

Passing The Farm On To The Next Generation

OZARK, MO.

A will, a revocable trust, and gifting are all tools farmers should consider when they are looking at transferring the farm to the next generation according to Dr. Gordon Carriker, agriculture business specialist with University of Missouri Extension.

"The most frequent question I get about transferring a farm from one generation to the next is 'what's the best way to avoid taxes?'" said Carriker. "Most are surprised when I tell them they cannot avoid taxes on the farm. There are ways to minimize taxes, but taxes should not be their number one concern."

Carriker says the first step is to communicate with the children and let them know what the parents want. Then formalize those desires through the available legal instruments after consulting with a financial advisor or an attorney experienced with farm estate planning.

"Always remember, if you do not have a plan in place for your estate, and you pass away, the state has a plan that will determine how your property is distributed," said Carriker.

Carriker says that according to a presentation he heard given by Dr. Ron Hanson, a University of Nebraska agricultural economist and well-known speaker on estate planning, communication and maintaining family relationships are key to passing the farm to the next generation.

"In a nutshell, he said parents should never

try to make their children feel obligated to return to the farm if the children's interests and dreams are elsewhere; and second, children should respect the end desires of their parents, because the parents owe their children nothing," said Carriker.

The farm succession process can present a great deal of emotional stress on all family members involved. All issues need to be discussed with all family members involved and resolved to the greatest extent possible. Parents also need to have a clear vision of the future of their family farm business and discuss that future with all family members.

"In-laws should be included in the discussions or feelings of distrust will arise and jeopardize a successful transition," said Carriker.

Carriker also noted that if the parents plan to retire and transfer the farm to the children then the "boss" parent has to be willing to completely relinquish the "boss" hat to the adult children taking over the farm.

"Ownership without control is destined to failure," said Carriker. "At the same time, parents need to be willing to treat all their children equitably and fairly. This is very important when one child has provided a greater share of labor over the years, helping grow farm equity. The lesser involved children need to recognize that contribution as well." Δ



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