



Planning the Future of Your Farm

**A Workbook Supporting
Farm Transfer Decisions**

Virginia Edition

Created and edited by Robert Andrew Branan, Attorney

Virginia Cooperative Extension

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Planning the Future of Your Farm: A Workbook on Farm Transfer Decisions, was created and developed by Robert Andrew Branan, an attorney in Hillsborough, North Carolina who concentrates his law practice in most things farming. Narratives authored by other people, who graciously donated their expertise toward the educational success of this workbook, are noted in an editor's note at the beginning of each article. Those narratives without identified authors are written by Mr. Branan, who would like to be credited when these narratives are reproduced elsewhere. Supporting worksheets were inspired by numerous sources, and have evolved through preceding editions of the workbook.

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ABOUT THE VIRGINIA EDITION

This workbook is an adaptation and update of earlier editions published in North Carolina in 2006 and 2009 for the families that own farm, forest and horticultural land. It is specifically for those who *want* to find a way to keep their farm in production and/or in the family as it passes to the next generation, and are willing to commit the work necessary to achieve that goal.

For many landowners, their farm is or has been their business. For many, it is also a home, security, and a mix of tangibles and intangibles that will affect decisions about what to do with this land. This workbook was developed to help families harness these tangibles and intangibles into an orderly and productive process of planning. Hopefully, this process will produce the legal tools necessary to manage the risks of farm transfer.

Like the farm transfer process itself, the development of the *Planning the Future of Your Farm* workbook has been a continuing project. The workbook is built from materials first used in an education campaign - begun in 2004 in Virginia and North Carolina - meant to help aging farmers and landowners understand farm succession principles. This campaign was extended into South Carolina in 2006, and to Georgia in 2010.

The earliest workshop agendas of this education campaign focused squarely on transferring a family farm business. However, it became apparent that many workshop participants were winding down an existing farm business, and didn't have someone in their family who would farm the ground after they stepped back. The emphasis expanded to encompass non-farming landowners, ultimately responsible for making available the resources -- mostly land and water -- needed for farming.

Many questions asked in these workshops focused on specific tax and legal issues of estate planning, others about farm production and conservation income options, still others about the roles of and whom to trust as a professional adviser. Most often, these are all bundled together, with different emphasis depending on the generation asking the question. Every farm and land owning family faces unique circumstances when it comes to making decisions on the future of their farm assets.

Though the materials in this workbook were largely developed in North Carolina and Virginia, the issues families face - and the laws that govern those decisions - are largely similar throughout the Southeast. This edition benefits from more hours of sitting at the farm kitchen table, helping families make sense of the seemingly overwhelming array of issues — retirement, health care, taxes, family harmony — surrounding a desire to “keep the farm in the family” while being *fair* to the family. Through my education work in the field (and now as a practicing attorney), I have learned from families which parts of the workbook needed improvement and what materials - based on frequency of questions - should be added to this edition.

But one question stands out everywhere, persistent and perplexing: Who will farm the land? This workbook has evolved to help address this question for landowners fortunate to be closing in on an answer. It is my hope that any educational efforts this

*One key question
stands out everywhere:
Who will farm the land?*

workbook supports will also seek to develop opportunities for those landowners who haven't yet met someone to farm their land. The opportunity afforded by having an ownership generation in the room and thinking about the future will as much as practicable be utilized to expose multiple generations to new transitions in farming. Where the landowners gather for education, those seeking a farming opportunity can meet them there.

Hopefully, in such forums, younger farmers looking for land will understand the needs of older generations, and thus modify their own search. Likewise, the older generation will undoubtedly be reminded that agriculture is always changing and will remember a time when they too were young and eager to take the reins. In some cases, working relationships and supporting agreements might develop.

In the meantime, use this workbook for you and your family. At the very least it should help you address issues that must be addressed regardless of what you ultimately do with your farm.

*Andrew Branan, Editor, Hillsborough, NC
April 2012*

HOW TO USE THIS WORKBOOK

The *Planning the Future of Your Farm* workbook is laid out in four sections, each with narratives supported by worksheets. The workbook is primarily for use by farm families (i.e., families that actively farm or that simply own farm or forest land). Families can use it themselves or under the guidance of a trusted outside party. The workbook is also designed to support curricula in workshops for farmers and landowners on farm transfer.

The sections are meant to correspond to a basic process for planning. The first section, **Developing Your Vision for the Future**, discusses what we call the ‘soft issues’ — those that are the most difficult to discuss in daily discourse or over long distances, and can often be ignored absent a forum for their discussion. The articles in this section are meant to offer some perspective on the process you are undertaking, stressing the nature of risk management and what you are accomplishing by protecting your wealth and the relationships within your family. Several worksheets in this section of note are as follows:

1. “Rating Life Values” includes a set of questions meant to get you thinking, or at least affirm what you are already thinking, about the planning process and distribution of the farm assets to the next generation, in an exercise format where your family can lay their values on the table in a forum where everyone’s feelings are respected.
2. “Rating Your Comfort Level” is another set of statements to gauge where you are currently in your thinking on the transfer process. This is a measure of your risk tolerance, which will of course govern decisions related to transferring farm assets. This worksheet will be most applicable to those looking to pass and take over a farm operation, and less relevant for off-farm heirs, but should be reviewed by off-farm heirs to familiarize them with the issues and risks faced by those in a farm business transfer.
3. “Setting Goals and Objectives,” another worksheet for the entire family, is self-explanatory. The following worksheet, “Reconciling Priorities,” is designed to help put different family members’ goals in one place and identify where some goals may conflict as they relate to a transfer of the farm.

4. “Sketching Your Retirement Lifestyle” is a place to write thoughts on how you would like to allocate your time later in life with an eye toward what your disposable income needs will be and whether farm assets will be needed for this purpose.

5. “Quick Risk Assessment: the 5 D’s” is a place to jot down perceived risks to your vision of keeping the farm in the family, transferring a business, etc. based on the input from family members on previous worksheets, and what steps you believe you’ve taken to alleviate these risks.

Section Two, **Evaluating Your Farm Resources** includes a primer on property ownership, one of the first steps in the evaluation of your resources. How you own property ultimately determines what decision-making ability you have over the resource. The series of worksheets offer space and suggestions for you to rate the features of your farm, community, and family resources and skills. Use the worksheets to identify features that need improvement to support your business model for farm resources. The extensive “Farm Net Worth” worksheet is for current operations to determine their financial health for expansion and transfer, and realistic orientation on current asset liabilities.

Section Three, **Farm Transfer Tools**, discusses different types of business entities for agriculture, forestry and horticulture ventures, and some of the tools and agreements you will encounter in the estate planning process. The worksheets are designed to help you organize the information you will need to construct these agreements.

The final section, **Preparing to Meet with Professional Advisers**, contains worksheets similar to those a professional adviser (financial planner or attorney) will have you complete as part of their service to you. These will let you start the process earlier, and will save you time and money. And it will show your advisers that you are on your toes about this planning process.

The workbook closes with the definitions of common legal terms relating to land ownership, business entities and estate planning.