

Farm Transition & Estate Planning: *Build Your Exit Strategy*

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Presentation Outline

- Program rationale
 - Program goals
- Program description
- Evaluation process
- Program Outcomes & Impacts
- Challenges/Obstacles Encountered by Farm/Ranch Families
- Conclusions/Learnings



Program Rationale

- Farm families were calling and asking transition, tax, long-term care and personal estate planning questions.
- Ag professionals working with farm families were calling and asking the same questions.
- Prompted a literature search which validated little transition planning was being done.
- Huge amount of farm business and personal assets at risk without proper transition planning.



Program Goals

- To aide farm & ranch family members gain general understanding of business transition & estate planning terms, laws, concepts, rules, etc.
- To aide farm & ranch family members gain general understanding of business transition & estate planning strategies and procedures.



Program Goals

- To address risks arising from the lack of:
 - Business transition planning
 - Intergenerational goal setting
 - Implementing a business transition & estate plan
- Farm & ranch families will apply this new knowledge by developing and implementing a business transition and personal estate plan.

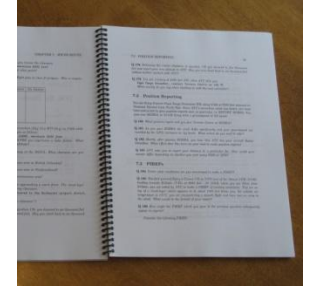


Program Description

- Team approach:
 - U of M Extension educators: two of which are IRS Enrolled Agents.
 - Attorney & certified financial planner on materials.
 - Only Extension educators present materials.
 - Local business sponsors.
- Five hour, interactive educational program.
- Delivered via face-to-face workshops.



Program Description



- Educational materials:
 - 230 page participant workbook:
 - Includes all PowerPoint slides.
 - Includes 26 information sheets on transition, estate planning, financial management, sweat equity.
 - Selected worksheets and exercises.
 - Registration form, end-of-meeting evaluation, websites for additional resources.
 - Information sheets are posted on three separate websites for public use.

Program Description

- Program is marketed via local sponsors:
 - Attorneys, accountants, bankers, insurance agents, financial planners, local Extension educators, MnSCU Adult Farm Management Instructors, etc.
 - Local sponsor(s) pays a sponsorship fee, selects date & location, pays for refreshments/meals and recruits all participants (Can collaborate with other sponsors, charge for program or not – their choice).
- Delivered in MN, IA, ND, & WI.



Program Description

- Program content:

- Goals & communication
- Tax issues
- Business structures and transfer strategies
- Assessing financial strength of business
- Retirement planning for exiting generation
- Estate planning information and strategies
- Writing a transition plan outline
- Working with a transition & estate planning team



Evaluation Process

End-of-Meeting Evaluation:

- Participants complete an end-of-meeting evaluation immediately following workshop.
- Looking for self-reported knowledge increase around program educational points.
- Status as to having a business transition and personal estate plan.
- Rating of overall program.
- New: rating of educator's presentation.



Evaluation Process

• Follow-up Evaluation:

- Participants are mailed a follow-up evaluation six months following last workshop (included self-addressed envelope).
- Looking for number of farm/ranch units starting and completing transition & estate planning process.
- Challenges & obstacles they encountered.
- Rating of overall usefulness of program and workbook in the process.



Outcomes & Impacts



Participant Information

Number of Participants, Business Units & Communities

Years	# Participants	# Farm/Ranch Units	# Communities Represented
2004-05	349	164	110
2005-06	524	301	191
2006-07	853	382	302
2007-08	587	247	151
2008-09	543	228	147

Participant Information

Percent Having a Business Transition & Personal Estate Plan

Years	No Business Transition Plan	No Personal Estate Plan	Will Start Process Due to Workshop
2004-05	82.3%	48.2%	92.3%
2005-06	88.9%	57.8%	81.4%
2006-07	85.0%	71.9%	98.0%
2007-08	88.7%	82.2%	97.7%
2008-09	75.5%	83.2%	97.0%

Participant's Self-Reporting Whether Their Understanding of Educational Points Increased Due to Attending a Workshop

Educational Point	Median Score*	Average Score*	Standard Deviation	% Indicating "Strongly Agree" or "Agree"
Understanding of the need for clear goals & communication in the transition process.	5	4.52	0.52	99.1%
Greater understanding of strategies available for use in the transition process.	4	4.32	0.53	96.0%
Importance of assessing the financial strength of business before the transition.	5	4.36	0.58	93.9%
Greater understanding of tax issues related to the transition process.	4	4.21	0.61	88.9%
Greater understanding of personal estate planning issues.	4	4.27	0.61	93.7%

*Participants used Likert scale numerical rating system of 1 for "strongly disagree" and 5 for "strongly agree".

***Follow-Up Evaluation Surveys Sent & Returned
by
Farm/Ranch Unit***

Results Year	Follow-up Surveys Mailed	Follow-up Surveys Returned	Percent Returned
2004-05	164	63	38.9%
2005-06	301	96	31.9%
2006-07	382	137	35.9%
2007-08	247	106	43.3%
2008-09	228	97	42.7%

Percent/Number Farm/Ranch Units Starting/Completing Business Transition & Personal Estate Plan

Years/States Task	2004-05 (MN)	2005-06 (MN)	2006-07 (MN)	2007-08 (MN,ND, WI,IA)	2008-09 (MN,ND, IA)	<u>Totals</u>
Started Business Transition Plan	58.8% (37)*	59.4% (57)*	61.8% (84)*	72.9% (77)*	67.2% (65)*	<u>320</u>
Completed & Implemented Business Transition Plan	11.6% (7)**	12.5% (12)**	12.2% (16)**	15.7% (16)**	22.2% (21)**	<u>72</u>
Started Personal Estate Plan	56.9% (35)*	57.3% (55)*	67.2% (92)*	79.2% (83)*	70.2% (68)*	<u>333</u>
Completed & Implemented Personal Estate Plan	6.5% (4)**	7.3% (7)**	14.4% (19)**	17.1% (18)**	23.4% (22)**	<u>70</u>

*Farm/Ranch units returning follow-up evaluation six months after program and began transition/estate plan process.

** Farm/Ranch units returning follow-up evaluation six months after program and completed the transition/estate plan process.

Average Asset Values Business & Personal Assets by Year

Years Asset Type	2004-05	2005-06	2006-07	2007-08	2008-09
Farm/Ranch Assets	\$1,147,163	\$1,277,059	\$1,401,775	\$1,475,454	\$1,680,086
Personal Assets	\$144,561	\$160,240	\$173,344	\$169,737	\$172,990

*Data source: U of M FINBIN data base, Iowa State University Farm Business Summary

Economic Impact Due to an Orderly Process for the Transition of Business & Personal Assets

Asset Type & Totals	2004-05	2005-06	2006-07	2007-08	2008-09
Farm/Ranch Assets	\$8.0 mil	\$15.3 mil	\$22.4 mil	\$23.6 mil	\$35.3 mil
Personal Assets	\$.6 mil	\$1.1 mil	\$3.3 mil	\$3.1 mil	\$3.8 mil
<i>Total Farm & Personal Assets</i>	<i>\$8.6 mil</i>	<i>\$16.4 mil</i>	<i>\$25.7 mil</i>	<i>\$26.7 mil</i>	<i>\$39.1 mil</i>

Participant Responses Regarding Value of Workshop and Workbook

Years	2004-05	2005-06	2006-07	2007-08	2008-09
Value Response					
Value of Workshop* (Excellent or Good)	95.1%	94.8%	96.7%	97.9%	97.0%
Value of Workbook** (Yes only)	98.7%	96.7%	100.0%	100.0%	100.0%

*Response choices included poor, fair, neutral, good, and excellent.

**Response choices included yes or no.

Challenges/Obstacles Encountered by Farm/Ranch Families

- Difficulty finding time to complete the process.
- Difficulty defining and developing goals.
- Difficulty finding professionals to complete the process.
- Cost of attorney and other professionals for the process.
- Parents not ready to retire or turn over control of the business.
- Family events (death, divorce, fire, etc.) that took us away from completing the process.

Conclusions/Learnings

- Program was successful:
 - Participants self-reported increased knowledge related to program educational points.
 - Participants applied new knowledge through beginning & completing process.
 - Total economic impact of an orderly process for transitioning business and personal assets was \$116.5 million dollars over five years of programming.
 - Participants highly rated the usefulness of the overall program and workbook.



Conclusions/Learnings

- Program popularity, demand and perceived value by sponsors continues, so team will continue to offer the program.
- Laws continue to change so updating will be necessary.
- Sponsorship model has been effective:
 - Generate Extension program revenue.
 - Builds collaborations with local business sponsors.
- Was beneficial and convenient not to involve other professionals (attorneys, accountants, etc.) in the teaching of the program.

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Thank you !

Questions - Comments

