

R I G H T R I S K N E W S

Three Key Questions for a Successful Farm Transition

Farmers and ranchers in the U.S. are getting older. According to the USDA Census of Agriculture, the average age of producers was 58.1 years in 2022, up from 57.5 years in 2017. Over those five years, the average age increased by 0.6 years. The average age of producers can vary widely from state to state. In Hawaii, the average age is 60.7 years, the highest in the country, while in Indiana, it is 56.0 years, the lowest. Both states saw their averages increase by about half a year between 2017 and 2022. Three states, however, saw a decrease in the average age: Nevada (down by 0.4 years), Rhode Island (down by 0.3 years), and Michigan (down by 0.1 years).

What Happens Next?

As our farmers and ranchers grow older, the obvious question is what happens to the land, the business, and their personal possessions – their legacies? Not only does the older, retiring generation have these questions, but the younger generations also wonder about the future. Family members will ask themselves and each other question like whether the farm should and can stay in the family, who will take over, who will take care of Mom and Dad when they need help, what will be my inheritance, who should get the personal possessions of emotional value, where are the important documents, and where does Dad want to be buried. And the list goes on!



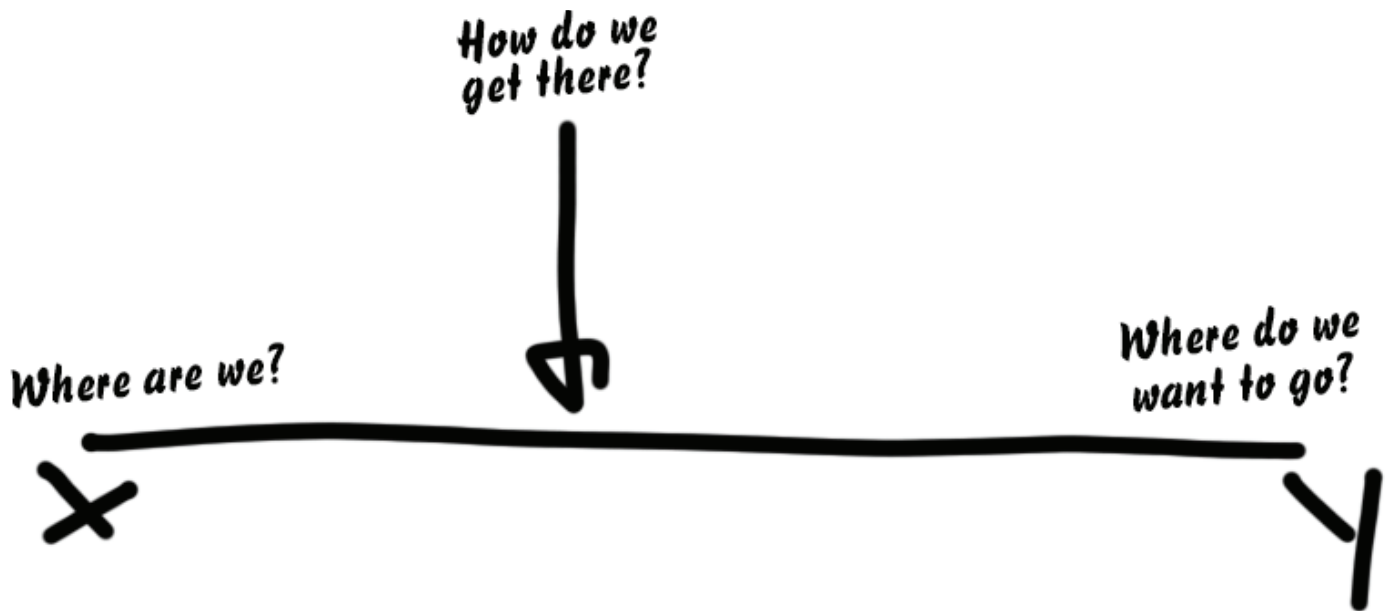
Yet, farm and ranch families are often overwhelmed by the process of answering these and related questions. According to Agrilegacy, 80 percent of families across the United States plan to transfer their farms and ranches to the next generation. Yet, 71 percent of them have no formal plan to do so.

Estate and succession planning become increasingly more important to all families. Estate planning involves deciding how to distribute a person's assets and handle their liabilities when they pass away. Succession planning is the process of identifying key roles in the business and developing plans for others to fill those roles in the future.

Creating a succession plan can be broken down into three main questions: (1) Where are we now? (2) Where do we want to go? (3) How can we best get there? Answering these questions helps farm and ranch families increase the chances of successfully passing their business and assets to the next generation.

Where Are We?

This question requires an honest look at both the assets and the business operations. Financial details are usually easy to assess, but family dynamics can be more complex and, in some cases, controversial. One part of answering this question is to describe the assets—such as land, crops, and livestock.



A good starting point is the balance sheet, which lists all assets and liabilities. Some families may combine personal and business finances into a single balance sheet, while others might need separate documents for different businesses or personal matters. The income statement shows whether the business is truly profitable, and a cash flow statement reveals whether the business can support multiple family members. Tax returns can also help verify income and track certain expenses. Describing the operation should include outlining all activities on the farm or ranch. It's also important to note who manages the operation, including who makes key decisions and when those decisions are made.

A third part of answering "Where are we?" involves describing the people. This includes family members who are involved in the business and those who are not, along with any special circumstances, like if a family member has special needs. It's also important to list non-family members involved in the ownership or operations and to note who is interested in taking over the business or assuming ownership of the assets. Assessing the skills and abilities of potential successors is critical for long-term success.

Finally, it's important to list any legal documents in place, such as wills, trusts, powers of attorney, lease agreements, or contracts. Knowing where these documents are kept is also essential. A SWOT analysis—standing for Strengths, Weaknesses, Opportunities, and Threats—can help identify both internal and external factors that impact the farm's future. This analysis helps with both planning and decision-making.



Where Do We Want to Go?

This question is about the vision, mission, and goals of the business. The entire family should be involved in creating a plan for the future of the family farm. A vision statement describes what the business should look like in the future. It provides direction for planning but doesn't explain how to get there. A mission statement, on the other hand, explains the current purpose of the business. It outlines what the business does, who it serves, and its core values.

Goals help guide the family towards their vision. These goals should be SMART—Specific, Measurable, Achievable, Realistic, and Time-bound. Clear goals help everyone understand what's expected and ensure the family is working towards a common future. Many farm families don't have formal, written policies, but this becomes especially important when transitioning the farm to the next generation.

How Can We Best Get There?

The first two questions—where are we and where do we want to go—should be answered before seeking professional help, such as an attorney. The family can describe their current situation and what they want for the future, but they will need a professional to help create the legal framework to get there. An attorney can help the family develop estate and succession plans, create legal documents, and put those plans into action. Farmers and ranchers need to understand basic concepts like legal entities (LLC, partnership, etc.), but the attorney will guide them through choosing the right tools to achieve their goals.

Every farmer and rancher should have an estate plan and a succession plan, especially as the average age of producers continues to rise. Taking time to think about the future, assess the current situation, define the desired future, and seek professional help is essential for creating a solid succession plan. Farm and ranch families which have the sometimes-difficult conversations, make the difficult choices, and put in the work have a much greater chance of transitioning the farm or ranch to future generations. Farm and ranch families need to educate themselves about the process of estate planning and succession planning. Those participating in workshops have gained valuable knowledge about the process and how to access online resources.

The professionals at RightRisk have experience helping families answer these critical questions. They have conducted several workshops, created a plethora of resources, and facilitated family conversations. A number of resources are available on RightRisk's web site RightRisk.org. Additional resources can be found at www.abm.extension.colostate.edu, cap.unl.edu, and AGLEGACY.org.

The transition of your farm or ranch from the retiring generation to the successors is important. Please reach out to RightRisk or other skilled advisors to help you go through this critical process.



~ OTHER RIGHTRISK NEWS ~

NEWS RELEASE - SEPTEMBER 6 | RIGHTRISK Federal Reserve Beige Book Summary on the Agricultural Sector

ECONOMIC ACTIVITY was mixed over the recent period. Employment levels were steady overall, though there were isolated reports that firms filled only necessary positions, reduced hours and shifts, or lowered overall employment levels through attrition. Still, reports of layoffs remained rare. On balance, wage growth was modest, while increases in nonlabor input costs and selling prices ranged from slight to moderate. Consumer spending ticked down, having generally held steady during the prior reporting period . . .

For more see: RightRisk.org/News



**HIGHLIGHTED PUBLICATION:
EVALUATING RISK STRATEGIES**

An eBook designed to accompany the *Evaluating Risk Strategies* online module. Over 30 pages provide an introduction to risk strategies and sources of risk, risk terminology, and how is risk estimated, risk management strategies, what a strategy is, risk management goals and objectives, policies and plans, evaluating risk strategies, evaluating decisions, recognizing strategic decisions, changing strategies, and quantifying variations in outcomes, as well as evaluating decisions looking in the rear-view mirror, and how to tell if a strategy successful.



To read more or to access the text, see: RightRisk.org > [Courses](#) > [Evaluating Risk Strategies](#)

	September 3 Social Media Post <i>Problem Work Situations via Ag Help Wanted</i>		September 19 Social Media Post <i>RDFinancial RightRisk</i>
	September 5 Social Media Post <i>RightRisk Analytics via recorded presentations</i>		September 24 Social Media Post <i>Enterprise Feasibility</i>
	September 10 Social Media Post <i>Evaluating Risk Management Strategies</i>		September 26 Social Media Post <i>Risk Navigator RightRisk</i>
	September 12 Social Media Post <i>Recorded Presentations from RightRisk.org</i>		Check our newest series - a post every Wednesday covering ag labor management issues from <i>AG HELP WANTED: Guidelines for Managing Agricultural Labor</i>
	September 17 Social Media Post <i>Lasting Legacy Course #2</i>		

Follow us on:



Click here to see current posts:
RightRisk.org/news

Follow us on:



RightRisk helps decision-makers discover innovative and effective risk management solutions

- **Education**
- **Coaching**
- **Research**

RightRisk News is brought to you by the RightRisk Team

Contributing authors:

John Hewlett, Ranch/Farm Management Specialist - University of Wyoming, hewlett@uwyo.edu
 Jay Parsons, Risk Management Specialist - University of Nebraska-Lincoln, jparsons4@unl.edu
 Jeff Tranel, Ag and Business Management Specialist - Colorado State University, Jeffrey.Tranel@ColoState.edu

Editing and Layout: John Hewlett, hewlett@uwyo.edu

Past issues of *RightRisk News* are available at: RightRisk.org/News

To subscribe/unsubscribe, email information@RightRisk.org subject line "Subscribe/Unsubscribe RR News"

E-mail: information@RightRisk.org
 Web: www.RightRisk.org

How much risk is right for you and your operation?

