

# Chapter 1

## Can We Talk?



“We can’t solve problems by using the same kind of thinking we used when we created them.”

Albert Einstein

# LET'S GET STARTED

A comprehensive succession plan builds families and futures.



In 1911, Grandpa bought a section of the best bottomland for \$200 an acre. When Dad inherited the farm decades later, it was valued at \$500 an acre. Using a will and estate planning, Dad owned the farm outright, and his sisters were left with other assets. Passing the farm to the oldest son may have been acceptable back then, but today the farm is worth several million dollars, and there are more people involved.

These days, when Dad dies, an active son might assume the management role in the family farm. A second son practices law in the city, and a daughter has her own family in another state. Without proper planning, the operation gets divided three ways. The active son works the farm, cares for Mom and is beholden to inactive partners.

Decisions that used to be made by two committed active participants are now made

through long-distance consultations with inactive partners. Active and inactive owners face the challenge of managing the farm from differing perspectives and objectives.

Active partners want to reinvest earnings and grow the operation. Inactive partners desire net income and a return on investment. Active partners struggle for control. Inactive partners own an investment of significant net worth but no value unless the farm is sold.

There must be a better way to position the operation for growth, provide equitable distributions to all of the children and create a legacy that will endure for generations.

**VALUE IN CRAFTING A PLAN.** The objective of a succession plan is to create a business that will endure beyond the current generation. The planning process causes an owner to define specific business objectives, retirement aspirations and financial goals as well as compensate for estate planning obligations.

It's hard to pinpoint the single best advantage of good planning. But it is easy to see that a successful business with a long-term perspective, adequate financial resources and competent leadership is far more attractive than a business that is not proactively planning and consequentially liquidated at the retirement or death of the owner.

Only 30% of all farms and agribusinesses successfully transition from the first to second generation. Of those that do survive, 10% transition to a third, and of the few remaining, less than 4% make it to a fourth.

Considering the size of the assets at risk and the importance of success, why do we continue to fail, generation after generation? There are three broad reasons why family



# CHAPTER 1 EXERCISE

## THE FAMILY MEETING

Are you ready to begin the succession planning process? The best place to start is with a simple family meeting. Here are tips on how to set up a meeting.

**1. SCHEDULE** a family meeting.

**2. DISTRIBUTE** "Conversation Starters" (see page 13) to all family members.

**3. OUTLINE** specific and attainable objectives for your family meeting.

**4. DECIDE** who to include (active and inactive family members, loyal employees).

**5. DISTRIBUTE** an agenda.

**6. CREATE** point-by-point discussion items.

**7. INCLUDE** discussion topics suggested by others.

**8. ESTABLISH** meeting ground rules. Some simple ground rules to follow include:

- Involve all active family members.
- Don't personalize issues (us versus them).
- Stick to the agenda, don't rehash old grievances.
- Listen without judging, hear each other out.
- Seek common ground and mutual benefits.

**9. END** with a plan outlining the next steps, who's responsible and time frames.

You can also find this tool at  
[www.FarmJournalLegacyProject.com](http://www.FarmJournalLegacyProject.com).

