

OUTSIDE THE BOX

The transfer

by Tom Field, University of Nebraska



When it comes to planning, there are some activities that manage to find center stage. These are almost always key activities related to the business or pleasurable activities, like vacations or

family get-togethers. Then there are those planning activities that almost always find their way to the back of the line. Preparing for the transfer of decision-making authority and wealth often make this list.

Spending time planning for calving season, analyzing herd bulls for possible acquisition, or preparing for planting and harvest are nearly second nature to most agricultural professionals. The practical, hands-on, getting-work-done elements of the business are centered on the individual leader's ability to have direct influence on decisions and outcomes.

Estate planning is a difficult topic because it acknowledges that the duration of a leader's influence and control is finite. Life, in the here and now, is an attractive and hopeful focal point, while death is associated with grief and loss. It is no surprise that activities associated with current and pressing issues dominate the brain's attention.

Nonetheless, the importance of estate and succession planning is critical to the sustainability of a business and the well-being of a family.

Start the conversation

The first step is to find a way to begin the conversation. What can be done to make this conversation more palatable? Try shifting the narrative with a mind hack such as, “the senior generation has been abducted by aliens,” or “they have disavowed all involvement and ownership to join a senior's motorcycle club and live the rebel's lifestyle.” Somehow these scenarios make the conversation about intergenerational transfer a bit easier to undertake. While seemingly silly, these approaches remove the tension and facilitate the first round of conversations.

The next step is to develop a process to sustain the conversations over the long haul. Transfer conversations focus on two key resources — leadership (decision-making) and assets. Preparing for a leadership transition is referred to as succession planning, while the transfer of assets is the focus of estate planning.

While these two processes may have significant overlap, they should be undertaken as separate discussions. In both cases, there are fundamental principles that can support effective processes; but families should be wary of cookie-cutter approaches. Each enterprise and family has distinct characteristics and challenges that require customization.

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Dedicate the time

These are not convenient processes — they require time, attention and the allocation of resources. Once the plans are in place, they need to be updated and modified based on changes in the business or family, as well as federal and state tax policies.

The components of a sound estate plan are outlined in Fig. 1 as adapted from the single-best resource available for ranch estate planning — *Sustaining the Legacy, 2nd*

Fig. 1: Elements of Estate Planning



SOURCE: Adapted from *Sustaining the Legacy*, <http://bit.ly/ABBestateplan>.

Edition, created through the joint efforts of the King Ranch Institute for Ranch Management and South Dakota State University. Readers are advised to access and study the full document.

However, there are several key points to be highlighted here:

- ▶ The wealth of an enterprise is multidimensional.
- ▶ Be clear about the legacy and vision for both the business and the family.
- ▶ Take action.

Consider all assets

Wealth includes hard assets such as financial resources, land, equipment and infrastructure. However, critical elements of wealth include the capabilities of people who own, manage and work within the enterprise — the creative engine of the business.

Furthermore, the knowledge and experience held both individually and collectively by the human resource is nearly invaluable. Far too often this native wisdom and an intentional effort to transfer it from one generation to the next is undervalued.

Conflict and misunderstandings can complicate the estate-planning process in even the most congenial of organizations. Thus, clarity of purpose and process transparency are critical to the creation of a workable succession and estate plan. The development of a clear and thoughtful legacy and vision statement for the enterprise and family provides the guideposts for creating a shared vision and objectives. Without it, the process will be derailed by assumptions and miscommunication.

Take action

Finally, there is no substitute for action. Taking the first step and then remaining diligent and dedicated to moving through each phase of the plan is a powerful gift to the next generation.

Furthermore, effective estate planning is the best approach to protect and advance the life's work of a family enterprise's senior generation. A failure to act reduces the likelihood of business success and, more importantly, may set the stage for the permanent fracture of family relationships. Now is the time to begin! |

Editor's note: In "Outside the Box," a regular, separate column in both the *Angus Journal*® and the *Angus Beef Bulletin*, author Tom Field shares his experience as a cattleman and his insightful perspective on the business aspects of ranching. Field is director of the Engler Agribusiness Entrepreneurship Program at the University of Nebraska-Lincoln, where he holds the Paul Engler Chair of Agribusiness Entrepreneurship.

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