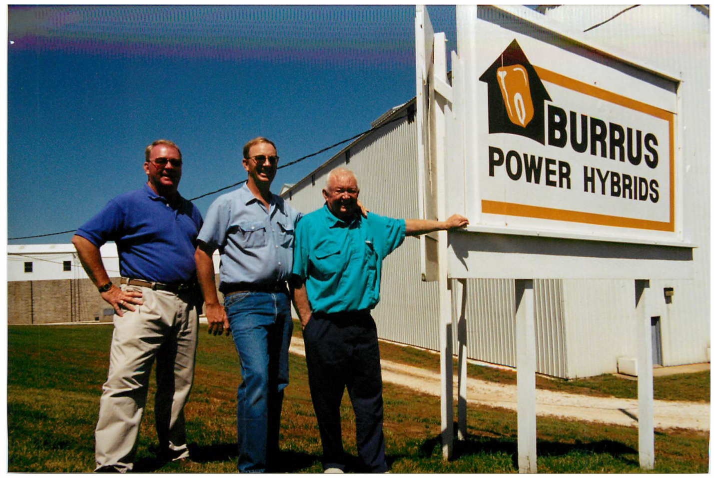
Find Your Success with Succession Planning



Tom, Todd and Martin Burrus (left to right) represent three generations of the family farm. Todd's son, Kevin, will be the next generation.

> BY KENDALL HERREN

"You don't just start with, 'I am 70 and have a 50-year-old son I want to pass the farm to when it comes to succession,'" jokes third-generation farmer Todd Burrus, 62. "It starts much earlier."

Farmers may think successful succession planning begins with meeting a financial advisor to go over legalities and paperwork, but it really starts sooner. Planners suggest it starts the day the next generation is born and as they are raised on the farm, instilling passion for agriculture.

Burrus' family has been proactive in succession planning over time, applying a business-focused approach. Every five years the family gathers to go over the plan, which represents one of the most important aspects of succession planning: honest, transparent communication with family.

Burrus has learned it is important to involve all family members in these conversations, including spouses and those who may not actively work on the farm. But before beginning such conversations, farmers should ask themselves a few questions.

Am I ready to begin succession planning?

"The hardest thing for anybody is to start," says Kevin Spafford, certified financial planner (CFP) at Ryan Wealth Management. "The most difficult thing to admit is that they need help putting their thoughts and ideas together."

Succession planning can be a daunting task. According to Spafford, denial, fear of conflict and the transfer of power are some of the most common concerns farmers share thinking about putting together a plan. Often, fears hinder progress and sometimes even stall the plan.

Have I discussed the plan with family?

When talking with family members it is crucial to first remind them they are loved. Fair does not always mean equal. If a family has a history of tension or dynamics are difficult to maneuver, Spafford recommends an experienced family business professional facilitate discussions and keep the process on track.

It also is critical to remember the farm is a business. Children should be treated like employees. Some families go as far as writing up job descriptions defining everyone's role, just as a traditional business would. "Separating family emotions from the business can help guide everyone away from negative and hurtful conversations," says Spafford.

Financial advisors suggest asking a combination of these questions before talking with family:

1. What is my end goal?
2. Am I ready to let go of day-to-day management?
3. When will I transfer management?
4. Do my kids have the right skills to be successful managers of the operation?
5. How will I ensure fairness to my off-farm children?
6. Who is going to help me make these decisions?

How can I separate business and family?

Understanding the difference between business and family relationships is crucial to planning success. Financial planner and risk management specialist Scott Dolven says one of the highest hurdles when succession planning is separating the roles of employer and parent.

"Most of the time, parents think more highly of their children than is merited," he says. "We are biased in favor of our kids, and that can lead to bad decisions. People aren't always capable of handling certain elements on the farm, whether that is because they aren't hard workers or don't train enough to understand and accomplish tasks they are assigned."

Now am I prepared to turn ideas into plans?

Visiting a financial advisor can help guide the process to set a family business up for success. Dolven says starting early, having open conversations with family members, and remembering end goals will help ease any hardships. A financial advisor will counsel about decisions to be made and important documents to be signed, but farmers must turn ideas into family plans. ▪