Succession planning and the small acreage

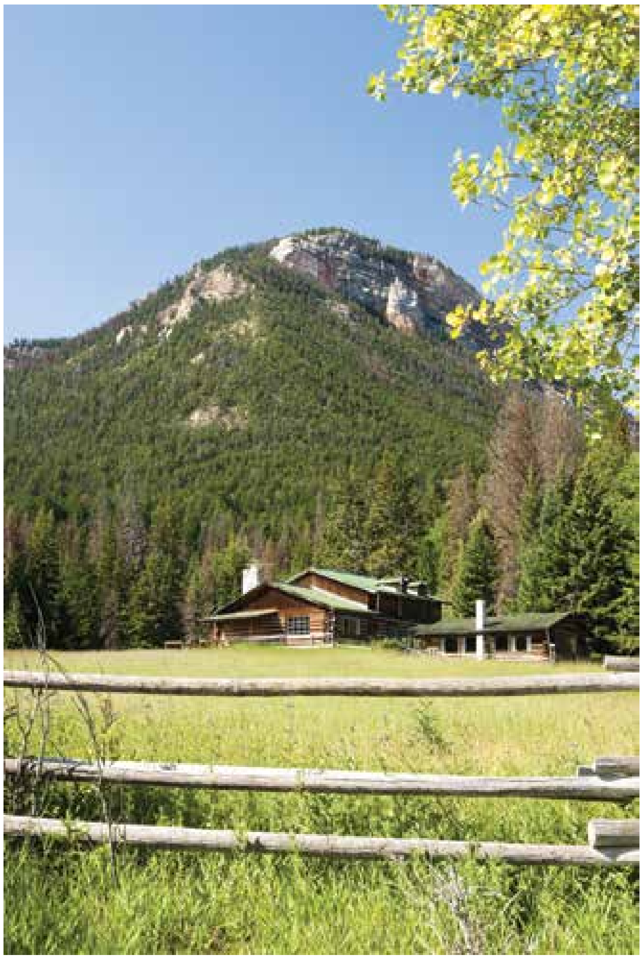
WHAT IF SOMETHING

By Cole Ehmke

They didn't think it was important until he died suddenly. That wasn't a surprise; he was 74 years old with health problems. But the family still wasn't prepared.

What the family learned a few days after his death is that not only did they not know his intentions for the acreage he owned, they didn't understand how to care for the property itself.

If there is no one to rely upon to take care of your property, take someone under your wing. And if there is no written plan for succession, put one together. Below are some thoughts on getting started.



What Needs to be Done?

If someone had to step in to take care of the acreage, what information is needed? How would someone figure out how and what to feed the animals and pets? What would be needed to care for the property? How would they contact the person leasing pasture or property, or find your attorney, or even find out who your family members are?

Write down the daily, monthly, and seasonal tasks that keep things in tip-top shape. Record the primary contacts for the people or organizations you rely upon, such as neighbors, helpers, vets, suppliers, and officials.

Longer Term Planning

If you own or care for range, farm, or forest land, at some point ownership and management of that property will transfer to a new person. Your goal is to make sure the transfer goes smoothly and that your aspirations for the property are transferred as much as possible.

Large businesses develop succession plans to cultivate and transition to a new CEO. And small and large rural property owners can do the same. With a well-planned process, you'll transfer knowledge, skills, labor, management, control, and ownership from an older to a relatively younger generation.

Begin by deciding what direction to head. Let's look at examples.

Case 1

Planning for the future of their property for some won't involve family members as managers or owners. Take the case of a husband and wife who have lovingly stewarded their 83 acres of woodlands for many years. They want to know the land will be properly managed and will not be developed. After honest discussions with their children, they've determined there is no family interest in the land once the parents are unable to manage.

For this couple, planning centers around negotiating a conservation easement with a land trust to ensure the land will remain as sustainably managed woodlands that cannot be developed. They also are clear in estate documents the land is to be sold as part of their estate with the easement in place.

Case 2

A couple owns 250 acres of range and fields that have been in the family for two generations. After

HAPPENED TO YOU?

discussions with their three children, they determine that one heir has a strong interest in owning and managing the land.

The parents will set aside other assets in their estate for the other two children in amounts as equal as possible. The third will get the land. They prepare the proper estate documents so if something happens to them their wishes will be carried out. They then begin to educate the interested child in how to manage the land and also begin to transfer some of the work to the next generation.

Planning a Transition

A transfer of rights and a change in the social roles between the people involved in the succession is at the heart of succession planning.

Planning is complicated because it is often at the confluence of a number of plans: the senior generation's estate plan, the senior generation's retirement plan, life plans for the junior generations, and, if there is an entrepreneurial venture on the property, the venture's business plan.

Because of the complexity and possible tensions, communication is the central tool for productive relationships. Take the time to listen to what family members say about their aspirations. Be sure to get perspectives from all of the stakeholders. Then, gather the information to form a plan everyone knows about and on which you can reach consensus.

A timeline helps make transitions clear. One approach is to list years out into the future on the left border of a sheet of paper, from the present through the likely life span of the senior generation. Then create three columns to the right – labor, management, and ownership. For each column, under the envisioned year, indicate what the transition will be. For instance, in 2018 the junior generation would like to take over management of the animals. Or in 2023 the senior generation would like to have passed 75 percent ownership to the junior generation. Plans can then be made to work to the timeline – for instance, giving the junior generation opportunities to learn about and manage a specific enterprise to build competence and confidence.

Final Thought

If you have strong preferences about whether the acreage will be intact and protected, or whether it will be divided and sold in pieces, or whether your acreage will become a point of conflict between surviving family members or a shared and honored family sanctuary, then begin to engage the next generation(s) about the future.

And start sooner rather than later. Getting everyone on the same page, all the documents in order, and a new manager trained, often takes five or more years.

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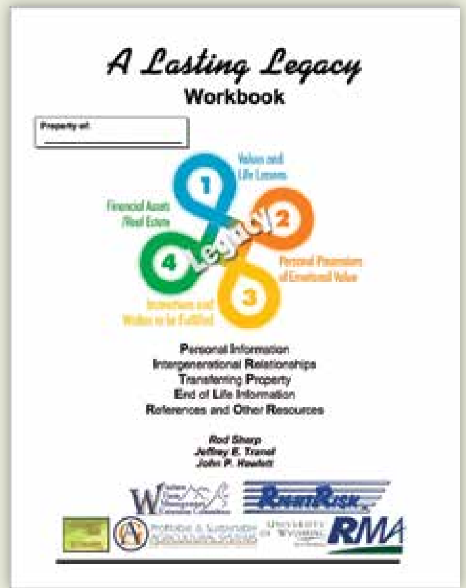

Transition Resources

A Lasting Legacy is primarily a workbook in which you collect information about your life to pass on to someone. Use it to document practical information that would be appropriate immediately after a death, such as for the management of a property. And it can help others understand what kind of person you are and the values and traditions you honor.

A Lasting Legacy has an online self-study course.

The course workbook is available once clicking the Workbook tab on the top-left corner of the screen opens the course. Hard copies are also available by contacting Cole Ehmke, cehmke@uwyo.edu or (307) 766-3782.

Go to RightRisk.org and select "A Lasting Legacy" from the products listing. From there, follow the online prompts. There will be a voice prompt and text available as the course begins.

Passing it On: An Estate Planning Resource Guide for Wyoming's Farmers and Ranchers provides a process to build an estate plan (with special emphasis on starting family dialogue) and short descriptions of the legal tools that can be used in a plan: www.uwyo.edu/UWCES/passingiton.asp.