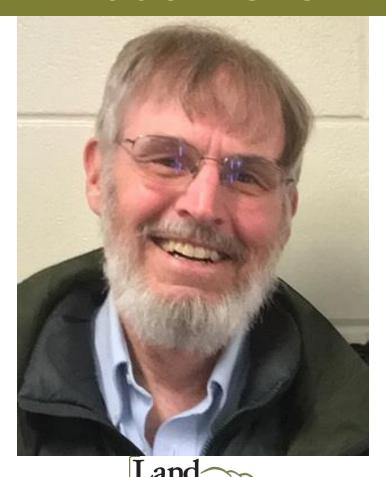
### Welcome



Mike Ghia, VT Field Agent, Land For Good



## Acknowledging the late Bob Parsons, UVM Extension 1953-2018



## Who is here today?

- From the Older Generation? The Younger Generation?
- Farmers without identified successors?
- Have a business to Transfer?
- Have real estate to Transfer?
- Been working on this for a while?
- Just getting started?



### What do we call this?

- Transfer?
- Succession?
  - Transition?



### What do we need to address?

### The Farm Transfer Process

Passing a farm from one generation or owner to another.

A Farm Transfer Plan consists of an action plan, a timeline and the documents needed to accomplish the transfer.

### Asset Transfer

Spell out how familand, buildings, and other assets are conveyed from one party to another.

### Management Transfer

Lay out how management tasks, responsibilities and income shift over time from one farm operator to another.

### Goal Setting & Family Communication

Set forth personal, family and business goals as well as ways to ensure constructive communication among all involved.

### Farm Transfer

Plan

Sets out strategies for farm operations, personnel, marketing, finance, and business entity formation.

Business Plan

### Estate

Direct the eventual transfer of assets, usually with the goal of preserving as much of the estate value as possible for the beneficiaries.

### Retirement

Address how and where the retiring person(s) want to live, their anticipated income and health care costs.

### Land Use

Map out land use options that address agriculture, forestry and recreation uses as well as conservation and development.



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## Transfers Can be Complicated

- Each Farm and each family are different
- The needs are different
- The timeline is different...
  - ...But, the timeline is often glacial
- It can be hard to define when its complete...It's a process, not an event.
- This workshop can only scratch the surface...Take action.



## Resources: Print and People

- Numerous Print, Video and Web Resources--See List in Packet
- Land For Good 1:1 Short Consultation
- VT Farm and Forest Viability-2+ Years of Services
- Other Farmers

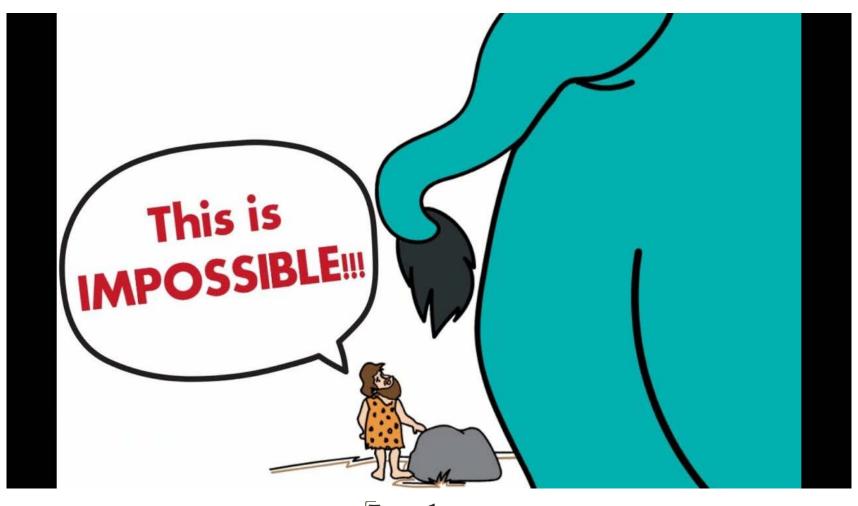


## Everyone Needs A Team

- Transfer Advisors
- Business Advisors
- Attorney(s)
- Accountant
- Lender
- Insurance Agent
- Appraiser(s)
- Facilitators and Counselors



# Getting Started





## Getting Started

- Don't get overwhelmed, take a bite
- Start now, Start Yesterday— optimally at least 5-10 years before you think you want to transfer. Don't wait for a crisis!
- Keep it on the agenda—make time for this.
- Start the Conversation
  - -Successor(s) (if identified—may not be family)
  - -Children and other family members
  - -Assemble advisors



### Family Business v Business Family?

- Family System: emotion-oriented
- Emotion-based
- Mission to nurture relationships
- Equality
- Unconditional acceptance
- Relationships are permanent
- Power tied to generation/birth order

- Business System: results-oriented
- Task-based
- Mission to produce profitable goods/services
- Competency
- Acceptance based on performance
- Relationships are contractual
- Power based on authority &influence



### Hard vs Soft Issues

### **Hard Issues**

- Business/financial
- Legal
- Taxes
- Estate
- Retirement \$
- Management Control

### **Soft Issues**

- Family Communications
- Vision (unclear?)
- Conflicting Personal Goals (or unclear?)
- Fair v. Equal
- Management Abilities
- Legacy
- Identity/Retirement
- Management Control



### Start with Your Goals and Vision

- Both Generations need to have clear goals
- Both Generations need to freely share their goals and vision with each other
- Both Generations need to be able to work through Differences
- Its good to involve non-farming family members, but the people who are running and stewarding farm need priority in decisions.



# Communications can be Challenging

- Plan Meetings to Focus on these issues
- Consider the Timing and Location
- Consider an Outside Facilitator or Advisor
- When communications get particularly challenging consider:
  - VT Agricultural Mediation
  - Farm First



### Common Concerns

- Financial Viability
- Debt
- Funding for Retirement & Health Care
- Trying to help farming children build equity
- Fair Treatment of off-farm heirs
- Taxes

Important to not let any one issue dominate, or prevent you from planning and taking actions!



### Common Obstacles/Concerns





## Financial Viability

### **Biggest Challenges:**

- Current Business not profitable
- Current Business not big enough for multiple generations
- Too much debt
- Capital Needed for infrastructure improvements (RAPS, FSMA/GAPs)
- Insufficient Social Security and Retirement
- Younger Generation No Equity and No Cash



## Financial Viability

# Often a new business plan is needed

# Sometimes an entire new business is needed



### The Transition

- Typically done in Stages over multiple years:
  - -Transfer of Management
    Skills and Responsibilities
  - -Transfer of Decision-Making Power includes the Checkbook
  - -Transfer of Intermediate Business Assets
  - -Transfer of Real Estate



### The Transition

# Important that the Next Generation develops the skills necessary to run the business.

Typical Deficits:

Financial Management Skills

**Business Management Skills** 

Marketing



## Typical Scenario

- Younger Generation gets education and works elsewhere
- Come back as an employee for defined period
- Build Skills and Responsibilities—may be in charge of an aspect or a new enterprise
- Transfer of Intermediate Assets—either full buyout or gradual transfer through a partnership/LLC—Lease real estate at first



### Variations

- Younger and older are partners for a period until the younger has enough equity for to acquire financing for a buyout.
- Younger generation remains an employee while building a new business or venture
- Older Generation sells business entirely and the successor starts a new business or brings their business to the farm.



### Farmers without Successors

- Can Recruit Successors
- Could be an employee or a new farmer
- Incorporate into your business or a new business on the farm
- Could lease or sell land to next farmer
- VT Land Trust Farmland Access Program
- Vermont Land Link



### Real Estate Transfer

### Typically the last thing to transfer

- Through the estate plan
  - In interim should have lease bearing on heirs, agents, assigns...
- Through Gifting (Partial or All)
- Through an legal entity and gradual transfer of equity over time
- Through sale—often with a conservation easement

Need to consider taxes, debt, equity, control, retirement housing, and long-term health care



### A Written Plan

- A written plan provides accountability!
- Needs to include the who, what, when, where and why
- **S**pecific
- Measurable
- Assignable
- **R**elevant
- Time-based, Clear timeline
- ...helful, but only if you use it and refer to it.



### Thank You

# This workshop is being brought to you through the support of:





Funding provided by Vermont Housing & Conservation Board and Land For Good grants from the USDA National Institute of Food and Agriculture through its Beginning Farmer and Rancher Development Program.