objectives**

**Name(s):** \_\_\_\_\_

**Business Name:** \_\_\_\_\_

**Relationship(s):** \_\_\_\_\_

**(e.g. your relationship to owner(s) and business)**

**Long term goals:**

**Under ideal circumstances, what do you hope for the future of this business and/or its assets in:**

**10 years?**

**20 years?**

**30 years?**

**After you're gone?**

**What major challenges or obstacles stand in the way of meeting goals?**

**What short term goals (1-5 years) do you have for realizing a succession plan?**

**From whom (which type of experts) do you think you need help the most?**



# FARM SUCCESSION PLANNING AND ESTATE PLANNING

Wow this is a lot to control!

How will I know if I am doing it right?

How do I pick my team?

How do I know how much to save and where to save it?

How much is enough?

What about my health?

What about my survivors?

What if I have no survivors?

# SUMMARY: COMMON GOALS OF SUCCESSION PLANNING/ESTATE

1. Transfer to next generation
2. Minimize taxes
3. Preserve farm
4. Treat all children “fairly”







Schedule a Family Conversation



# Schedule a Family Conversation

Define succession planning objectives

--create a meeting agenda

## 5 Keys to Good Communication

- 1) Clearly define your objectives of the intent of each interaction.
- 2) Try to understand the other person's point of view.
- 3) There are numerous options; be open to alternatives.
- 4) Acknowledge that it takes complementary qualities to build an operation.
- 5) Know that it is okay to disagree.

# Consult Professionals

Tax attorney

Financial Planner

Estate Planning Attorney

Life insurance underwriters or agents



## Selecting an Adviser

Here's a brief interview guide to help you identify an adviser who can facilitate your family's succession planning process.

1. What is your experience facilitating the succession planning process?

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2. What qualifies you as a specialist in succession planning?

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3. How long have you been providing succession planning advice?

# Can You Answer These Questions?

Is the business headed in the right direction?

Does it provide enough income to:

- Show a profit?

- Cover your loan payments?

- Pay family living expenses?

What are your production costs?

What price do you need to receive for your product to break even?



# Financial Check-up for Your Farm

The Different Financial Faces:

The business

The family's lifestyle and needs

How do we separate these?

# Business Analysis

Financial statements

Historical and Projected

Spending plan (budget)

Enterprise analysis

Cow/calf, Crop, Custom work, Partner shares

Break-even analysis

Marketing plan

Investment analysis

Risk assessment

# Measuring Financial Position and Performance

## Liquidity

Ability to pay bills as they come due and cover unanticipated events.

Ability of the business to generate cash when needed.

## Solvency

Ability to cover all debts if the business were sold

Relationship between total assets and total liabilities



# Measuring Financial Position and Performance

## **Profitability**

Returns to labor and management generated by the operation

## **Financial efficiency**

Efficiency with which assets generate income

## **Repayment capacity**

Ability to repay term debt in a timely fashion



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<http://www.farmjournallegacyproject.com/>

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