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Later Life Farming: Retirement Plans and Concerns of Farm Families

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Abstract: Many farmers are approaching retirement age and need to take advantage of critical planning years preceding this transition. Farm families often differ from other workers. Many are emotionally attached to their primary investment (farmland), and they don't expect to retire (i.e., stop farming) as much as reduce work hours or the scope of their operation. There is a need for information that addresses the unique retirement planning concerns and mindset of farm families. This article discusses findings from focus groups held with New Jersey farm families (N=13) in 2008 to inform development of an online retirement planning course for farmers.

Introduction

This article describes a qualitative study of the retirement planning practices and learning needs of a sample of farm households. The "graying of America" is especially evident in agriculture. The average age of U.S farmers was 57.1 in 2007 (U.S. Department of Agriculture, 2009a). In addition, the numbers of farm operators age 75 and older increased by 20% from 2002, while operators under 25 years of age decreased by

30% (U.S. Department of Agriculture, 2009a). This increased percentage of older farmers provides a target audience with a large critical mass, making retirement planning for farm families a high priority financial education topic for Extension educators.

Compared to the general U.S. labor force, farmers often work longer than people in many other occupations. It is not surprising to see farmers in their 70s still farming full-time (Hernandez-Peck, 2004). Continuing a centuries old home-based business model, farmers live and work in the same place, often among extended family members. This lifestyle has the effect of making work and life seem almost inseparable and facilitates the continuation of work well into later life. With a large population of older farmers, retirement planning, including farm succession decision-making, is of considerable importance to farm households (Heleba, Parsons, & Sciabarrasi, 2004; Mishra, Durst, & El-Osta, 2005). In addition to their advancing age, farmers also face the unique challenge of creating a retirement "paycheck" (i.e., income received on a regular basis in later life) from a portfolio of largely illiquid assets such as farm land and equipment.

Background

A 2008 survey of 300 farm household heads from 43 states found that farm households see themselves as continuing to work in later life (Porter, Schuchardt, Pankow, & O'Neill, 2008). More than half (51%) of respondents strongly agreed and 33% tended to agree with the statement "When the time comes, I expect to cut back from farming rather than to retire completely.″ Retired and retiring farm operators account for over a quarter of principal operators of U.S. farm businesses (Mishra et al., 2005). Also related to farmers' advancing age, it is estimated that about 70% of U.S. farmland will change hands in the next 20 years (FarmLand Access, n.d.).

Succession planning is an issue that all business owners must face as they get older, especially when a business owner wants to stop working. Succession decisions are especially challenging for farm households due to their emotional attachment to the operation and a strong desire by many farmers to keep the business within the family (Bradley & Jenkins, 2009). Farms are five times more likely to pass from generation to generation than any other business, and succession in family farms often occurs gradually in small increments rather than by a quick transfer (Keating, 1995).

A 2005 survey found that just 25% of North Carolina farm operators had discussed their retirement plans with their families and only 7% had consulted a financial advisor. The average age of respondents was 59, however, which is an indication that turnover of management and farmland was imminent. Perhaps one reason that transition discussions were postponed was that these farmers were in no rush to retire: 47% indicated that they never planned to retire, 35% planned to semi-retire (i.e., operate the farm while receiving Social Security and/or other retirement benefits), and only 18% planned to fully retire (North Carolina Agriculture, n.d.; Robinson, 2006).

Hachfeld et al. (2009) surveyed Minnesota farm families and found similar results: a majority had not named a farm business successor or developed a farm business transition and personal estate plan. Heleba et al. (2004) surveyed New England farmers about farm succession issues. Among the concerns reported by producers in qualitative feedback included social issues (i.e., interaction of family members, pressure for a younger generation to take over the family farm, and stress felt by a younger generation in being the first to "abandon" the farm), taxes and legal expenses, and worrying about how the next generation will be able to afford to farm.

Method

The study reported here explored retirement plans and perceptions, financial concerns, and learning preferences of two focus groups of New Jersey farm households (N =13). The focus groups were assembled to inform development of an online retirement planning course that addresses the unique retirement planning issues of farm households. The sessions were conducted in two New Jersey counties. Participants were selected to represent the diversity of the farming community within the state (including full-time farmers, part-time farmers, land owners, renters, and new producers) and were recruited by Extension faculty (i.e., county agricultural agents).

Each session lasted 90 minutes and followed an identical format. Focus group participants were given a $50 gas card as an incentive to participate. During each group interview, an Extension faculty member guided the discussion, and a note-taker wrote down the ideas that were expressed. Each interview was also voice recorded. Later, the moderator and note-taker transcribed the interviews and created summaries of the ideas and concerns that participants discussed.

A series of 13 prepared questions were asked, with follow-up questions as needed. These questions allowed for open-ended responses and focused on a variety of topics related to retirement and estate planning topics, unique concerns of farm households, and educational delivery methods. The data were analyzed by analyzing the written notes and transcripts and identifying common themes expressed by focus group participants. Similar responses were grouped together and tallied.

Sample

The focus group in the first county consisted of eight participants, including one married couple. The group was 38% female, compared to the statewide average of 22% female farm owners in the last Census of Agriculture (U.S. Department of Agriculture, 2009b). The average age of the participants was 65 years, 8 years older than both the national and statewide average of 57 years. One participant left another career to start farming later in life. The participants had spent an average of 31 years in farming; the range was 8 to 44 years. Their average cash farm sales of $162,583 per year were larger than the average cash farm sales for the state of $95,564 (U.S. Department of Agriculture, 2009b). All of the participants were white, and they were highly educated, with 63% holding a Bachelor's degree or higher compared to 27% for U.S. residents and 33.4% for New Jersey residents (Educational Attainment by State, n.d.). In addition, all of these participants had Internet access.

The focus group in the second county consisted of five participants: two married couples and one other male farmer. Thus, the focus group was 40% female. The average age of the participants was 54.5 years. The participants had spent an average of 31.5 years in farming; the range was 23 to 40 years. All of the participants were white, had attended college or had a bachelor's degree, and had Internet access. Their farm sales averaged $87,500 per year.

Findings

Several key findings emerged from the focus groups that served to inform development of an online retirement planning course for farm families.

- Most participants agreed that they would work a reduced time schedule or still maintain part of their farming operation in retirement as indicated by the following comments:

> "I just think of scaling back, not ever really stopping what I'm doing."
>
> "If you're in the farming community, I don't see people retiring."
>
> "Retirement for me is being able to continue doing exactly what I am doing now and, most importantly, enjoy it."

- Although the majority of farmers surveyed did not plan to retire, most had positive retirement role models in their lives. A common theme among these role models was remaining active, both in the community and in daily activities.
- Lack of interest in farming among heirs was the most common response in situations where focus group participants reported uncertainty regarding their farming operation's future.
- Many focus group participants had some type of retirement investment account such as IRAs. In some situations, they reported that their spouse was primarily responsible for any additional retirement savings (e.g., 401(k) plans from off-farm employment).
- Several participants noted that they avoided using tax-deferred savings plans designed for the self-employed (e.g., SEPs, SIMPLEs, and Keoghs) because of future income uncertainty, a desire to avoid administrative paperwork, and/or the legal requirement to fund employees' accounts if they make plan contributions for themselves.