Farm Business Transition

Tip and Tactic’s

Dennis Stein, District Farm Management
Michigan State University Extension
KEYS TO SUCCESS

- Strengthen Family Relationships
- Improve Communication Skills
- Recognize Individual Differences
- Management Participation = Learning
- Decision Making
- Encourage Diverisonary Activities
- Separate Housing is Required
KEYS TO SUCCESS (continued)

- Develop a Written Business Plan
- Develop a Written Agreement
- Fit the Agreement to the Situation
- Update the Business Arrangement
- Make it Work “Attitude”
Business Life-Cycle

Source: Wadsworth
Business Succession Plan
The Transfer Process

Ownership
Management
Divide Income
Labor
Business Succession Plan
TRANSFER PERIOD
Short Transfer Period

older party

younger party

time
Business Succession Plan

TRANSFER PERIOD

Long Transfer Period

older party

younger party

time
What to do with the Farm?

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

A. Transfer Plan
B. Estate Plan
FARM

Business
- Succession Plan
- Financial Viability
- Goals

Retirement Plan

Estate Plan

Assets

Estate Plan
Successful Farm Transitions: Financial Viability

- Farm Efficiency
  - Expenses
    - Purchases (shop around)
    - Bang for the buck
    - Quantity/early pay discounts
  - Income
    - Production, production, production
    - Marketing
    - Quality

05/25/2003
Successful Farm Transitions: Financial Viability

- Farm Efficiency
  - Assets earning their “keep”
  - Investments paying for themselves
  - New paint disease
Successful Farm Transitions: Financial Viability

- Family Living Cost
  - Retiring family
  - Farming family
  - Off-farm employment

- Farm Size will set the max. income
Successful Farm Transitions: Financial Viability

Farm Debt Structure

✓ Long term vs. short term loans
✓ Interest rate
✓ Principal payments
10 Ways to Sabotage Family Estate Transfer Plans

1. Procrastinate
   Don’t write a will or transfer plan. Let the children worry about it after you’re gone.

2. Avoid planning or making decisions

3. Don’t discuss the subject of estate transfer.
   Keep information from younger family members. This is a sure way to increase family conflict.


5. Do all you can to block the younger generation from any involvement in goal-setting or decision making until they are middle aged.

Source: Fetsch
10 Ways to Sabotage Family Estate Transfer Plans

6. Refuse to listen to other family members’ viewpoints.
7. Hold on to total control of the family business.
8. Assume others know what you want. Avoid discussing your wishes about transfer with family members.
9. Make sure all your sense of worth, your identity, and life’s meaning come solely from the business. Resist transferring to the next generation. This way they have the least influence and the most stress.
10. Pay no attention to wake-up calls like a farm/ranch accident, illness, death, or major choice point by an offspring.

Source: Fetsch
Someday Son, This Will All Be Yours
Successful Farm Transitions

Goals

➢ Older Generation
  ✓ Retirement lifestyle (money needed)
  ✓ Nonfarm heirs
  ✓ Residence

➢ Younger Generation
  ✓ Lifestyle (money needed)
  ✓ Growth of business
  ✓ Attitude toward debt
  ✓ Ownership vs. renting
  ✓ Family time vs. work
Thank You!

Dennis Stein, Farm Management
362 Green Street, Caro, MI 48723-1910
Ph# 989-672-3870   fax# 989-673-5953
Email: steind@msu.edu
Web: http://www.msu.edu/user/steind