

FARM JOURNAL
Legacy Project
DEVELOPED BY FARM JOURNAL AND SUPPORTED BY  PIONEER.



Actionable Steps –
Dick Wittman, Wittman Consulting

Actionable Steps - Agenda

- ✓ Differentiating succession & estate planning
- ✓ Building family & business data profile
- ✓ Goal definition & Planning family meeting
- ✓ Leadership development & transition timetables
- ✓ Building post-retirement cashflow projection
- ✓ Managing collaborative succession planning team
- ✓ Estate tax exposure & wills/legal agmts review
- ✓ Resource Review



Differentiating succession & estate planning

INTER-RELATED but DIFFERENT issues. A story about a family...

Succession Planning

- ✓ Starts with “mission, vision, values talk”
 - Business continuation or liquidation?
 - Management and ownership transition
- ✓ Deals with who will be involved, tactics, timing, legal agreements (buyouts), duty transitions, family employment policy, compensation, etc.
- ✓ “Business Life Planning”



Estate planning

- ✓ Financial Wealth analysis – estate tax risk; liquidity coverage; insurance needs
- ✓ Capacity to provide retirement security
- ✓ Capacity to distribute wealth – now vs. later
- ✓ Investment strategies – post retirement
- ✓ “Death Planning” - final instructions, distribution of personal assets, health care



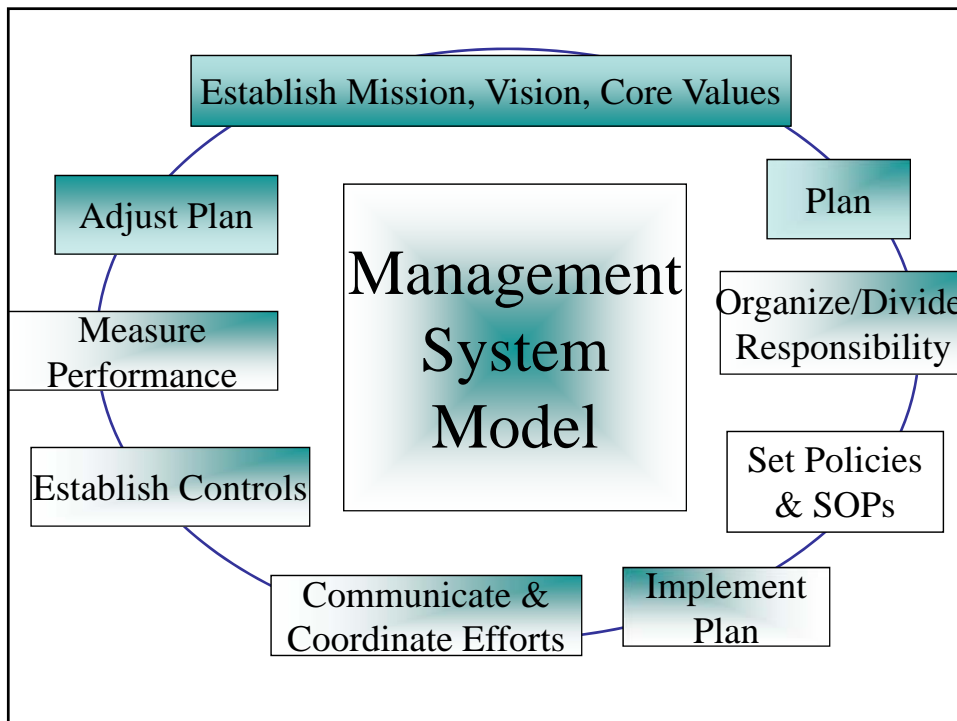
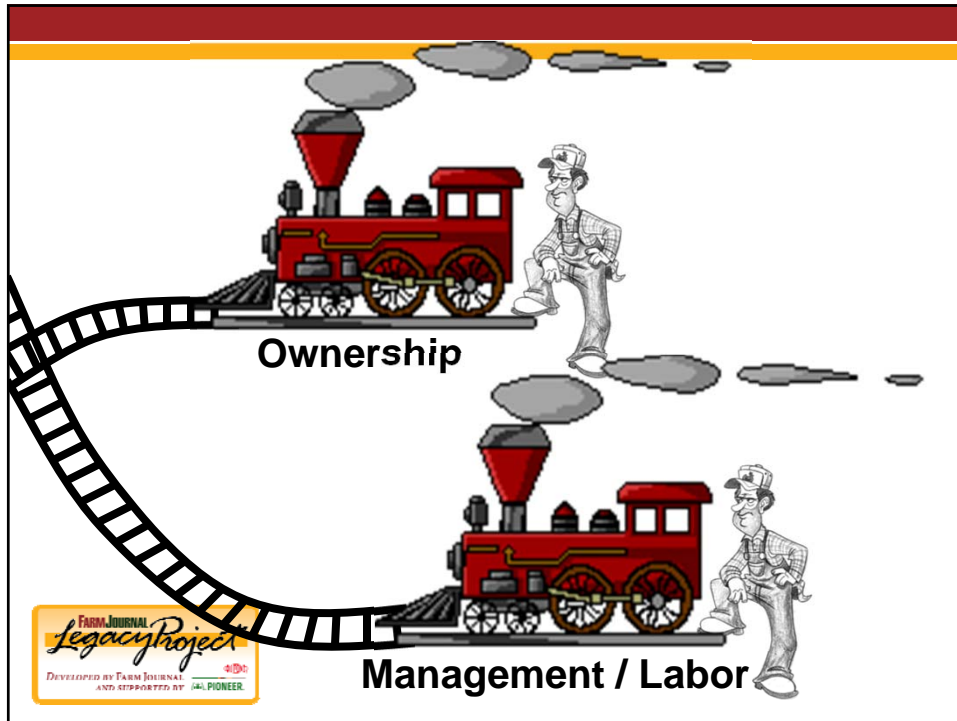
Building family & business profile

Ask: What do **you** & **advisory team** need to “take inventory...” (start with 3-ring binder)

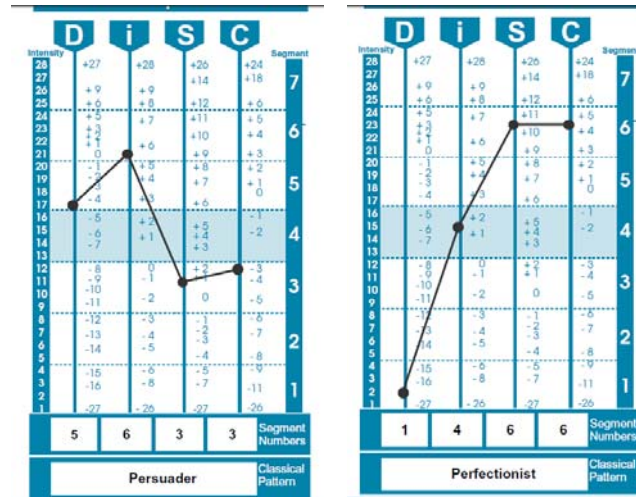
- Biographical information – resumes, family information, BD, addresses, goals, personality profiles
- Business Profile
 - ◆ History of the business - narrative
 - ◆ Governance
 - ◆ Tax returns, financial position & trends
- Insurance coverages
- Estate plan documents, wills, trusts, POA, etc.

How much are we paying professional advisors to accumulate this information?





What's Your DISC dimension?



Goal definition & family meeting

- ✓ No "one right way" to define goals
 - Pages 16-20 Legacy Workbook; ProAgitive lists
- ✓ Family meeting strategic approaches
 - Pages 8-13 Legacy Workbook
 - Handout – Family Meeting sample agenda
 - Is it different if you are in Stage I, II, or III?
- ✓ Excellent place to handle "fair vs. equal" talk



Youth Message: Don't draw wrong conclusion about procrastination

- ✓ Is avoiding succession the real issue?
- ✓ Uncle Bob Story...emotional journey
Fear → Relief → Excitement → Engagement
- ✓ How reduce fear factor
 - Don't criticize "...way they did it"... *Seek 1st to Understand (Stephen Covey – 7 Habits)*
 - Focus on celebration of successful career
 - Help predecessors find role in retirement
→ Focus on ***Extending career path!***



Common Pitfalls in
Transition Planning

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Leadership Development – Transition Timetables

- ✓ What roles will transition?
- ✓ Current job descriptions and skill sets defined?
- ✓ Options for who will assume key roles
- ✓ Case Study – Agronomy Manager retires
 - Duty listing
 - Successors decision-makers`



Name & Position: XXXXXXX - **Manager-Grain Operations**

Primary Responsibilities

- Produce, store, clean and treat seed
- Set priorities and perform maintenance and repairs of farm machinery
- Inspect and maintain field drainage systems and diversion ditches
- Propose annual cropping plan and seed varieties to be planted
- Determine needs and supervise tillage and cultivation activities
- Maintain service maintenance records on machinery
- Prepare input for cashflow budget on crop plan
- Supervise elevator storage, maintenance, and fumigations
- Coordinate seeding operations; maintain seeding records by field
- Analyze feasibility of capital investments
- Monitor inventory and restock tools, supplies, fuel, and parts
- Serve as liaison with conservation organizations on conservation projects
- Monitor adequacy of equipment line; recommend updates
- Negotiate renewal coverage for crop insurance
- Monitor weed and insect problems in crops
- Arrange for application of crop protectants
- Coordinate rock picking efforts
- Collect soil samples; arrange for fertilizer application
- Operate farm equipment during major tillage and harvest operations
- Assist in setting up the annual crop insurance plan

Building Post Retirement Proforma Cashflow Projection

- ✓ Can be huge obstacle creating fear and retirement procrastination
- ✓ Itemize sources of income and living costs before and after retirement
- ✓ Assess adequacy of income to provide financial security and achieve retirement goals
 - See pages 58-64 Legacy Workbook
 - Review Sample Cashflow worksheet



RETIREMENT INCOME PLANNING WORKSHEET				
<u>Income Source</u>	<u>19X1</u>	<u>19X2</u>	<u>19X3</u>	<u>19X4</u>
Farm- Salary	25,000	25000	25000	0
Farm Rent - Crop share/Cash	15000	15000	15000	5000
Sale of Farm - Principal				6000
Sale of Farm - Interest				24000
Social Security Income				12000
Retirement Plan Withdrawals				5000
Investment Income - Int/Divid	2000	2000	2000	7000
Non-farm Income	<u>2500</u>	<u>2500</u>	<u>2500</u>	<u>4000</u>
Total Income	44,500	44,500	44,500	63,000
<u>Expenditures</u>				
Social Security	4208	4208	4208	765
Retirement Plan Contributions	2800	2800	2800	0
Income Taxes	<u>8340</u>	<u>8340</u>	<u>8340</u>	<u>11400</u>
Disposable Income	29153	29153	29153	50835
Cash Family Living Reqmts	<u>18000</u>	<u>18000</u>	<u>18000</u>	<u>30000</u>
Savings Margin	11153	11153	11153	20835

Retirement Income Planning Worksheet Case Study

[Transition\Retirement Projection](#)

Building Collaborative Team

- ✓ Assess current local advisory team; is outside facilitation needed?
 - What is your family communication culture?
 - Technical knowledge of group?
 - Potential conflicts of interest?
- ✓ Establish ground rules ... this is TEAM sport!
- ✓ Be on guard for “the sale” vs. advice & counsel; be willing to invest financially for positive plan
- ✓ See page 76 – Selecting an Adviser



Advisory Team Candidates

- ✓ Accountant
- ✓ Attorney
- ✓ Insurance Agent
- ✓ Wealth Management/Investment Advisor
- ✓ Banker
- ✓ Trust Officer
- ✓ Pastor
- ✓ Facilitator

*Who is your
quarterback?*



Compiling & Reviewing Estate Tax Exposure, Wills & Legal Agreements

- ✓ Conditions, goals, laws change – see pp 66-70
- ✓ Don't assume local advisors have these well organized and up to date
- ✓ May take team effort to assess estate tax risk
 - Accountant, attorney, insurance agent, banker
- ✓ Succession and Estate Planning create opportunity to dust off, review & revise



Timely Review vs. "The Plan"?

- ✓ Plan = Blueprint for specific future actions
- ✓ Based on facts as we know them today...and expectations of future landscape ...as best we can predict today
- ✓ Guided by short & long term goals
- ✓ Fact of life: facts change, landscapes change → may dictate CHANGE in the plans
- ✓ Timely review needed to keep plans viable



Resources - Farm Journal Legacy Project

- ✓ Print
- ✓ eNews
- ✓ Online
- ✓ Tools
- ✓ Live Events



**“Cultivating Multigenerational Success
in the Agricultural Community.”**



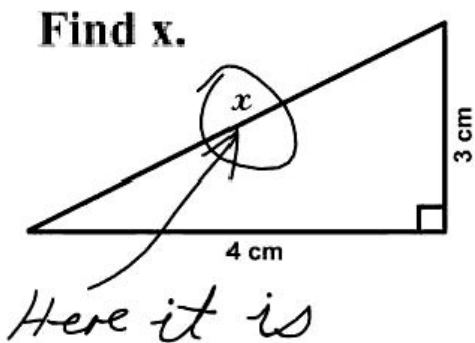
Favorite Reads

- ✓ “Crucial Conversations” – *Patterson, Grenny et al*
- ✓ “Getting to Yes: Negotiating Agreement Without Giving In” – *Fisher and Ury*
- ✓ “Perpetuating the Family Business” – *John Ward*
- ✓ “Good to Great” – *Jim Collins*
- ✓ “The Knowing-Doing Gap” – *Pfeffer, Sutton*
- ✓ “The Enduring Legacy: Essential Family Business Values” – *Lance Woodbury*
- ✓ “I’m Stuck, You’re Stuck” – *Tom Ritchey*
- ✓ “Farm Business & Estate Planning” – *Neil Harl*
- ✓ Family Business Magazine - *FBM*



**Make “knowledge building” in family business
excellence a lifetime journey.**

Finding answer not simple...



Time for Questions...

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