

# Models for Succession and Estate Planning

---

*POPPY DAVIS, C2C CONSULTING*

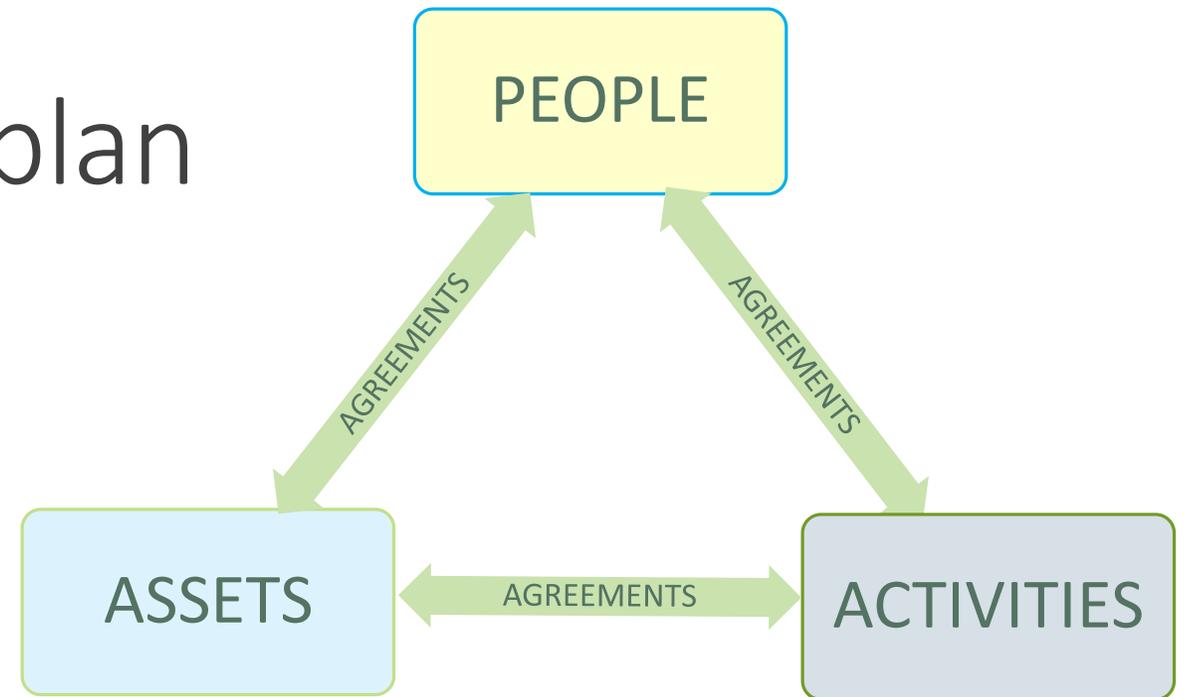
*CALIFORNIA FARMLINK*

*ECO FARM 2020*

A solid green horizontal bar at the bottom of the slide.

---

What are the typical challenges or goals a plan needs to address?



# What are the typical challenges or goals a plan needs to address?

---

## **For the farm business and the farm land**

- Liquidity
- Structure
- Continuity of Operations
  - ✓ Temporary incapacity of owner/primary operator
  - ✓ Eventual permanent exit of owner/primary operator

### *Key challenges:*

- *Written plan for temporary transfer especially under unexpected circumstances*
- *Legal tools to execute the temporary plan (power of attorney)*
- *Transfer of knowledge, relationships and managerial authority*

# Temporary Strategies / Continuity of Operations

---

- ❑ Written plan for temporary transfer especially under unexpected circumstances
- ❑ Legal tools to execute the temporary plan (power of attorney)

# What are the typical challenges or goals a plan needs to address?

---

## **For the family**

- ✓ Liquidity
  - End of life expenses
  - Maintain standard of living for family
- ✓ Actual /perceived equity in treatment of heirs
- ✓ Practicability
- ✓ Avoiding probate (for speed and privacy)

# Cash to Owner and Business Continuity Prioritized

---

- ❑ **Buy Sell Agreement with Consulting Contract and Owner Financing**
  - ✓ Consulting contract creates a cash payment to the retiring farmer
  - ✓ Incentivizes retiring farmer to help the aspiring farmer succeed
  - ✓ Aspiring farmer may get better terms this way so lessens cost of entry
  - ✓ FSA guarantee may be available to sweeten the deal

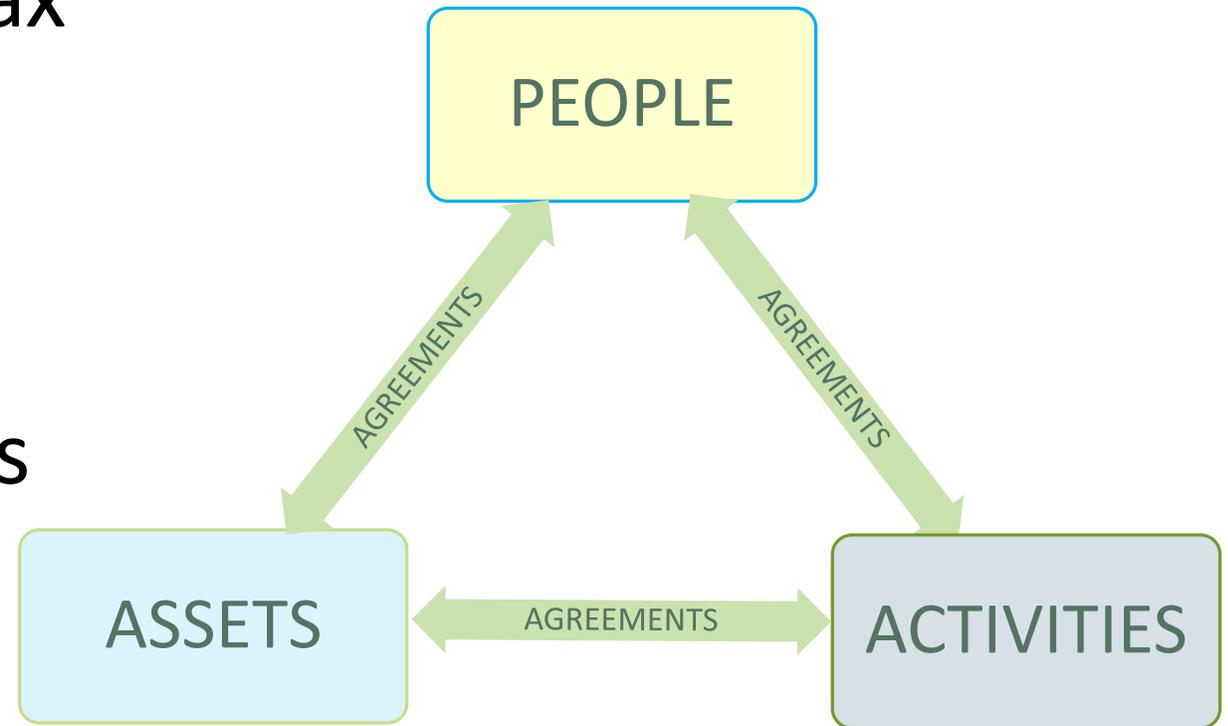
# Models of Estate Planning Strategies

---

Planning to Avoid Estate Tax

Planning to Avoid Probate

Planning for Special Needs



# Readiness Self-Assessment

---

- ❖ Not for the full estate plan, just for the farm/ranch operation.
- ❖ If you address the items in this self-assessment you will end up having most of what you need for an estate plan – the rest depends on how much of the estate is outside of the farm/ranch operation and how complex your personal needs.
- ❖ “Estate Planning” is a big and daunting topic and lots of it is very abstract and deep in the weeds of legal tools and terms. This self-assessment generates a list of approachable to-do items focusing on transferring knowledge and legal authority. If you get at this list many of the things you will do will bring the full estate plan into focus.

# Readiness Self-Assessment

---

❖ <https://farmbiztrainer.wordpress.com>

# A. Business Formation

---

- ❖ Is the farm or ranch operated through an entity that can transfer ownership interests?

## B. Land

---

- ❖ Is the transfer of the land addressed in the estate plan?
- ❖ Is the land in compliance with applicable environmental regulations, or might there be environmental compliance issues to face before the land can be transferred?

## C. Accounting

---

❖ Is there is a system in place to support continuity of operations?

## D. Taxation

---

- ❖ Does the transition or estate plan adequately address income and estate tax issues?

## E. Labor and Contractors

---

- ❖ Is there a system in place to ensure that payroll is timely paid in the event of an emergency or crisis?

## F. Production

---

- ❖ Are systems in place to ensure continuity of production, harvest and marketing operations ?
- ❖ If applicable are there systems in place to ensure continued compliance with USDA program obligations in the event of an emergency or crisis?

## G. Credit

---

- ❖ Will the operation be able to manage cash needs during the temporary or long-term absence of the primary operator?

## H. Business Plan, Insurance, Other

---

- ❖ Who else really understands the full business model?
- ❖ Do you have adequate insurance?
- ❖ Are the right people authorized to make insurance claims and receive insurance payments?

# Questions?

---

*Thank you!*

A solid green horizontal bar at the bottom of the slide.