Russell
LAW OFFICES, SC

FARM SUCCESSION PLANNING CHECKLIST

1. PICK YOUR TEAM

Your Succession Planning Team will be instrumental in your success. You will need to involve your accountant, attorney, financial planner, insurance agent, farm consultant and your lender in the process. Use our Farm Succession Planning Team Contact List to organize each persons contact information in one place.

2. PREPARE YOUR DOCUMENTS

There is multiple pieces of documentation you will need to gather in order to begin the succession process. Documents include: balance sheets (market basis, cost basis), appraisals, property tax bills, bills of sale, bank, investment statements, budgets of income and expenses for both parties, records of previous gift giving, relevant legal documents (wills, trusts, contracts, corporate records), insurance policies (life, long term care), beneficiary designations on investments, insurance policies, personal info (social security numbers), tax returns.

3. COMMUNICATE GOALS & OBJECTIVES

There is multiple pieces of documentation you will need to gather in order to begin the succession process. Documents include: balance sheets (market basis, cost basis), appraisals, property tax bills, bills of sale, bank, investment statements, budgets of income and expenses for both parties, records of previous gift giving, relevant legal documents (wills, trusts, contracts, corporate records), insurance policies (life, long term care), beneficiary designations on investments, insurance policies, personal info (social security numbers), tax returns.

4. CHOOSE A TRANSITION APPROACH

Succession planning does not have a “one-size-fits-all” solution. Weigh the pros and cons of each transition strategy (Outright Sale, Installment Sale, Gift or Inheritance) and decide which option is the best for your unique operation. Your Succession Planning Team will be able to assist you in making a confident decision which will benefit both the current owners and the heirs.

5. SCHEDULE A MEETING

This process will likely take multiple meetings with your Succession Planning Team before it is complete. Schedule a meeting with all of them to ensure everyone is aware of your wishes and goals for this process and the future of the farm.

The Russell Law Offices, S.C. team is here to help! Please contact us for a consultation about your Farm Succession Plan or other agriculture legal needs!

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WHAT ARE YOUR OPTIONS FOR THE TRANSITION PROCESS?

Believe it or not, there is not a "one-size-fits-all" approach when it comes to farm or business succession planning. Below we have described each option and the tax implications that may be imposed upon the current owners with the sale of their farm or current business. You should consult your farm team and consultants to determine which option will be most advantageous for you, your successors and your operation.

OUTRIGHT SALE

An outright sale can be as simple as it sounds. It is when the farm or business is assessed for a value (including land, buildings, livestock, feed, machinery, etc.) then sold for the complete value at one time to the heirs. The current owners would recieve the full amount of the value in one lump sum in one tax year. This is the fastest transition process but reaps the largest tax challenges for the seller

INSTALLMENT SALE

An installment sale is when a farm or business is assessed for its value, a purchase price is accepted and partial payments are made for multiple years. This can be advantageous for the buyer and seller as it eases tax and income challenges. Note: if the seller dies within the time frame of the agreed upon payment plan, the buyer must still finish their payments until complete.

GIFT

You are able to gift the farm or business to an heir if you wish to do so. Without tax implications for the heir and current owner, the gift must be under the annual tax exclusion amount. This amount fluctuates per inflation rates. Depending on the assessed value of the farm or business, you may gift it in yearly increments to the heir until they own 100%.

INHERITANCE

With an appropriate estate plan, your farm or business could be inherited by your heirs. This option includes no tax implications for the heir unless the market value increases. The estate plan must be complete and functional prior to your passing to avoid the probate process.

FARM BALANCE SHEET

As of ____________________, ____________
Date Year

List only the assets and liabilities associated or supported by your farming business.

FARM ASSETS

CURRENT ASSETS:	Market Value	Cost Value
1. Cash & Checking		
2. Accounts Receivable		
3. Prepaid Expenses		
4. Cash Investments in Growing Crops		
5. Inventory: Marketable Livestock		
6. Raised Crops & Feed		
7. Purchased Feed		
8. Supplies		
9. Other Current Assets		
10. Total Current Farm Assets (Lines 1-9)		

NON-CURRENT ASSETS:		
11. Breeding Livestock: Purchased		
12. Raised		
13. Machinery & Equipment		
14. Vehicles		
15. Investment in Capital Leases		
16. Contracts & Notes Recievable		
17. Investment in Cooperatives		
18. Real Estate		
19. Buildings & Improvements		
20. Other Non-Current Assets		
21. Total Non-Current Farm Assets (Lines 11-20)		
22. Total Farm Assets (Line 10 + Line 21)		

FARM LIABILITIES

CURRENT LIABILITIES:	Market Value	Cost Value
23. Accounts & Notes Payable		
24. Line of Credit and Operating Notes		
25. Current Portion of Term Debt		
26. Accrued Interest		
27. Taxes Payable: Ad Valorem		
28. Taxes Payable: Employee Withholding		
29. Taxes Payable: Income Taxes		
30. Taxes Payable: Deferred Taxes		
31. Other Accrued Expenses		
32. Other Current Liabilities		
33. Total Current Farm Liabilities (Lines 23-33)		Same

NON-CURRENT LIABILITIES:		
34. Non-Current Portion of Term Debt		
35. Deferred Taxes		
36. Other Non-Current Liabilities		
37. Total Non-Current Farm Liabilities (Line 34-36)		Same
38. Total Farm Liabilities (Line 33 + Line 37)		
39. Contributed Capital		
40. Retained Earnings		
41. Total Valuation Equity		
42. Farm Equity (Line 22 - Line 38)		
43. Total Farm Liabilities & Equity (Line 38 + Line 42)		

Your Local Legal Representation.
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WHAT ARE YOUR GOALS FOR THE FARM/BUSINESS?

HEIR'S GOALS

Be honest. The succession plannign process is only effective if you are truthful about your intentions with the future of the farm.

1. List your goals for the farm. Include your five year goals, ten year goals, succession planning goals, your farm financial goals and progression of your operation goals.

WHAT ARE YOUR GOALS FOR THE FARM/BUSINESS?

CURRENT OWNER'S GOALS

Be honest. The succession plannign process is only effective if you are truthful about your intentions with the future of the farm.

1. List your goals for the farm. Include your five year goals, ten year goals, succession planning goals, your farm financial goals and progression of your operation goals.

WHO SHOULD BE ON YOUR SUCCESSION PLANNING TEAM?

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CURRENT OWNERS

All current stakeholders, including your spouse, siblings and business partners, should have a say in the future of the farm.

Name & Contact: ______________________________

Name & Contact: ______________________________

Name & Contact: ______________________________

HEIRS/SUCCESSORS

Ask your heirs/successors about their vision for the future of the farm and how it should operate after you retire.

Name & Contact: ______________________________

Name & Contact: ______________________________

Name & Contact: ______________________________

ACCOUNTANTS

An accountant familiar with farm business and succession planning can offer valuable advice about the best way to handle the transaction to minimize tax liability.

Name & Contact: ______________________________

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LAWYERS

Your lawyer will draw up the necessary paperwork to transfer ownership and advise you about the legal implications of carious succession strategies.

Name & Contact: ______________________________

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WHO SHOULD BE ON YOUR SUCCESSION PLANNING TEAM?

FINANICAL PLANNER

Consult with a financial planner about transferring assets, investing funds from the sale of the farm, dealing with debt, and financing retirement.

Name & Contact: ______________________________

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INSURANCE AGENT

You'll need advice about how different kinds of insurance, including life and disability policies, will factor into the overall succession plan.

Name & Contact: ______________________________

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FARM CONSULTANT

Farm consultants can help you evaluate the options, devise a succession plan and resolve conflicts within the family to ensure a smooth transition.

Name & Contact: ______________________________

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LENDER

Ask about the available financing options to transfer ownership of the farm.

Name & Contact: ______________________________

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