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Farm Transition and Estate Planning: Farmers' Evaluations and Behavioral Changes Due to Attending Workshops

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Abstract: A majority of Minnesota farm families have not named a farm business successor or developed an up-to-date farm business transition and personal estate plan. The collaborative Extension program effort described here focuses on introducing farm families to business transfer and estate planning processes, enabling them to develop and implement such plans. Findings suggest that farm family participants gained increased understanding of farm business transfer and estate planning. Furthermore, a substantive percentage

of participants reported completing and implementing a business transfer and personal estate plan as a result of attending a program seminar.

Introduction

Issues surrounding farm transfers between generations and personal estate planning are extremely important. This has been, is now, and will be true into the future. The value of assets to be transferred is very high.

The lack of planning is also very high. A survey by Iowa State University found more than 50% of Iowa farmers had no estate plan and 71% had not named a successor (Duffy, Baker, & Lamberti, 2000). They also found that a mere 20% had spoken to a banker, 30% to an accountant, and 28% to an attorney about succession and estate planning. A survey by *Successful Farming* showed that 30% of farmers had not discussed their plan with their family (Tevis, 2003).

Farm families expressed a need for information and help with farm transfer and estate planning. Agricultural professionals voiced concern and expressed strong support for programming to help farm families with the transfer and estate planning process. Farm transfer and estate planning is not a new topic, as shown by a long history of Extension programs, sessions at professional meetings, and professional literature (e.g., Hachfeld & Olson, 2006; van der Hoeven, 2003; Heleba, Parsons, & Sciabarrasi, 2004; DeVaney, 2004; Fetsch, 1999; Weigel, Blundall, & Weigel, 1986).

The objectives of this article are to describe a farm transition and estate planning program's development, content, delivery, and evaluation process including results. Also discussed are some lessons learned for all of us involved in helping farm families in this process.

Program Development, Content, and Delivery

To address the apparent lack of planning and the demand for information, the Agricultural Business Management program group of University of Minnesota Extension developed a farm transition and estate planning program building on the experience of others across the nation (as cited above). Program goals included (1) introducing farm families to farm transition and estate planning laws, guidelines, concepts and techniques; (2) outlining potential strategies and procedures they can consider when developing a transfer and estate plan; (3) identifying risks arising from lack of succession planning, intergenerational goal setting, and implementing a farm transfer and estate plan; and (4) ending with farm family participants developing and implementing their own farm transfer and personal estate plan. The program was not intended to answer their specific legal and financial questions.

Program topics included establishing personal, family, and business goals; transfer strategies, including examples strategies; financial considerations when transferring the farm business; tax considerations during the transfer process; treatment of heirs; estate planning issues and strategies; developing a written transfer plan; and establishing a transfer and estate planning team. These topics were selected based on the needs initially identified by and further discussions with farm families and agricultural professionals.

Program curriculum and promotional materials were developed and delivered by University of Minnesota Extension educators. The team included three educators with background in farm transfer and estate planning and two educators with agricultural tax and farm management background. The team formed collaborations with other professionals to ensure up-to-date program content and accuracy. These collaborations included a certified financial planner; an attorney concentrating in business transfer, estate planning, and elder law; and local farm management instructors for assistance with long-range farm business analysis. The business

analysis would help families assess whether or not their farm business will financially support multiple families during the transfer process.

Program content was delivered via face-to-face workshops by Extension educators. Local businesses who work with farm families sponsored the programs and recruited participants. Participants received a comprehensive workbook that included all PowerPoint slides; information sheets on farm transition, estate planning, and farm financial management; Web site addresses for additional information; and a set of worksheets used during the presentation.

Evaluation Results

Twelve workshops were held from November 2005 through April 2006. Five hundred twenty-four (524) Minnesota farm family members from 191 communities, representing 301 farm business units, attended one of the 12 workshops. Ages ranged from 22 to 89 years. The audience was 33% female and 67% male; 49% were over the age of 55. Twenty-three (23) local businesses were program sponsors.

End-of-Meeting Evaluative Results: Documenting Knowledge Change

Following each workshop, participants were asked to complete an evaluation focused on whether or not they had a better understanding of farm transfer and estate planning concepts and strategies as a result of attending the workshop and whether they currently have an up-to-date estate and farm transfer plan. Two hundred ninety-six (296) end-of-meeting surveys were completed, a 56.5% response rate.

Most of the participants indicated their understanding of the main educational points of the workshop improved due to attending the workshop (Table 1). Fifty-eight percent of the participants said they did not have an up-to-date estate plan, and 89% did not have an up-to-date farm business transfer plan (Table 2). However, 81% stated that, as a result of attending the workshop, they would begin the farm transfer process by developing a transfer and estate plan.

Table 1.

Participants' Self-Reporting Evaluation of Whether Their Understanding of Educational Points Was Better Due to Attending a Workshop

Educational Point	Median Score*	Average Score*	Standard Deviation	% Indicating "Strongly Agree" or "Agree"
1. The need for clear goals and communication as part of the transfer process.	4.5	4.5**	0.53	99.0
2. The strategies available for use in a transfer plan.	4	4.3**	0.56	95.6
3. The importance of assessing the financial strength of the farm business.	4	4.3**	0.61	92.2

4. Tax issues related to the farm transfer process.	4	4.2**	0.67	87.2
5. Wills, trusts, and estate planning strategies.	4	4.3**	0.60	93.9
6. Life insurance, power-of-attorney, and health care issues as part of the process.	4	4.3**	0.63	89.9
* Participants used a Likert scale numerical rating system of 1 for strongly disagree through 5 for strongly agree. **Significantly higher than a score of 3 with p<0.01.				

Table 2.

Participant's Self-reporting Status of Their Current Farm Transfer and Personal Estate Plan

Question	Response Percentage		
	Yes	No	NA*
Do you currently have an up-to-date estate plan?	42.2%	57.8%	0.0%
Do you currently have an up-to-date farm transfer plan?	5.4%	88.9%	5.7%
If no transfer plan, as a result of attending this workshop, I plan to begin the farm transfer process by developing a transfer and estate plan this year?	81.4%	4.3%	14.3%
*Note: NA for the transfer plan was due to some participants being the younger generation just entering farming and thus had no farm to transfer. NA for beginning the process was a result of participants who did not have a farming heir.			

Post-Meeting Evaluative Results and Program Impact

Six months following the final workshop, a mail-out survey was sent to the 301 farm family businesses attending a workshop. A total of 152, or 50.4%, completed and returned a survey.

After 6 months, 59.4% of the respondents reported having started developing their farm business transfer plan, compared to 81% at the end of the meetings who said they planned to begin the process. Of those who had started developing a plan, 12.5% reported having developed and implemented their transfer plan. Of those completing the post-meeting survey, 57.3% reported they had begun developing their personal estate plan, with 7.3% of those having completed and implemented their plan.

Participants were asked to list the barriers they encountered while working to develop and implement their farm business transfer and personal estate plans. Listed below, in order of frequency cited, are the barriers cited by farm families. After the problem of time (or allocation of time), three of the barriers can be traced to problems due to lack of family communication and unification about goals.

1. Finding time to complete the process.
2. Difficulty developing farm, family, and personal goals.
3. Lack of family consensus and disagreement among heirs.
4. Difficulty finding the right professionals for our transfer/estate planning team.
5. Parents not ready to retire and give up control.

The majority of those indicating time was a problem or obstacle had not started the transition or personal estate planning process. For those who had begun the process, developing goals and consensus among family members were the two most prevalent barriers or obstacles. Other problems and obstacles were scattered across those who had started or not started the process. For participants who had completed the process, barriers and obstacles were scattered and less prevalent.

Lessons Learned

The workshops were successful in that most participants indicated improvement in their knowledge of the program's key educational points. Given the complexity of transferring a business and estate planning, the 99% agreement or strong agreement with the need for clear goals and communication as part of the transfer process is very good, although the cited barriers still include problems caused by lack of communication.

The development team also learned several lessons for future programming. These are summarized below.

- Working with an attorney who understands agriculture, business transfer, estate planning, and elder law was critical, rather than an attorney who is a generalist. Farm business transfer and the associated aspects of estate planning and elder law are very complicated. The laws change frequently, so accurate, up-to-date information is crucial.
- Working with an accountant or tax consultant who understands agriculture and all aspects of tax law is crucial. Again, working with a specialist in this area is very important because the laws are complicated and they change frequently.
- While working with an attorney and accountant/tax preparer is crucial in development of the program materials, it was just as crucial not to have them as presenters for the program. The program is 5 hours in length, with lots of information to cover. The workbook serves as a follow-up reference. Participants are strongly encouraged to take the next step of talking with professionals such as an attorney. To include an attorney in the program would most likely cause a vast amount of time being used for specific questions and answers, decreasing the amount of time available for the basic educational program material. It is critical, therefore, that presenters be well versed in these areas of expertise. Because Extension is seen as not selling anything, we can present the educational material and be judged unbiased. An attorney or accountant, as a presenter, is often perceived as selling his or her services.

- Working with local sponsors (such as lenders, financial planners, and insurance agencies) is important for marketing the program. Our experience showed that having local sponsors invite their customers to the program resulted in much better attendance. The customers felt they were getting something in return for doing business with the sponsors. The sponsors feel good because they are offering the program as a service to their customers.
- The participant workbook was critical as a handout and for future reference because of the large amount of information on these complex topics.
- Because the most often cited barrier to progress was the lack of time (which could be viewed as a lack of allocated time), some discussion of the importance of making a plan or the problems of not having a plan upon death of a principal should be added to the agenda.
- Another agenda item to add is information on how to start conversations within a family and how to reach consensus on family goals, vision, and mission. Because this is a large topic, the best approach may be to add additional material to the workbook and introduce the topic and material as a smaller part of the workshop.
- To overcome the barrier of not finding the right professional, Web site listings in the resources section of the workbook should be discussed more explicitly.

In summary, the participants in Minnesota were not much different from farmers in other states in terms of the low level of up-to-date estate and transfer plans. These workshops helped participants increase their knowledge of farm transfer and estate planning. Given the positive response to these workshops, the obvious need, the huge amount of farm assets involved, and the aging farm population, we continue to improve and offer these workshops in the future. The lessons we learned can also help others improve their programs.

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