

# TEN THINGS TO CONSIDER FOR SUCCESSION PLANNING

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*Business succession planning just doesn't happen. Producers must intentionally focus on the planning and work with a team of professionals such as a tax specialist, attorney, financial planner, and lender. Farmers can make this time with professionals more worthwhile and lead to better outcomes by doing homework.*

*Here are 10 things farmers can do as they prepare for succession planning. A facilitator can help keep everyone on track and accountable when working through these steps.*

1

## ORGANIZE YOUR INFORMATION

What does each generation own and owe? How do they own it? Gather all depreciation schedules, insurance policies, retirement plans, savings, and other assets.

2

## DEVELOP AND DISCUSS INTENTIONS/PRIORITIES

Is it important for the business to continue? Does the successor generation want to provide a dignified retirement for the owner generation? Does the owner generation value keeping the land in the family name? Do the successors' priorities match with the owners' priorities?

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## EVALUATE YOUR COMMUNICATION SKILLS/PATTERNS

Are you a good listener? Have the owner generation had a conversation with family about succession? Has unresolved conflict been named and addressed? Is there communication among partners?

4

## ANALYZE THE FARM BUSINESS FINANCIALS

Does everyone know the liquidity & solvency position of the farm? Has it been profitable? Does it cash flow? Financial analysis is important to know if the farm can do what is asked of it. Does it need to carry more families? Be retirement assets? Be inheritance assets as well?

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## ESTIMATE FAMILY LIVING NEEDS

What are the current needs? Future income source and expense estimates? What is needed from the business assets for family living costs?



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## DEVELOP A MANAGEMENT TRANSITION PLAN

Is the owner generation ready to give up some decisions/responsibilities? Is the successor generation prepared to assume those? Has there been a specific conversation about transitioning management? Is the owner generation emotionally prepared to let go?

7

## CREATE A TIMELINE

While timelines can't be set in stone, they do provide a framework and target dates for transferring short term, intermediate and long term assets. The timeline should also include management transfer milestones. Put these in writing.

8

## DEVELOP AND DISCUSS ESTATE PLANS

Both generations need wills or estate plans. Is there a will or other tool that gets assets into the hands of whom the owner generation wants to have them? Have guardians been nominated for minor children? Does everyone have Power of Attorney for Finance and Power of Attorney Health Care in place?

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## CONSIDER WHAT IS FAIR V. EQUAL FOR INHERITANCE

Has the successor contributed to the owner's business with the plan to fully compensate them with farm assets at a later date? Is this plan in writing? Does the goal of continuing the farm outweigh a strict, equal distribution of assets?

10

## EVALUATE LONG TERM CARE NEEDS AND OPTIONS

Has the owner generation researched the options for long-term care? Does everyone understand the Medicaid eligibility and recovery rules? Can a plan to age in place be developed?

For more information or to request assistance with your succession planning contact:

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