

Succession and estate planning may require a complete change in business structure

AT A GLANCE

Succession and estate planning is a critical need for aging farmers and ranchers in Idaho. A useful transition plan may force families to change directions.

The Situation

According to the 2017 USDA Ag Census, the average age of the Idaho farmer is 56 years old. With the average age of farmers increasing, the idea of passing the land and operation to the next generation becomes more pressing. This transition process can reveal that current agreements or partnerships may not be conducive to an effective transfer to the next generation.

A farmer in Idaho's Magic Valley found himself in an interesting situation. He had entered into a partnership with neighbors to allow for the sharing of labor, equipment and land. This partnership was very successful and was a win-win situation for all parties. As the age of the principal farmers of the operations increased, there was a want and a need to provide a succession plan for the children of the different farming families. As these children were brought into the various operations, enterprises were created to allow for some autonomy of leadership for each child. While there appeared to be plenty of different enterprises to allow this to occur, ideas for the future and future ownership of the operation came into question.



Attorney Todd Hallock discussing a lawyers' part in the succession and estate planning process. Photo by Sara Hallock.

Our Response

University of Idaho Extension offered a four-week Succession and Estate Planning class in the Magic Valley to 14 participants. One of the local operators took the class to get ideas for succession within this partnership. At one of the sessions, University of Idaho provided a lawyer, who spoke about the legal issues within farm succession. The owner who attended the meeting was impressed with the lawyer. He and the rest of his partners met with the lawyer to discuss ways the children within the partnering families could eventually inherit or succeed the former generation. As this discussion moved forward, it became apparent the partnership did not provide a substantive arrangement

where succession would be protective of the various individual family units.

Program Outcomes

While the partnership was helpful for the day to day operations of farming partners, it was decided that the partnership should be dissolved in order to accommodate the succession needs of the families involved. The succession plan became more straightforward and more efficient with the families back in separate units. The timely creation of a succession plan saved the multimillion-dollar partnership thousands of dollars in legal fees that would have been spent in the future to resolve unsettled issues. The farmer used information gained as a result of the University of Idaho Extension Succession and Estate Planning class to start the discussion with his partners. The farmer was interviewed with the interview recorded for help in teaching future Succession and Estate Planning classes. These classes provide producers the chance to explore different succession ideas by looking at different business arrangements and by talking to an experienced succession lawyer. Participants don't leave the class with a succession plan; they leave with the necessary motivation and tools to see the process through to the end.

Evaluations were conducted following the class and 14 participants responded. The average age of the respondent in our class is 48 years old. Our respondents represented a total of 7,520 acres and 7,670 head of cattle (beef and dairy). Seventy-nine percent of our respondents had a family meeting. Seventy-two percent of our respondents said they will be visiting with a professional about succession and estate planning following the class. One hundred percent of our respondents stated the class stimulated them to think, motivated them to learn, motivated them to talk with family and motivated them to do something different. The motivation to do something different was shown in this example.

The Future

Succession and Estate Planning classes are held in the Magic Valley during the winter months. Different counties in the valley host the classes as needed. The classes are designed to provide ideas for passing the torch to the new generation, or for providing for the present family through farm rental or farm dispersal. Please contact us for more information.

FOR MORE INFORMATION

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