Your Farmland and the Future

Setting Goals, Taking Action

by TERESA OPHEIM

introduction by STEVE BRUERE

Acknowledgments

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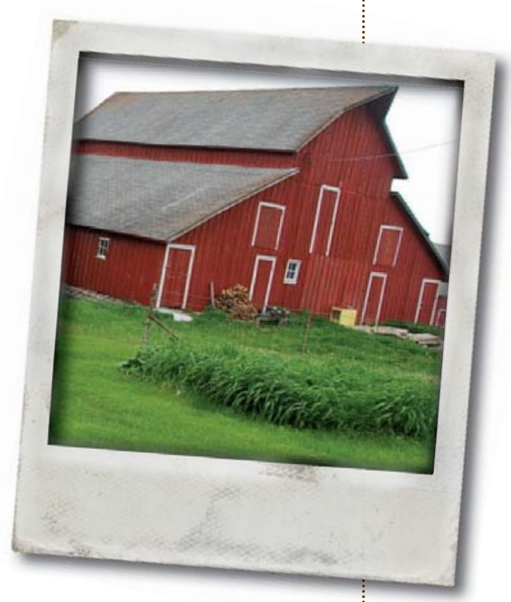

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Introduction

By Steve Bruere

Farming is in my blood. I grew up on a farm in Warren County, Iowa, where my parents farm together with my older brother. My brother will be expected to carry on the farming legacy as the on-farm heir, while I will be an off-farm heir - maybe! So, what does that mean for me when the difficult time comes, when both of my parents are gone and the assets are passed on? As my dad says to us boys, without a well-thought succession plan, "your inheritance will go to the dog." I'm not convinced he is joking given the close relationship he has with his Great Dane.

When I got into the real estate business in 2003, many of my first real estate transactions were with farm families I grew up with. I started to observe early on how close-knit and very successful families were destroyed after there was a death and the kids fought over who gets the farm and what mom and dad's intentions were. Oftentimes, these started out as very casual disagreements, but as the value of farmland began to appreciate, so did the tension of settling these matters. Many times, it wasn't the heirs themselves, but the spouse of the heir, who would begin to stir the pot that led to conflict.

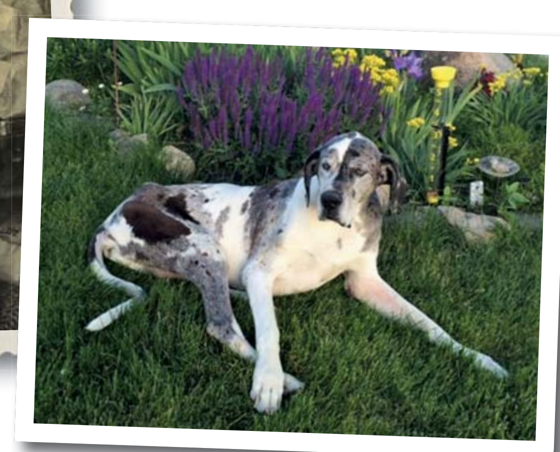
With approximately 30 million crop acres in Iowa, farmland represents over $234 billion of asset value in Iowa alone. According to the latest land tenure study at Iowa State University, 55 percent of Iowa farmland is owned by someone age 65 or older. Using conservative estimates, nearly 50 percent of Iowa farmland could transfer in some form or fashion over the next 20 years. These statistics are similar throughout most of the major agricultural areas in the United States. The future of farmland ownership and agriculture as a whole will look dramatically different than it does today as this wealth transfer occurs. Keeping land in families and local communities is the ideal result, and the only way for this to happen is proper planning.

The irony of my involvement in this white paper is that the lack of planning is often what results in a real estate transaction for Peoples Company. I've been on the other side of the equation when lack of planning leads to a brokerage, management or appraisal transaction for our business. Oftentimes attorneys, judges and receivers are brought in to settle family matters to determine what will happen with the assets after death. Specifically, I've seen on-farm heirs bidding against competing farmers to buy back the family farm at an auction.

Don't be that family.

Siblings may or may not start out on the same page and the timing is never perfect to start this discussion. Inevitably, without planning and communication somebody will end up mad. Moms and dads would roll over in their graves if they saw some of the situations I've witnessed. More often than not, these situations could be avoided if the parents had the strength and vision to put together a plan and set expectations for their children.

BRUERE FARMS



In this paper, you'll hear from David Baker, who runs the Beginning Farmer Center at Iowa State University Extension, as he shares real-world examples from his experience helping families with their wealth transfer. Chris Soules describes life as an "on-farm heir" and why it is important for his three sisters to receive a similar value as non-farm heirs. K·Coe Isom reports on the history of estate tax and offers steps on how to prepare a succession plan that can "stand the test of time." And Iowa City attorney Gordon Fischer dives deep into the technical aspects of succession planning.

I want to especially thank Teresa Opheim, who was largely responsible for drafting this white paper. Teresa has spent years living and researching this topic and did a wonderful job putting together an outline for farm families to follow.

Succession planning. It's not a fun topic for anyone to discuss, but the time to start planning is now.

We're hoping this white paper serves as a wake-up call for those who need it, and a reminder for those in the process to commit to seeing it through.

If you're somebody thinking, "It can't happen to me," we're talking to you. Give this a read, and get to work. Your family is counting on it.

Steve Bruere
President, Peoples Company


Seed Finalization Days
Friday & Saturday, April 4 & 5

Agronomist Greg Townsend will be present Friday, April 4, from 9 a.m. to 12 noon to assist with any questions.
• Refreshments
• Door Prizes

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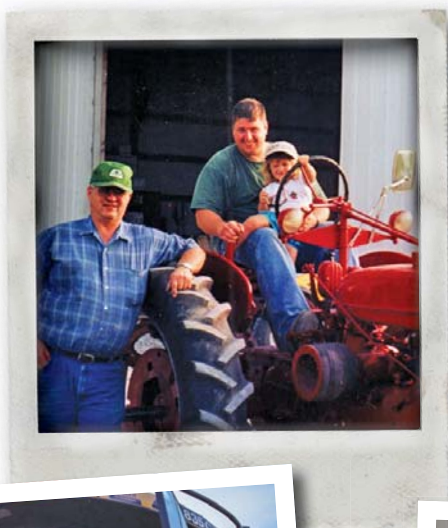


What Matters Most?

Set Goals First

Farmland owners: You are part of a business important like none other: the growing of our food and fiber, and you are fortunate to call a piece of the earth "yours". Many have realized – and then lost – their farmland ownership dreams; others have never even had the opportunity.

Your farmland may be the primary financial asset you will leave behind when you are gone. "Family farms are businesses, in which the land is the bulk of the operation's value," says Michael Duffy, Professor Emeritus at Iowa State University and an expert on farmland values. "This makes farmland transfer such a difficult area to navigate."

For many of us, it is hard to think through – and then talk about – what matters most (farmland or otherwise). What are your plans for the future of your farm after you leave this earth? *Only through reflection about the legacy you want to leave behind can you put into place strategies that will help you achieve your goals.*

For some, owning farmland is simply a good financial investment. If that piece of real estate has been in your family for generations, it may be an important part of your family heritage that you want to continue. You may want more than anything for your heirs to prosper in the farming business when you are gone or help a non-related family continue the farming tradition. Or your top goal may be donating your farmland to a charity or using it for conservation.

You are certainly not alone in your need to address the future of your farmland. You are part of a tremendous land transfer that is taking place. About 10 percent of all farmland is expected to change hands within the next five years alone, according to the U.S. Department of Agriculture.[1]

Stories abound about what goes wrong with farmland succession. Some landowners die having made no plans at all for the future of their farm businesses and land. Others sell the farm without communicating their plans to their heirs, leaving the family in shock. Fathers fight with sons over the farm business; brothers and sisters fight once mom and dad have passed on. Landowners pass their land on equally to farming and non-farming heirs, leaving the farming heir unable to continue a viable farming operation. Farmers without children who farm cannot find the right young people to continue their operations.

Iowa's Poet Laureate Mary Swander documented some of this rancor in her play on farmland transfer, "Map of My Kingdom" (*see* ***maryswander.com***). She ended her play with an example about what can go right, based on the story of Tom and Irene Frantzen of New Hampton, Iowa. Here are some actions the Frantzens are taking to navigate this tricky farm transfer arena. They:

- Spent several years considering and crafting their overall farm goal, what they want most for the farm;
- Had a team of professionals who helped them develop the legal and financial strategies to achieve their goals;
- Communicated – over and over again – with their heirs about those goals and strategies.

Tom and Irene Frantzen's goal is the "long-term protection for a true Iowa family farm that has significant conservation features blended into a working landscape." Reports Tom: "This was written after much thought and a lengthy discussion with our family. With that stated goal, we could now measure proposed actions against it."

Other farmland owners come up with different goals. For Bob and Linda Lynch of Gilmore City, Iowa, providing land for the next generation to farm is a top goal. Bob's great-great grandfather bought the farm near Gilmore City, Iowa, in the early 1900s. Bob and Linda's son Jay is the fifth generation of Lynches to work that land.

Barb Opheim, of Mason City, Iowa, inherited 80 acres of farmland near Rolfe, Iowa, that her grandfather plowed out of prairie in 1886. The land has helped provide her with a comfortable retirement. Her top goal when she is gone? To preserve family harmony. "I do not want my heirs to do any fighting because of this land," she says firmly.

Unfortunately, it may not be possible to accomplish *all* of the goals you would like for the future of your farmland. As Mike Duffy says, "You cannot maximize more than one variable. You have to prioritize. Most people aren't going to have the resources. It becomes so important to consider the various goals and decide 'this is my number one goal.'"

For example, many farmland owners want to give their heirs an inheritance of equal economic value but also want a farming heir to continue to farm the family land as well. Without long-term planning and likely considerable off-farm resources, accomplishing both of these goals may not be possible.

Tips from Fellow Farmland Owners:

- Appreciate your good fortune: You own farmland
- First set goals for your farmland
- Join with other farmland owners to talk to and learn from each other

All of the farmland owners mentioned in this booklet are part of a community at Practical Farmers of Iowa sharing with and learning from each other about farmland transfer. The Farm Bureau, State Extension Services, Women Food and Agriculture Network and many others offer communities and classes. All are good ways to find others working through farmland transition as well.

The important thing is to begin the transfer-planning process right away. Start with the simple goal-setting activity on page six, then you can move on to the legal and financial strategies that will help you. John Baker from the Beginning Farmer Center says to decide these questions about your farmland:

- What do I own?
- How do I own it? (joint owner, right of survivorship, etc.)
- What is it worth?
- Who do I want to give it to?
- When do I want to give it to them?
- How do I want them to own it?

Top Resources:

- A variety of resources on goal setting, assessments and family communications: http://farmtransitions.org/family-communications-assessments-goal-setting/
- Setting personal, family and business goals: https://www.extension.iastate.edu/agdm/wholefarm/html/c6-42.html

(See more resources on page 34)

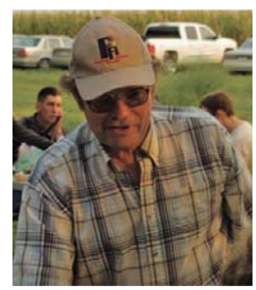
Why is it So Difficult?

"Is farmland transition difficult because our land has been in our family for generations? Or is it that everyone in the family knows the sacrifices made to pay for it during tough times? Is it the familiarity that comes from years of working the same ground, knowing intimately its foibles and eccentricities? Is it that we really understand on some primal level that we really are only caretakers? …

"I suspect it is all these and more …

"The takeaway of being a land owner is we have responsibilities to care for it, use it wisely and pass it along to someone who will continue the stewardship. Finding a good transition plan is complicated, but it is our opportunity to ensure our land is cared for in the manner we feel is best, even from the grave.

"The proverbial first step is the hardest and most important." —John Gilbert



John Gilbert, farmland owner, North-central Iowa

Practical Farmers of Iowa's mission is to strengthen farms and communities through farmer-led investigation and information sharing.

Practical Farmers of Iowa is an inclusive organization representing a diversity of farmers. Farmers in our network raise corn and soybeans, hay, livestock large and small, horticultural crops from fruits and vegetables to cut flowers and herbs, and more. Our members have conventional and organic systems; employ diverse management practices; run operations of all sizes; and come from a range of backgrounds. These farmers come together, however, because they believe in nature as the model for agriculture and they are committed to moving their operations toward sustainability.

What is your top farmland goal?

Here are common goals that farmland owners have for the future of their farmland:

- Keep family harmony
- Provide land for my farming heir(s) to farm
- Provide a farm for a family to work
- Help provide my heirs with greater financial stability through the sale of, or rental income from, the farm
- Use my farmland to benefit a charitable cause
- Give all my heirs an inheritance of equal value
- Keep the farmland in my family
- Use the farmland for conservation
- Other

Instructions:

1. Read through the goals. Change their wording, if needed, so that they all make sense to you.
2. Is there a goal missing? If so, write it down in the "Other" category.
3. Cross out the goals that are not relevant or are very low priorities for the future of your farmland.
4. Look through the remaining goals and circle your top three.
5. Examine those top three. Which is your very top goal? Put a star by it.
6. Fill out Section 3 of the Farm Legacy Letter *(see page 33)*.

Then ask yourself: *Will your current legal and financial strategies for farm transfer help you accomplish your top farmland goal?*

For the Lynch Family, a top farmland goal has been to allow the fifth generation of Lynches to farm on their land near Gilmore City, Iowa.

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Early and Often

Communicating With Your Family Helps Avoid Conflict

Communication with family members is not always easy. Each family member comes to the table with different expectations, needs and maybe even feelings of hurt that go back to childhood. Nevertheless, all of the experts agree that more communication is better than less.

Rick and Jane Juchems, farmland owners near Plainfield, Iowa, have begun tackling those communications challenges. Rick and Jane attended a workshop with their children to begin involving them in farm transfer discussions. “Our children need to know what is going on,” Jane says. “We are trying to get everything on the table, so that no one’s expectations are inaccurate.”

Jane says that the workshop, which was designed to help family business owners protect their wealth and family relationships (*see* ***EveryFamily’sBusiness.com***), “made us talk with our kids about whether they expected to come back and farm. And if they even had the right to come back. Either way, you have to lay that out, in case they may suddenly decide at age 40 they want to farm. Right now, they are happy in their careers, and they aren’t putting any sweat equity into the farm. Also, we aren’t just sitting around waiting for them to return.”

Rick and Jane keep their written responses to the workshop questions in a fat binder that includes their wills, medical and financial Power of Attorney forms, farm financials, bank account information and lock box key. Rick adds: “We’re going to update this information every year.”

In addition to the Juchems’ own farmland, Jane and her two brothers will inherit their mother’s farmland that has been in a living trust, but, again, no surprises. The disposition of that farmland was settled about 30 years ago. “Two of us siblings are actively involved in this operation, one is not,” Jane says. “We had to borrow money to buy some land from my non-farming brother several years ago. That was kind of hard, but at least it won’t be part of my mother’s estate now. When my mom dies, we will buy him out of the land we are cash renting from our mother at appraised value. Some days we think it would be nice to buy at a discount since we tiled and farmed it all these years. But we know the deal. It is not a surprise. If we hadn’t talked about it, we might have gone into the reading of the will and thought ‘we’ve worked here all of our lives, aren’t we entitled to it?’

“On the other hand, we’ve been making a living off of it,” Jane adds. “Without help from family and friends, we wouldn’t be here. We were given an opportunity here. It’s a lot of give and take. It’s a plan that’s been set, like a contract, and we agreed to it.”

Experts recommend meetings where you sit down with family members to work through farmland transfer issues. But if attending a workshop with your family or holding a family meeting sounds daunting, there may be less intimating methods for getting the conversation started, like sharing opening thoughts in a letter and asking your heirs to respond.

Start by documenting your farm history, and then share that history with your heirs. More than 50 farmland owners have written farm legacy letters through a project of Practical Farmers of Iowa. Half of those letters are included in a new book, “The Future of Family Farms: Practical Farmers’ Legacy Letter Project” (***uiowapress.org***) that might help you think through your own legacy. *For help in writing your own Farm Legacy Letter, see page 20.*

Paul Ackley, who farms in Southwest Iowa, has written a legacy letter and shared it with his daughters. Writes Paul: “First I wish and pray for harmony among our four daughters. That is my first and foremost desire. My second wish would be for a family member to take over the farm and through diligent work, wise management and working with nature would cause it to bloom and prosper by following the three tenants of Holistic Management: 1. Practices would be socially acceptable 2. Rebuild and regenerate soil and water resources 3. Be profitable independent of government ‘help’.”

According to Pennsylvania State University[2], good family communication is:

- **Frequent and Ongoing:** Start as early as possible (while you are younger and healthy) and keep it up through the months and years. Iowa farmer Linda Lynch reports her children haven’t always remembered what she and husband Bob have communicated about their farm transfer plans, which means she – and probably you – need to repeatedly communicate important decisions you have made.
- **Explicit:** Don’t assume others know what you mean or want. Everyone needs to state their feelings, expectations and opinions clearly and make sure everyone else understands them.

Tips from Fellow Farmland Owners:

- Communicate frequently with your heirs
- Write a Farm Legacy Letter to document where your farm has been and your hopes for its future
- Include all of your family members in your conversations, even if they are not decision makers

- **Concrete:** Decisions should be put down on paper. Our hearing and memories are not always sound. Plus summarizing verbal communications helps clarify. Everyone should have a written estate plan.
- **Participatory:** All family members (including children and in-laws) should be invited to participate, even though they may not all be decision-makers. The James Family of Durango, Colorado, involves 22 family members in their communications about the future of their ranch.

"Open, honest communication is key to a successful transition of the farm or business and most importantly to preserve family relationships," says Rena Striegel of Transition Point Business Advisors (and a former farm kid). "In-laws will be a part of the discussion whether they are in the room or not. It is simply not possible to have discussions regarding succession planning without including them. The challenge with attempting to exclude them is that they will get information secondhand through their spouses, which can create feelings of mistrust, frustration and anger due to missing or inaccurate interpretation of information."

Family farm transitions would go a lot smoother if most of us did a simple thing: Listen. Try this simple listening tip: Focus specifically on what your farm partner or family member is saying and don't start formulating your answers while they are talking. Instead, listen carefully and then rephrase what you have heard and ask, "Did I get this right?"

Don't be afraid to get third-party help for your family discussions. An independent business coach or facilitator can help you negotiate tricky farmland transfer discussions, some of which may bring out hurt feelings from long ago. Martha Skillman and her sisters inherited farmland near Knoxville, Iowa, that they have been selling through the years to distant relatives Jim and Julie Petersen. They used a social worker for years to help them negotiate their differences. Martha reports that the sisters would disagree on how much to spend for dinner, but with outside help they eventually came together on their goals for their farmland: conservation and helping the next generation farm.

"We can joke now but early on our differences weren't funny; we found a social worker attuned to family business issues and got help."

Top Resources:

- Communications and keeping family harmony: http://www.farmjournallegacyproject.com/family-harmony/
- Writing a Farm Legacy Letter and examples: www.practicalfarmers.org/member-priorities/farm-transfer/
- Communications and goal setting for the younger generation: http://landforgood.org/wp-content/uploads/LFG-Farm-Succession-And-Transfer-Strategies-For-Junior-Generation-Handbook.pdf

(See more resources on page 34)

Paul Ackley has written a farm legacy letter and shared it with his three daughters.

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Senior and Junior Generations: Starting the Conversation

The Farm Journal Legacy Project (***farmjournallegacyproject.com***) has a list of statements that you rank to better understand your priorities; your answers would be good communications starters. The questions are designed for potential business succession, but relevant to those who don't have farming heirs. The questions, which you rank from 5 (agree) to 1 (disagree), include:

- Maintaining family ownership of the farm is important.
- Ownership is a privilege, not an entitlement.
- Business success is more important than family harmony.
- Active family members should receive adequate compensation for their time, commitment and loyalty to the family operation.

The younger farming generation, Kate Edwards of Wild Woods Farm, Southeast Iowa

Land for Good (***landforgood.org***), a nonprofit organization, has a good list of questions for the younger generation to answer, in order to start the conversation with the older generation. Those questions include:

- What are your own values about farming and the farming lifestyle?
- Why do you want to farm?
- What are your professional short-term and long-range goals?
- How do your family lifestyle preferences and the needs and desires of your partner and/or dependents fit into your vision of a future on this farm?
- What are your financial goals and objectives? How much income will you need for the lifestyle you desire?

Rick and Jane Juchems attended a workshop with their children to begin the discussion about their farm transition plans.

Margaret McQuown and Steve Turman on their farm, Southwest Iowa

Estate and Gift Tax Planning…
Change is Coming….But Isn't It Always?

Although there may be significant changes coming in the federal estate and gift tax arena, planning in this area has always been, and always will be, a vital opportunity for family owned businesses and land owners to consider.

History

It's significant to note a bit of history regarding the estate tax. We have had the "modern" estate tax since 1916. That's nearly 100 years of taxation, other than a brief respite in 2010, with varying degrees of exemptions, rates and other nuances. Repeal of the estate tax has come up in the past. During the first George W. Bush Administration, where under a Republican President and a Republican-controlled Congress, estate tax repeal came up three different times and was defeated all three times. Though many currently support repeal, estate taxes do not affect everyone, which has made this particular tax difficult to remove from the books.

Currently, not all taxpayers do face estate taxes. But taxpayers owning farmland may find themselves running up against current exemptions. Those exemptions and tax rates on estates are:

- $5,490,000 Estate Exemption for 2017
- $5,490,000 Gift Exemption for 2017
- $5,490,000 Generation Skipping Tax Exemption for 2017
- Tax Rate of 40% for estates in excess of $5,490,000
- Full step up in basis (current law). Whether you are subject to estate tax or not, right now taxpayers inheriting assets still face taxes on gains.

No matter what the tax laws may be, the constant has been "change." The need for planning is not primarily driven by what the tax law has been or will be, but what your needs are and your family's needs.

What does this mean for my own planning?

It's essential to understand why estate planning is important for the long term. Even if a repeal occurs, the potential impact of an estate tax on your family's assets must be factored into your succession plan because no one knows how long a repeal will last. Current estate tax law was made "permanent" less than three years ago! Having a plan in place that can "stand the test of time" regardless of changing tax laws seems to make a lot of sense.

Besides the estate tax exposure consideration, there are other factors that come into play for estate planning:

- **Asset Protection:** The ability to protect your land and other assets from creditors is a hallmark of good estate planning and can benefit the family for multiple generations. The number one creditor we see in agricultural land situations is an ex-spouse. Proper estate planning can provide a solution to that potential issue.

- **Dividing Assets:** Make sure your assets end up with the people you want is important, especially if you are choosing to leave certain assets to certain heirs (those involved in land holdings vs. those receiving other assets, for example).

- **Avoid Conflict:** Create a plan that can help address family dynamics and avoid family discord.

- **Avoid or Minimizing Probate:** Careful titling of assets and funding of trusts can reduce the necessity for probate which can be costly and time consuming.

- **Estate Liquidity:** By making funds available to heirs, it can help provide for the management and operating of business or real estate.

- **Incapacity:** Scenario planning for events that can't be predicted.

Four Essential Steps to Prepare for a Succession Plan

To protect your farm assets and pave the way for a smooth ownership transition, you must begin the journey. That means starting with a clear goal for the future. It's a long-term vision that's unique to you, your family and your farm. And the sooner you start, the better. These five steps can help lead you toward a successful succession plan:

1. Begin to consider questions such as:
   - What are my overall goals? What do I want to achieve?
   - What should my farm look like in 20 years?
   - Is there someone interested in taking over the farm?
   - Who should lead?
   - How do I prepare the next generation of leaders?
   - What are the expectations of someone returning to the farm?
   - Who do I want to benefit from my hard work?
   - What are my major concerns about the business?
   - How much longer should I continue running the operation?
   - What kind of income do I want when I retire?
   - How can I best preserve my earnings for my family?

2. Know your farm numbers. Analyze past and present financials. Be aware of your cost of production, the value of your assets, and where they're located. This important knowledge will help you make more informed decisions.

3. Open the lines of communication with family members so you can determine their key values as well as their personal, family and business goals. Often, a family business meeting facilitated by a third party can help the process. Listen carefully, ask questions, let family members articulate their views. Remember, only 30 percent of family businesses reach the next generation. Much of that failure can be traced to a lack of communication and trust among family members and having no concrete plan.

4. Seek competent specialists – accountant, attorney, business and/or financial specialist, banker – to help ensure that your plan achieves your goals. Assembling a team now provides the peace of mind that comes from knowing nothing will fall through the cracks during your farm business's transition. Moreover, experienced advisors provide assistance and objectivity for dealing with sensitive and challenging situations.

Conclusion

The only constant in life is change. It's inevitable more change will be in our future, but that shouldn't stop or slow down the process of planning for your estate and your family. Much can still be done to put your plan in place. In the midst of agricultural volatility, embarking on a strategy for preserving your estate and family legacy can give you peace of mind that's hard to find in current times.

About K·Coe Isom

K·Coe Isom leads, nationally, as consultants and CPAs in the food and agriculture industry—services constituting more than two-thirds of the firm's business. The firm is embedded throughout the US food-supply chain, working with producers, input suppliers, processors, packagers, distributors, biofuel manufacturers, equipment dealerships, landowners, lenders, and many agencies and policy organizations that support the industry. The firm also has regional strengths in community banking, construction and real estate development, transportation, education, healthcare, manufacturing, and technology. K·Coe Isom serves domestic and international clientele from 19 coast-to-coast offices. Visit ***kcoe.com***.

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Keeping the Family Farming

Providing Land for Your Heirs to Farm

In 1869, German immigrant Johann Ficke found a beautiful spot in Central Nebraska to homestead and begin the labors that have become Del Ficke's family legacy. Today, the seventh generation of Fickes live on the land, and Del reports his "heart bursts with that blessing."

Says Del: "To this day, we are farmers and cattlemen – that is the core of our family's agricultural history…. I am also so proud to say that my son Austin and his wife Alyssa, with their baby daughter, Attley, are living in a cottage that we built for them directly west of our house."

How do you, like the Fickes, keep a family farm going generation after generation? After all, only 30 percent of family businesses survive into the second generation, 12 percent are still viable into the third generation, and only about 3 percent of all family businesses operate into the fourth generation or beyond, according to The Family Firm Institute.[3]

Del Ficke stresses that family – not land – comes first. He says his father "was always putting himself aside so we would have a better life. His secret was simple – a life-long commitment to clearly communicating to all of us how we were the most essential part of keeping the farm going. We were his legacy, not the land and the livestock, but rather the family he loved so much."

Farm families are often proactive about their financial and legal farm transfer strategies, reports the University of Minnesota.[4] They spend far less time identifying personal and farm goals. So if you haven't spent time on pages 4-9 of this booklet, do that first. When you do set your personal and farm transfer goals and a top one is to keep your heir farming, experts from the University of Minnesota suggest a variety of strategies that can help:

- Use your estate plan to transfer farm assets to the farming heirs and cash and other non-farm assets to the non-farming heirs.
- Consider life insurance as part of your strategy. You could carry enough life insurance on yourself to provide adequate dollars at death to pass onto your non-farm heirs and leave the farm assets to the farming heirs. The Frantzens, for example, carry life insurance on Irene and the beneficiaries are their daughters, who do not farm. They then sold their feed business to their son, who does farm with them. Or you could gift some money that the farm heir uses to purchase life insurance on you.
- Offer buyout provisions through a buy-sell agreement. The Farm Journal Legacy Project says this agreement "may be the most important tool for maintaining the integrity of the business entity in a succession planning engagement." This agreement gives your farming heir the right (but not the obligation) to buy farm property at a later date. The agreement is binding on your spouse and non-farm heirs, and it gives your farming heir a definite and reasonable purchase price and terms for buying farm assets. The buy-sell agreement can be a separate document, included in your will, or as part of a Revocable Living Trust.

The Klinge, Lynch and Gilbert families of Iowa have shared their strategies for keeping their children farming. According to Jeff Klinge of Northeast Iowa, "Back in the early 1980s, my dad started gifting us four boys stock in the farming corporation he set up for our 750-acre farm. That lowered our debt when we bought the farmland. My dad also set a sale price on the farmland about as low as he could allow without running into the gift tax."

Jeff adds: "My parents also bought long-term health care insurance in their late '50s. As they got older, they used these policies and didn't have to dip into any of the net worth of their estate. Then when my dad and mother passed away, us boys were beneficiaries on their life insurance, which we used to pay off our loans on the farms. My dad was so thoughtful about this. People say life insurance isn't a good investment, but it sure paid off for this family. Between the life insurance, the gifting of stock and pricing the farm low, that made it easy for us boys."

Bob and Linda Lynch in Northwest Iowa are also using life insurance and gifting to provide for the future of both their farming and two non-farming children. Bob and Linda are the fourth generation on the family farm; their son, Jay, and wife, Emily, are the fifth. Bob is the only one of his three siblings farming. Several years ago Bob's parents gifted 90 acres to Bob, who says they were concerned the farm would be sold when they died to help pay the estate taxes. (Many were concerned at the time that the estate tax exemption would be lowered to $1 million, which did not happen. The tax-free limit for an individual is $5.45 million in 2016.)

"At first, my dad wasn't interested in talking about a gift of the land while they were living," Bob reports. "But they

Tips from Fellow Farmland Owners:

- Decide which is more important: Treating all heirs financially equal or keeping your farming heir on the land
- Consider valuing the "sweat equity" that the farming heir has provided
- Use non-farm assets to compensate non-farming heirs

did agree to sit down with a financial expert, and he suggested reducing their assets, so they did. I'm grateful to them that they shared the land now. If I ever want to sell it, it will be $900 an acre basis, but I will never sell it," Bob says, pointing out the capital gains tax implications of selling land that is now worth $10,000-plus an acre. "Each of my two sisters will get 90 acres when my parents die. We just got ours early and will get the income on the farm they sold us while we are still living."

In recent years, Bob's parents gifted another 100 acres to Bob and his two sisters through a partnership agreement; Bob hopes to purchase his sisters' shares in the future. Bob and Linda are beneficiaries on two life insurance policies on his parents; proceeds from those policies could be used to buy that farmland from his sisters. In addition, his parents still own 180 acres, which will be divided equally among their non-farming offspring when they die. "My folks will live off the income of that land for the rest of their lives and use it to help pay for long-term care expenses they might have," Bob reports.

Is it feasible that the farming child can buy out the non-farming heirs, especially in a lump sum? Usually not, which is why the buy-sell agreement is so important. In setting the price for the farming heir, consider if including "sweat equity" compensation would be fair. As the University of Nebraska Extension[5] explains, if you divide the farming business equally between all the children, will it create such small pieces that the farming heir cannot make a living operating the family farm? If one child is required to buy out his/her siblings, does the business generate enough income to make this feasible? Dividing all your financial resources between farming and non-farming heirs may not be fair to the farming heir.

How much has a farming heir contributed over the years to the farm? In the example given by the University of Nebraska, the farmland owners decided they would divide the 1990 value of the farm between their three children, and their farming heir was responsible for 50 percent of the business growth since 1990 through his labor, energy and new enterprises. Whether you decided this percentage should be 10 percent or 90 percent, the important point is to think through what that farming heir has added to the farm.

William and Mary Gilbert of Central Iowa, had six children and only the youngest, John, came back to farm. Both William and Mary have passed on now, and John reports that his parents' passing "barely created a ripple in the farm's operation and provided the framework for us to continue the transition to the next generation." The way William and Mary divided up their assets was not financially equal, but divided by the sons' contribution to the farming operation.

"Our late parents took great pains and the time to ensure the survival of both our farm and our family bonds," John reports. "It was not easy for them. Dad was fanatical about how he wanted things but when it came right down to signing the necessary legal papers, he and mother needed encouragement… The process took time, both to create and for it to work."

William Gilbert formed a corporation in the 1980s and then another one in the 1990s, to lower taxes and make it easier to transfer assets. "The assets in the corporation were divided depending on the sons' involvement in the farm. My parents visited informally with all of us about who would get what, and everyone was okay with that. There was always a place on the farm if the sons wanted it, but if you had a career elsewhere, what can you expect? Equal is not necessarily fair…."

"Off-farm heirs expectations should be in line with the contributions they've made," John says. "These can include assisting with elderly parents' care, providing services to the farm operation—marketing, legal, accounting, for example—and farm labor and management. Just being a son or daughter shouldn't automatically entitle you to an equal share."

Now John and Bev, who are in their late 60s, are transferring shares from the farm corporation to their son John C., who farms with them, and his wife, Sarah. John and Bev have two children who don't farm with them. "Bev and I have talked about how to be fair to our children. Not equal but to feel like they have something."

"Every farm and family is different. Parents all have different objectives, which affect how they want assets shared," John says. "The critical point is for the parents to explain their wishes to all their descendents, and have the important parts in writing with a lawyer. The money spent with professional guidance is the best investment a family can make. If parents don't want to spend the money, then the heirs need to assume the costs to make sure things are done right."

Whatever approach you take to keep your farming heirs farming, communicate early and often. Communication is always important, but more so when you plan to divide your assets in a way that is not financially equal. Doing this will keep your farming heir from being forced to defend your decisions when you are gone.

According to Tom Frantzen, "My dad made that really clear when he decided to sell Irene and me the farm.

'Dorothy and I will be the decision makers here without referendum,' he said. My dad did not say, 'I am going to have my estate divided equally six ways.' He could see that was not a good thing to do. He didn't love any of his kids less, but he had to make a decision and then go forward with that decision. And he communicated that very clearly to all of us. There was no confusion about what he was going to do, and therefore no unrealistic expectations. We dealt with his generational transfer while he was still alive, including the dispensation of his personal assets. And the six of us get along today, which is priceless."

Top Resources:

- Deciding what is important for farmland owners: http://www.cehd.umn.edu/fsos/projects/ruralmnlife/succession.asp
- For the article on valuing sweat equity: http://www.extension.umn.edu/Agriculture/business/farm-transfer-estate-planning/docs/putting-a-value-on-sweat-equity-2014.pdf
- Beginning Farmer Center offers a class for helping to bring another generation back to the farm: http://www.extension.iastate.edu/bfc/

(See more resources on page 35)

Jeff Klinge (shown here with wife Deb Tidwell) admires his father for the steps he took over the years to make sure that Jeff and two of his brothers could farm

William Gilbert gave his six sons shares in the family farm corporation based on the contributions they made to the farm.

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Protecting Relationships Begins With Communication

An Interview With Chris Soules

Chris Soules is known for a lot of things, including his roles in popular TV shows, "The Bachelor" and "Dancing with the Stars." These days, however, he's staring into his future role as one of the heirs to a family farm.

Soules says many times he has witnessed the lasting family rifts that can result from the transition to farm and non-farm heirs after a parent's death if a well-thought-out plan isn't developed beforehand. This awareness is extremely important to him as he has three sisters who never plan on farming.

"Families like ours need to make it fair for everybody," says Soules, who farms with his dad in Northeast Iowa. "You examine life insurance policies and fair market values through a legacy lens. But most importantly, you communicate with all parties involved."

Planning now prevents tough decisions from being made right after the death of the landowner, be it mothers and fathers or grandparents. Once the plan is communicated and everyone is in agreement, it needs to be in writing so there is never any question as to why it was done a particular way or how the decision was made.

Some heirs, living away from the actual farming operation, may not understand the value of sweat equity that is applied to the operation and that, in itself, can be a major source of tension. Landowners may feel this sweat equity has earned the hands-on farm heir a financial break on the land. If the reasoning behind this decision isn't communicated with all parties involved, long-term hard feelings, and in some cases, a total fracture of the family can result.

Soules says families need to work with a financial services agency to walk them through the tax implications from an inheritance and capital gains perspective, as well as ancillary assets children aren't even aware exist.

"There are a lot of groups and resources people can use to help mediate the entire process," said Soules. "Many of them are available right now within your community."

Not every decision is a financial one. Planners have to determine the legacy of their land. Do they want to have a continuing farm? Do they want to donate it to a university? Should it be turned into conservation acres or some combination in between?

From a management perspective, there are a myriad of situations. For example, "I'm a businessman and, at the same time, I'm a farmer," said Soules.

Every farm owner's dream is to pass on his or her legacy. This can entail an agreement that may be inches thick and can take years to complete. These agreements need to be made to ensure a smooth transition from landowner to heirs, avoiding painful, and what can be devastating, results to a family.

Finally, talking about death and the resulting financial decisions can be awkward and uncomfortable. Don't let that deter you from sitting down together and making decisions that can ensure that all heirs are aware of the farm owner's wishes and the reasoning behind them.

"It's paperwork, time-consuming and can be a pain in the butt. But it is worth it because it can keep families together," he said.

The act of succession planning is selfless, and it would be easier to say, 'You guys figure it out after we're gone.' Nothing expresses love and support more than preventing ruinous relationships due to poor succession planning and communication.

Provide Land for a Family to Farm

Keep Rural Communities Vibrant

Tips from Fellow Farmland Owners:

- If you want a family on your farmland, start with your local contacts then use land matching sites
- Decide how flexible you are to working with the tenant or buyer on price
- Consider a long-term rental arrangement, option for purchase or contract for deed

You grew up in a rural community and were among those who moved away. Or you stayed and continued to work the farm but your heirs are not farmers. Either way, you love the farming life and want to help others continue this venerable tradition. Providing land for a family to farm is your top goal, whether that family is related to you or not.

Many of us would agree with Vic Madsen, a farmland owner in Western Iowa, who has as a goal that his land be used to provide a home for a family to live on and work. Says Vic: "A farm is a wonderful place for children. Looking at the farm in 30 years, I'd like to see little kids running around. A farm is more complete when there are little kids on it."

Dale Nimrod's parents purchased a farm in Southwest Iowa in 1944, but his father died before having an opportunity to work the place. Their mother was determined to raise her family on the farm, and did so with a lot of support from the nearby town of Stanton, and the local church. None of the three Nimrod children grew up to be farmers. In 2005, they decided the best way to pay back that community was to sell their 230 acres to a local family.

The family selected Mark and Melanie Peterson for the sale, a couple who were unknown to them before they began searching for the right family. The Nimrods' sale price and terms were based on the production value, rather than the fair market value of the land. We found "a nice young family who would appreciate the land, the community, and the church, and would invest themselves in caring for all three," Dale reports.

If you do not have farming heirs but want a family on your land, it may help to know you are not alone. Fully half of Iowa farmers do not have a successor.[6] Sixty-eight percent of Iowa farmers report they have no adult children who currently farm. For those who have no identified successor, 29 percent don't know what their future plans will be and 20 percent hope to identify successor.

At the same time, there is a surge of those wanting to farm. Practical Farmers has 1,600 of these beginning farmers in its network alone.

Two of those beginning farmers have hooked up to rent land from Rob Fleming, who owns 100 acres of farmland southeast of Des Moines. Rob got in touch with Aaron White through Practical Farmers' Find a Farmer website, and now Aaron leases ground from the Fleming family to contract graze cow-calf pairs. Through Lutheran Services of Iowa, Rob found Alex Congera and his family, refugee farmers from strife-filled Burundi, who now raise vegetables on a portion of Rob's land.

How do you find a successor if you don't have anyone in mind? There may be someone closer than you think. Call old contacts in town, as Dale Nimrod did when he first decided on a strategy to pay back his community. There are a variety of land linking sites, including the ***FindAFarmer.net*** site that Rob Fleming used and Ag Link from Iowa's Beginning Farmer Center (***extension.iastate.edu/bfc/farm***) that may help. Being part of a network, like your county Farm Bureau or Practical Farmers, will introduce you to new farmers more informally.

According to the organization Land for Good, transferring a farm to a non-family successor is often different in many ways. For example, with a family transfer situation, both parties have likely known each other most of their lives. That isn't as likely with a non-family successor. Whether you are leasing or selling, Land for Good recommends solid interviewing of the potential new farmers, to get answers on specific questions like work habits, work ethic, integrity, management skills and growing skills. Also, an introductory period to see if the farm "marriage" works out would be helpful. Perhaps even more than with family farmland transfers, formal arrangements, written out in detail, are critical.

States and federal governments have realized that we have a serious need to get beginning farmers on the land, and have responded with a variety of programs. For example, beginning farmer tax credits are available in Iowa and Nebraska to provide farmland owners an incentive for leasing their land to beginning farmers.

If your land is coming out of the Conservation Reserve Program, consider the Transition Incentives Program, whereby a retiring farmer with expiring CRP land may provide a long-term lease or sell to a beginning farmer who commits to conservation improvements. The program gives the retiring farmer two additional years of CRP payments.

Once you find someone for your land, consider a longer term rental contract. Lack of secure farmland access is a serious problem for today's beginning farmers. If you want to encourage your family to continue the relationship with the beginning farmer after you are gone, consider a buy-sell agreement, whereby your chosen farmer has the first option to buy. Or consider a contract for sale with the beginning farmer while you are still living.

Neil Hamilton is a farmland owner who is using the contract for sale approach. He grew up on, and then inherited, a farm in southwest Iowa and chose to sell to a beginning farmer on a 15-year land contract with a balloon payment at the end. He believes "Adams County needs young farmers owning a piece of land" more than it needs owners who don't live in the area. "Historically this nation's preference was not for tenancy but to convert tenants into owners… Ownership was the goal for a lot of reasons: For security, for wealth creation and for stewardship. Not many people would choose to always be a tenant if they could own the land."

There are a variety of partners out there wanting to assist you in helping beginning farmers to succeed, including local banks and the Farm Credit system. The Farm Service Agency offers highly competitive rates for those farming 10 years or less.

An increasing number of outside investors are also working to help those beginners succeed and might be potential partners for you to get a beginning farmer on the land. Iroquois Valley Farms is one of those companies. Anti-corporate farming laws restrict the ability of some farmland investment companies to own land in some states, but not in Illinois, where Scott Friedman has partnered with Iroquois Valley Farms.

"Finding farmland is tough," Scott says. "In 2001, we lost 150 acres that we had been farming when the acres were sold at auction. That was hard." Then in 2006, a nonprofit purchased land for Scott, and then sold it to Iroquois Valley Farms. "Right after that, my second opportunity to work with Iroquois Valley Farms came up on land just two miles from the first farm," Scott says. "My mom grew up on that farm, and my grandpa, dad and now I have farmed this land for about 75 years. The landowner we knew died, and her three children inherited it. One of them met with my mom, dad and me and said 'we're going to sell the farm.' I thought, 'shoot, I don't want to lose those 230 acres.' But I didn't have the wherewithal to buy it." Iroquois Valley Farms stepped in and purchased the land and once again gave Scott a long-term lease.

Top Resources:

- Land for Good has a variety of resources for farmland owners without farming heirs: http://landforgood.org/
- To find beginning farmers looking for land in Iowa, visit Ag Link: http://www.extension.iastate.edu/bfc/farm and FindAFarmer (findafarmer.net)
- To read about farmland owners who have provided land for non-related farmers to farm (including Dale Nimrod and Rob Fleming), visit: http://www.practicalfarmers.org/member-priorities/farm-transfer/

(See more resources on page 35)

Dale Nimrod, shown here at with his wife, Sunny, at their Decorah home, sold his farmland to help a farm family in his hometown in Southwest Iowa.

Susan and Rob Fleming are using their land southeast of Des Moines for income, for conservation and to provide land for beginning farmer Aaron White and Alex Congera, a refugee farmer from Burundi.

Don't Let Your Family Get Torn Apart

An Interview With David Baker

David Baker is a Farm Transition Specialist at the Beginning Farmer Center. He serves as the key contact for those individuals wishing to pass on their farm operations to the next generation of farmers and ranchers. David also coordinates educational programs and services for those wishing to pursue a career in farming.

"Everyone is a successor."

That's how David Baker views each farm, business, house and assorted property in Iowa today. Baker says succession planning is a general term for continuing businesses from one generation to the next.

"You'd have to go back to the mid-1800s to find someone who homesteaded a farm from the railroads or government," says Baker, who heads Iowa State University Extension's Beginning Farmer Program, which specializes in family farm succession.

"Everyone since then has to have purchased equipment or livestock from somebody else. The goal of the Beginning Farmer Center is to help the next generation of farmers succeed in business."

But if succession planning is such a simple concept, why doesn't everyone have a plan? It all comes down to emotion, and in some cases greed.

Baker has seen firsthand the strain and disruption families without a succession plan face. It's not uncommon for children to become estranged from their parents, possibly ripping their families apart for generations.

"It's sad," said Baker during an interview at his office in Urbandale. "And completely avoidable."

Baker begins succession planning by facilitating meetings between different generations so the older generation can describe what they want out of retirement and how they envision the transfer looking once everything is handed down. Unsurprisingly, this is often the first roadblock, but not for the reasons everyone thinks.

"Some people who retire feel they have no purpose, which leads farmers to push back their planning," said Baker. "Others are afraid to retire because it makes them think about their death or demise."

Baker has come full circle, from the young farmer struggling to find land, to renting his farm for the first time this year.

The young farmers who are handed the reins really are no different from him starting out 38 years ago, Baker notes. Despite significant technological advances, with farming comes the same sense of pride and independence, relationships and family.

That's where the Extension program steps in, arming scholars with research-based information from Iowa State University and sharing it throughout Iowa. They frequently:

- Share information they have gathered on the latest state and federal loan programs
- Draft new lease arrangements and the accompanying documents
- Help design beginning farmer tax credits
- Assist veterans returning from military service

The last point in particular has emerged as a large mission for the Beginning Farmer Program, as agriculture has a big footprint on the Home Base Iowa board, the premier program set up by the state to attract returning veterans to available jobs. They bring farm families to the table and are in regular contact with Iowa Gov. Terry Branstad and the state's agricultural secretary, Bill Northey.

"Veterans come home to finish school, buy new vehicles, build and rent houses, ready to raise families in our communities," says Baker.

Baker walks families through the entire process, from the very first time they sit down together to help them understand they are not the first, and will not be the last, to be involved the peaceful transfer of assets from one party to another.

"Just because they may not be taking over the farming operation, non-farm siblings have got to be involved every step of the way," said Baker. "Any normal person doesn't understand how many millions of dollars is wrapped up in equipment and infrastructure."

Outside blood relatives, you need attorneys, CPAs, a facilitator like Baker, lenders, bankers, pastors, insurance agents – everyone who has a stake in the future ownership needs to be involved, especially non-farming siblings.

As the succession planning process progresses, there can be arguments and hurt feelings. Baker can sometimes endure the brunt of it as they mediate through him as the neutral third party.

People have a sense of belonging and it's more than just a business, he notes. It can be heartbreaking for an older generation to see a farm – their life – simply vanish. They want to see someone succeed with the farm, hoping whoever takes over will leave the farm better than they found it. The Beginning Farmer Program does not shy away from sensitive, emotional topics.

"We don't want to cause a conflict by not talking about something," said Baker. "People make assumptions and conflict goes up. If you communicate about your ideas, thoughts and feelings, conflict will go down."

He takes families through the criteria they need to meet in order to make the transaction successful. As he says, even a farm sale is succession. The business itself can die, but the assets live on.

Whether you have a succession plan or not, there is going to be a successor. Without a will, you're essentially giving everything you have owned and worked for and leaving it to the discretion of legislators and judges. Legally, this means a rote, one-size-fits-all succession, regardless of what was actually intended.

Perennial challenges remain. The younger generation is impatient — they want it today. On the flip side, the older generation often has their foot on the brake. They think of things like taxes and making sure people are mentored. Baker says he's seen examples where a 90-year-old farmer has a 60-year-old son who still hasn't written a check.

"I have been to funerals where the deceased still maintained control of the farming operation, meaning if there is a younger heir, they probably aren't ready," said Baker. "If you're 75 and haven't turned the farm over to the next generation, you really haven't done a good job of preparing them to take over."

Baker believes any challenge can be worked through so long as all parties are open to the idea of succession planning and communicate everything even if it means raised eyebrows and some hurt feelings in the moment. Ultimately, if the plan is on paper and agreed to by all the stakeholders, it will save families from fights, estrangements and costly litigation in the future.

Baker notes that when families make the commitment to see succession planning through to the end, they almost always feel a sense of peace.

"Nothing gives me greater satisfaction than when I get done with a farm family and hear a mother say, 'I've never, ever had someone facilitate a meeting as well as you. You've brought out more issues for this family than we would have ever imagined,'" says Baker. "That's what we do."

Resources to Help our Next Generation of Farmers
The Beginning Farmer Center at Iowa State University is a joint effort of the ISU College of Agriculture and Life Sciences and ISU Extension and Outreach, which deliver the Center's programs and activities. Objectives of the Center include: assess the educational programs and services needs of beginning and retiring farmers; develop and deliver statewide programs to address needs; and serve as the one-stop resource for beginning farmers and farm succession planning.

Giving Back

Using Your Farmland to Benefit a Worthy Cause

Tips from Fellow Farmland Owners:

- Communicate your conservation values to your heirs
- With the tax benefits, donating farmland may make more financial sense than you think
- Talk with a charity about how they will use your farmland before making a donation

Helen Gunderson of Ames, Iowa, grew up on a farm in Northwest Iowa and knows she is privileged to have inherited some of the land her family had accumulated since 1878, when her great-grandfather and his brother first came to Iowa. She has spent years reflecting on the ethical issues of land ownership and documenting the history of the rural neighborhood where she grew up (see ***gunderfriend.com***).

As she thought about the personal legacy she wanted to leave, she recognized that no plan for the future of her farmland was perfect. She also realized the importance of making the best choices possible based on currently available information and acknowledging that how circumstances evolve over the decades and centuries is out of her control.

In light of those factors, Helen concluded a few years ago that it would be best in her estate plans to give to the public and natural good by donating her land to a handful of organizations that had either enriched her life, could preserve her documentary work and/or had the best potential to ensure ethical stewardship of the land. The two main organizations she chose are the Iowa Natural Heritage Foundation and Practical Farmers of Iowa.

Many farmland owners choose Helen's path for their farmland legacy. After all, we have been given a lot; donations to charity are a way to give back. Churches and universities for example, have benefited many times over from donations of farmland and use the rental or sale of the farmland for much-needed operating expenses.

There are a variety of ways to make a donation of your farmland, from a bequest (in your will) to a gift now with a reserved life estate, as Helen has arranged with the Iowa Natural Heritage Foundation. As she explains, the gift with a reserved life estate is "an irrevocable gift, but I will pay input costs such as property taxes and insurance and receive the income" during her lifetime.

Another option is the charitable remainder trust, a tax-exempt irrevocable trust, which is designed to reduce your taxable income. Through a charitable remainder trust, you transfer your farmland to the trust, and, for example, could use the farmland to provide income for your (and your spouse's) lifetime. When you both pass on, the farmland is then donated to the designated charity. With a charitable remainder trust, you cannot change your mind after transferring your farmland.

When you consider a donation of farmland, ask questions about the charity's intent and procedures for using your farmland donation. Some donors have been shocked to find that the nonprofit organization they selected turned around and immediately sold their farmland at auction. Dale Nimrod, of Decorah, Iowa *(see page 16)* comments that organizations may view the land "as a financial investment and not, for example, as a strategy to keep farmers on the land or benefit conservation. If someone offers to donate a farm to a college, the college usually makes it very clear that it is not in the business of managing farms and that it will sell the farm upon receiving title to it, usually to the highest bidder. I think (and hope) most charitable institutions are up-front with potential donors in this regard."

A few new programs have started that provide income for a charity but also allow you a say in how your farmland will be farmed in the future. Keep Iowa Growing, a project of the Community Foundation of Greater Des Moines, allows landowners and their heirs to ensure their land stays in production while simultaneously using the rental income to benefit their local community and the region. You make a gift of farmland or retain a life interest in that farmland, and then choose the charities of your choice to benefit. Minnesota has a similar program through its Minnesota Initiative Foundations. With these programs and other similar ones, you receive a tax deduction for the charitable portion of the gift; bypass all capital gains taxes and create a stable revenue source for the remainder of your lifetime.

The Beauty of the Land
When Conservation is Your Top Goal

For many farmland owners conservation is a top farmland goal, whether they choose a strategy of donating their land or not. Chris Henning is one of those landowners. Her 320-acre farm in Central Iowa includes cropland, timber, a pond and land enrolled in the Conservation Reserve Program. "I do it for the beauty and the history, and if there was a way to have buffalo or prairie chickens I would. Instead, I enjoy the coyote, the pheasant and the deer in abundance. I do it for the history - since 1854 my ancestors have owned land and farmed in the county. I do it for them and for my kids and my sisters' kids and grandkids, continuing the tenuous thread that we have in this world."

The conservation-minded Isaksons (Leon and Marilyn), Northeast Iowa.

If you, like Chris, have conservation as a top goal for your farmland when you are gone, here are some basic questions to ask:

- Do you want your farmland to be farmed in the future?
- If you want it to be continued to be farmed, do you want to place legal restrictions on how it is farmed?
- Do you want it to stay in private hands or to be owned by an organization that will protect its conservation value?

If you want your heirs or another family to continue to farm your land in a manner that protects the environment, document your goals and values for the farmland and what you did to leave the land better than how you found it. Be as specific as possible! Was soil conservation your priority? Improving water quality? Providing habitat? Your heirs will appreciate knowing more about your conservation values and how you put those values into place.

A will is a good place to document your commitment to stewardship and your vision that your stewardship priorities will continue in the future. You could lay out certain required conservation practices in your will or in a trust agreement. Think carefully, however, about whether your language will allow future stewardship-minded farmers the flexibility to continue to make a living off the land.

You may feel so strongly about conservation that you want to consider an agricultural conservation easement. Agricultural conservation easements are designed to keep land available for farming. They are designed to limit subdivision, non-farm development and other uses that are inconsistent with commercial agriculture.

Many governments and nonprofit organizations accept donations of farmland for conservation purposes. You can donate during your lifetime or donate with a reserved life estate (like Helen did). You can sell at either fair market value or at a bargain sale. With a bargain sale, you receive the proceeds from a reduced sale price of your land but you may qualify for an income tax deduction based on that discounted price. Meanwhile, your capital gains taxes associated with the sale may become smaller or nonexistent. The Iowa Natural Heritage Foundation has more on bargain sales as well as a wealth of information on conservation options for landowners.

Top Resources:

- Invaluable resource for farmland owners who have conservation as a top goal:
  www.iowalandoptions.org
- This website hones in on conservation practices you might want to include in your leases or even in a sale of farmland:
  http://sustainablefarmlease.org/
- This is a complete toolkit for conservation-minded farmland owners facing transfer issues:
  http://farmtransitions.org/tool-kit/

(See more resources on page 36)

Understanding the Value of a Bank Trust Department

Home State Bank

Every estate plan is unique. Just as every person is different, each individual's desires for what happens to their estate after death is distinct. There are many issues that can come up in estate planning and questions that need to be answered, such as: Do you wish to keep your farmland in the family in case your grandchildren decide to farm? Is there a charity you would like to support? Do you want to assure your children or grandchildren have funds for college? Do you have a family member with special needs? There are estate planning tools for each of these unique situations.

Trusts
A common estate planning tool is a trust. Trusts can be established through a will, an agreement funded during lifetime, or by the court. No matter how the trust is established, a trustee is obligated to follow the terms of the governing instrument and all laws and regulations to administer the trust.

As trustee of an irrevocable life insurance trust, Home State Bank has seen life insurance products used as a strategic planning tool for some estates. A trust document can direct how life insurance proceeds will be used upon death. A trust such as this can provide the funds necessary for family buy-sell agreements and potential bargaining. Sometimes, this type of trust allows for a cash infusion necessary to keep the farmland owned by members of the family.

Revocable trusts are becoming quite popular in estate planning. One of the wonders of a revocable trust is the ability to manage the assets held in the trust during your lifetime. Your trust document directs who will take on those trustee responsibilities if you become disabled or die. It is not unusual to have a family member as a tenant of your farmland and also named as a beneficiary under your trust. These types of situations can be very difficult for families. Sometimes it makes sense to name a non-family member as a trustee of this type of trust to relieve some of the day-to-day stresses and pressures between the family members and offer open communication to beneficiaries while providing objectivity and preserving the family harmony. An added benefit of a revocable trust is that it is a private contract and does not require court probate at death.

Advantages of a Professional Partner
Since every estate plan is different, finding a professional partner that can administer your trust according to your wishes is important. A trust may require supervision over a period of several years and can be time-consuming and complicated. Professional trust departments can deliver a personal experience by working alongside your current attorney, financial planner and tax advisor. They can help take the complexities out of estate planning by relying on years of experience.

Bank trust departments go through routine internal and external audits and are also subject to regulatory oversight. Banks are constant and stable and have an entire staff trained in practices unique to trust administration. If something should happen to an employee within a trust department, the bank is still there with trained staff to allow consistency in overseeing the trust.

Giving your family peace of mind is key in the succession process. Oftentimes this is the reason many choose to appoint a corporate or professional Executor, Trustee or Agent. By appointing a professional, your wishes are realized while relieving the stress and pressure from your family. This can help preserve family harmony.

Professional trustees make sure your estate is handled quickly and efficiently and can offer investment management expertise that an individual family member may not have. If one or more heirs of an estate are involved in your farming operation, a bank trustee can help provide objectivity for all the heirs, assuring your wishes are carried out for future generations.

Your Land, Your Legacy

Farmland is your legacy. A trustee or executor should be committed to protecting your land and exploring opportunities to promote appreciation of the land. Appointing a land management team to manage the day-to-day details of your farm can help.

Land managers can oversee administering leases, collecting rent, paying expenses, making farm visits, meeting with the farm operator, and insuring compliance with farm government programs. A good land management team will be committed to sustaining your farm for the future through the supervision of capital improvement projects and by promoting stewardship through tillage practices and conservation strategies.

Be Prepared

Your farmland is the result of years of your hard work and dedication – perhaps several generations of devotion to the land. The best thing you can do is plan now for the next era. What that looks like for you will be different from your neighbor. Every situation is different. The one thing that remains constant is the need to have a plan. Have the conversations now. Find an attorney that can direct you on a path to your end goal. Then get the people in place to see that plan through.

HOME STATE BANK
Jefferson, Iowa

About Home State Bank

Home State Bank was organized in 1934 by Warren Garst. Mr. Garst was an innovator in providing financial services to agriculture and quickly became recognized across the nation as "The" agricultural banker. The bank was later owned by Warren's daughter Mary and her husband, Stephen, and today is owned by their six children.

The progressive foresight handed down through the generations continues to be a driving force today. This is evident through the practice of high-tech methods used by Home State Bank such as drone technology, AgSolver software solutions, and advanced risk analysis techniques. The bank staffs 35 employees and reaches customers in 45 different states. Home State Bank was the recipient of the 2016 Extraordinary Bank of the Year Award for being the top bank in the United States, presented by the Institute for Extraordinary Banking™.

Providing for Your Heirs

Building Wealth With Your Farmland

If you want an example of the financial security that owning farmland provides, look no further than Barb and Wayne Opheim, who live in Mason City but grew up in Northwest Iowa. Wayne's family lost their farm during the Great Depression, and he and his nine siblings grew up poor. His mother lived her later years only on her Social Security payments. Just miles away, Barb's family held onto their farm, and today – more than 80 years later – the land she inherited has provided a nice cushion for their retirement.

Owning farmland is a top strategy for ensuring your assets endure the test of time. Farmland is resistant to inflation and historically has provided a decent return on investment. For people like Twyla Hall of Bettendorf, Iowa, it can provide a sense of emotional security as well. "I want this farm to be a place for my family to live if times get bad," says Twyla, who owns 160 acres in Central Iowa. "My mom and dad sacrificed to pay for this farm and make a living and pass it on to the next generation. I hope that my children will preserve the land and the farm for my grandchildren."

What are some tips for making sure farmland helps provide your heirs that financial and emotional security? First of all, have an updated estate plan, which includes:

1. A will, which gives instructions about how you want your assets distributed;
2. A Power of Attorney, which allows you to select a person you trust to make financial and healthcare decisions for you if you are incapable of making them on your own; and
3. A living will, sometimes called an advanced or healthcare directive, which states your wishes in certain health-related scenarios. Often times, this involves what might happen if you're in a coma or cannot be resuscitated.

It sounds like simple advice to have an updated estate plan, but a recent study suggested that 55 percent of adults in the United States do not even have a will.[7] Dan Specht, who raised cattle on his farm near the Mississippi River in Northeast Iowa, died a few years back in a farm accident. He did not have a will and therefore missed the opportunity to use our legal system to guide the future of his farmland. (Through his deeds during his lifetime, however, he left behind quite a conservation legacy that friends and relatives continue to implement on his land.)

Don't try to go it alone in deciding the future of your farmland. There are a lot of written resources, organizations and workshops that can help. These are not, however, a replacement for the team of experts you will need for farmland transfer. At a minimum, according to the Farm Journal Legacy Project, you need an accountant, lawyer and a financial planner. You may also want a project manager to facilitate the process, an insurance professional, your banker and trust officer as well.

Start early with your planning, like the Bakehouses, who own land in Southwest Iowa. "The 700 acres of farmland we now have were incorporated in the late 1970s and named Maple Edge Farm," Jon Bakehouse explains. "My parents started transferring shares to my sister and me as soon as they could, maximizing the yearly gifts they could make. My grandfather almost lost the farm when his parents died and he had to pay inheritance taxes. He spent years getting the farm back on track. That was a big lesson for my parents."

Farmland can be held in a variety of business structures that determine how the land is owned, how it is managed and how profits and losses are allocated and distributed. These business structures also determine how the farmland interests are transferred and what brings the business structure to an end. For example, a sole proprietorship ends when the owner dies. C and S corporations can last beyond the original landowners' deaths. General/limited liability partnerships, limited partnerships and limited liability corporations end at an agreed term or terminate at the death of a partner.

The Bakehouses incorporated their farm, in part, to make it easier to transfer units or share of the business. In contrast, a sole proprietorship cannot easily transfer a few acres at a time. Iowa State University Extension has an excellent chart listing the advantages and disadvantages of each legal structure. In it, the university ranks the "estate planning opportunities" for C corporations, limited partnerships and limited liability companies as "very good." General limited liability corporations are ranked as "good." S Corporations and sole proprietorships rank only "fair" for estate planning purposes. Check with your attorney for more information.

You might want to form a trust to hold and provide guidelines for the management of your property. Trusts can be very flexible and help save on estate settlement and probate costs. According to the University of Minnesota

Tips from Fellow Farmland Owners:

- Keep your estate plan updated
- Start early in transferring your farmland wealth
- Communicate your desires for your last days to your heirs

This publication is for educational purposes only. Please consult trained professionals knowledgeable about the laws in your state.

Extension, they are used for the management of assets for minors and the elderly, for handicapped persons, as well as to protect assets from lawsuits. Trusts are also used to manage property if your surviving spouse wants someone else to manage the assets. You could also use a trust to leave someone a limited interest in property.

Among the population aged 65 and over, 69 percent will develop disabilities before they die and 35 percent will eventually enter a nursing home.[8] Long-term care insurance may help eliminate the need to sell farmland, but if you do buy long-term care insurance, the University of Minnesota typically recommends purchasing it when you are 50-60 years old and, as a rule of thumb, not to spend more than 5 to 7 percent of income on it.

The Bakehouses have been using gifting to transfer the farmland to the next generation for more than 20 years.

"Long-term health care planning is a key part of the transition planning process," according to Gary Hachfeld of the University of Minnesota. "With medical costs escalating so rapidly, long-term care costs can financially cripple a farm business if no planning is done. People with any amount of assets at all will find it virtually impossible to qualify for Medicaid for a nursing home stay unless they liquidate assets, which then can end the farming business. Not only does the senior generation need to do long-term health care planning but the entering generation must as well. Of those individuals receiving nursing home care, 40 percent are under the age of 65 so long term care needs can affect any age group. Attorneys tell me most folks are at best complacent about long-term care issues and do not think about it when they develop their business transition plan."

End-of-life issues bring up a sensitive question: Whose money is it anyway? According to Northeast Iowa farmer Irene Frantzen, "I know of one family where a child said, 'That is MY money taking care of Dad in the care center.' That money is the parents'. You might inherit it someday, but it is not your money. The cost of long-term care is a brutal truth, and all that money may be needed to help with the care of the parents."

Irene is right. It is important that you use your resources to provide for your last years.

Tom and Irene Frantzen have taken steps such as purchasing insurance to protect their farmland from the cost of end-of-life care.

It is less likely, however, that you will have farmland to pass on to the next generation if you haven't saved for retirement and end-of-life care. Much of the cost of end of life care includes very expensive medical interventions that some people do not want. By completing a living will, or advanced or healthcare directive, you can indicate a preference for palliative over aggressive care. Discuss your end-of-life wishes with your children as well. Farmland owners Wayne and Barb Opheim are among those who have used the simple form available at ***theconversationproject.org*** to talk about questions like: How long do you want to receive medical care? Are you worried that you won't get enough care, or worried that you will get overly aggressive care?

In the end, remember that providing financial security for your heirs may not preclude you from leaving a legacy of conservation, keeping families farming, benefiting a charity or – perhaps most importantly – keeping family harmony. As one former farmland owner said after she and her other non-farming siblings sold the farmland they grew up on: "Preserving family is more important than preserving land."

Top Resources:

- Excellent series on estate planning (including farm transfer and long-term care insurance): http://www.extension.umn.edu/agriculture/business/farm-transfer-estate-planning/
- Readable guide to different business entities for farm businesses, includes information on farm transfer: http://www.uvm.edu/farmtransfer/
- Iowa business structures, including chart on advantages and disadvantages: https://www.extension.iastate.edu/agdm/wholefarm/html/c4-52.html

(See more resources on page 37)

For Farmers, Farm Families, and Farm Businesses: Wills, Trusts, Estates, and Estate Planning Basics

Gordon Fischer has been an active and accomplished Iowa lawyer for more than 20 years. Wills, trusts, estates and estate planning are among his core services offered at Gordon Fischer Law Firm, P.C. Gordon's grandfather and father were both farmers in Germany.

Your land is your legacy. Iowa farmers, farm families, and farm businesses must act to protect their legacies through proper estate planning. This article summarizes the basics of estate planning for landowners.

What IS an Estate Plan, Anyway?

Estate planning is not exactly material for scintillating conversation. In fact, I'd bet most of us like to avoid this topic because it can be confusing, and requires lots of decision-making. And, well, yes, it forces one to think about one's own mortality. Estate planning, after all, is a roadmap about what you want to happen after you move on from this life. While it may not be a fun topic, it is indeed a necessary one. It's especially important, of course, for landowners.

Estate Planning, Six Basic Documents

What do we talk about when we talk about estate planning? There are six documents that should be part of everyone's estate plan. Additionally, you should also keep these six documents updated and current. Also, don't forget about assets with beneficiary designations (such as IRAs and bank accounts).

For many Iowans, that's enough—keeping six documents current, and remembering those assets with beneficiary designations. For all farmers, farm families, and farm businesses, though, you'll need these six documents, *plus* a trust.

We'll go through each of the six documents briefly, so you have a sense of what each entails. Then we'll discuss *trusts*, which are so critically important to landowners that they merit a separate and longer discussion.

The Six Basic Documents of Your Estate Plan

Again, there are six basic documents that should be part of most everyone's estate plan:

1. Estate Planning Questionnaire
2. Last will and testament
3. Power of attorney for healthcare
4. Power of attorney for finances
5. Disposition of personal property
6. Disposition of final remains

We'll go through each document briefly, so you have a sense of what each entails.

Estate Planning Questionnaire

Estate planning involves facing heavy questions, and depending on the amount of assets and beneficiaries you have, may take quite a bit of time and thought. I recommend clients (and even those who aren't my clients) complete an Estate Planning Questionnaire. An Estate Planning Questionnaire is an easy way to get all of your information in one place, and makes it easier for your attorney to build your estate plan. As with any project, it helps "to begin with the end in mind." A questionnaire can help get you there.

Last Will and Testament

Now let's discuss your last will and testament. At bottom, with your will, you'll be answering three major questions:

1. Who do you want to have your stuff? This includes both tangible and intangible things. An example of tangible items would be your coin collection. An example of an intangible asset would be stocks. And, of course, a will would cover your land—who will inherit it, and how.

2. Who do you want to be in charge of carrying out your wishes as expressed in the will? The "executor" is the person who will be responsible for making sure the will is carried out as written.

3. If you have kids under age 18, a third question: who do you want to take care of your minor children? You'll want to designate a legal guardian(s) who will take care of your minor children until they are adults.

Power of Attorney for Healthcare

A power of attorney for healthcare designates someone to handle your healthcare decisions for you if you become unable to make those decisions for yourself. A healthcare POA can govern any kind of decision that is related to your health that you want to address. A healthcare POA may include decisions related to organ donation, hospitalization, treatment in a nursing home, home health care, psychiatric treatment, and more.

For example, if you don't want to be kept alive with machines, you can make this clear in your POA for healthcare. But, keep in mind your POA for healthcare isn't just about end-of-life decisions, again, it can cover *any* medical situation.

Power of Attorney for Finances

The power of attorney for financial matters is similar, only your designated agent has the power to make decisions and act on your behalf when it comes to your finances. This gives them the authority to pay bills, settle debts, sell property, or anything else that needs to be done if you become incapacitated and unable to do this yourself. It might be obvious by now, but I'll state it just in case: choosing an agent for a power of attorney requires that you think long and hard about who would be best suited for the job and who you trust.

Disposition of Personal Property

Now, let's get to the disposition of the personal property. This is where you get specific about items you want particular people to have. If you're leaving everything to one or two people, then you may not need to fill this out. But, if you know you want your niece Beth to have a specific piece of jewelry, and your cousin Karl to have that bookshelf he loved, then you'd say so in this document.

Disposition of Final Remains

We come to the disposition of final remains. This document is where you get to tell your loved ones exactly how you want your body to be treated after you pass away. It can be as general as simply saying "I want to be cremated," or it can be specific and include details of plots you've already purchased or arrangements you've already made.

Let's say you've gone to an estate planning lawyer, and these six basic estate planning documents have been drafted and signed. What else? You need to keep these documents updated and current. If you undergo a major life event, you may well want to revisit with your estate planning lawyer, to see if this life event requires changing your estate planning documents.

What do I mean by a major life event? Some common such events would include:

- Selling or buying land
- The birth or adoption of a child or grandchild
- Marriage or divorce
- Illness or disability of your spouse
- Purchasing a home or other large asset
- Moving to another state
- Large increases or decreases in the value of assets, such as investments
- If you or your spouse receives a large inheritance or gift
- If any family member, or other heir dies, becomes ill, or becomes disabled

This is just a short list of life events that should cause you to reconsider your estate plan.

Beneficiary Designations

Those are the six basic estate planning document you need to keep current. Also, don't forget about your beneficiary designations.

For example, savings and checking accounts, life insurance, annuities, 401(k)s, pensions, and IRAs are all transferred via beneficiary designations. These beneficiary designations actually *trump* your will.

Regarding assets with beneficiary designations, you must make sure that designations are correctly filled out and supplied to appropriate institution. Remember to keep these beneficiary designations updated and current as well.

For farmers, farm families, and farm businesses, though, you'll need these six documents, *plus* a trust. Trusts are so critically important to landowners they merit their own discussion. Specifically, let's discuss the benefits of trust, parties to a trust, and a few of the major types of trusts.

Benefits of Trusts

The potential benefits of trusts for landowners are immense. The benefits include greater control and flexibility, asset protection, privacy, avoiding probate, and other costs savings.

Planning for Business Continuity

For landowners, one of the most important reasons to have a trust is to provide for business continuity in the event the owner dies or is incapacitated. A trust can name successors to run the business and provide uninterrupted management.

Unlike a trust, a will cannot address situations when the business owner is incapacitated and not dead. In cases where the landowner is incapacitated, but has only a will, the family must have the probate court appoint someone to act on the owner's behalf. This process can take time and will require attorney's fees.

A trust allows a co-trustee or a successor trustee to have unrestricted access to assets in the event of your incapacity. You can name an individual(s) to run the farm business if you are unable to do so, and the individual(s) can do so immediately.

If a landowner dies with only a will as the primary estate vehicle, the probate court would need to appoint a so-called "personal representative" for business interests, and this process can take several weeks or even months to accomplish. In addition, the personal representative will most likely need approval of the probate court to continue to run the farm in the long term.

Again, a major strength of a trust is that it allows a co-trustee or a successor trustee to act on your behalf, so even after your death, your business can continue without interruption.

Avoid Probate

Another important benefit of trusts is avoiding probate. This is because, upon death, the trust dictates how trust property will pass. Avoiding probate saves both time and money. The probate process is time-consuming, taking anywhere from several months to a year to complete, or even longer. Probate can also be expensive. Attorney's fees alone can amount to two percent of the total estate, or even more in extraordinary cases. For landowners, two percent of their land's value can be a very high number.

If you own land in more than one state, avoiding probate becomes even more important, since a separate probate action is (most often) required in each state. This may well require you to hire attorneys in each state where property is held.

Often, the cost of creating a trust, and having a deed prepared to transfer ownership of land to the trust, is considerably less expensive than the cost of probate would have been.

Privacy

Many landowners, especially in small towns, have a strong desire to keep business affairs private. When a will is filed with an Iowa court upon death, the will becomes a public record. Trusts, on the other hand, remain private documents.

Many farm families find the privacy argument compelling. They do not want their neighbors and friends—nor any relatives who are not provided for in the estate—to learn about either the extent or disposition of assets.

Second Marriages and Blended Families

Trusts are also needed in situations involving second marriages or blended families. When married couples have children from previous relationships, the surviving spouse has the ability to disinherit stepchildren. A trust can remedy this situation by providing lifetime benefits to the surviving spouse but, after his or her death, leaving assets to children and stepchildren.

Special Needs Trusts

Families with members who have special care needs must take a careful estate planning approach. For example, when a person receives government assistance due to a disability, a gift or inheritance might result in denial of benefits. However, assets can be left in certain types of trusts (for example, a special needs trust), to provide for supplemental needs, allowing persons with disabilities to continue to receive benefits.

What is a Trust?
In simplest terms, a trust is a legal agreement between three parties: grantor, trustee, and beneficiary. Let's look at each of these three parties.

Grantor
All trusts have a grantor, sometimes called the "settler" or "trustor." The grantor creates the trust, and also has legal authority to transfer property to the trust.

Trustee
The trustee can be any person or entity that can take title to property on behalf of a beneficiary. The trustee is responsible for managing the property according to the rules outlined in the trust document, and must do so in the best interests of the beneficiary.

Beneficiary
The beneficiary is the person or entity benefiting from the trust. The beneficiary can be one person/entity or multiple parties (true also of grantor and trustee). Multiple trust beneficiaries do not have to have the same interests in the trust property. Also, trust beneficiaries do not have to even exist at the time the trust is created (such as a future grandchild, or charitable foundation that has been set up yet).

Trust Property
A trust can be either funded or unfunded. By funded, we mean that property has been placed "inside" the trust. This property is sometimes called the "principal" or the "corpus."

Any Asset
Any asset can be held by a trust. Trust property can be real estate, intangible property, business interests, and personal property. Some common examples of trust property include farms, buildings, vacation homes, money, stocks, bonds, collections, personal possessions, vehicles, and so on.

"Imaginary Container"
We speak of putting assets "in" a trust, but assets don't actually change location. Think of a trust as an "imaginary container." It's not a geographical place that protects, say, your car, but a form of ownership that holds it for your benefit. For instance, on your car title, the owner blank would simply read "the John Smith Trust." It's common to put real estate (such farms, homes, vacation homes) and entire accounts (like bank, credit union, and brokerage accounts) into a trust.

After the trust is funded, the trust property will still be in the same place before the trust was created—your land where it always was, your car in the garage, your money in the bank, your stamp collection in the study, and so on. The only difference is the property will have a different owner: "The John Smith Trust," not John Smith.

Transfer of Ownership
Putting property in trust transfers it from personal ownership to the trustee, who holds the property for the beneficiary. The trustee has legal title to the trust property. For most purposes, the law treats trust property as if it were now owned by the trustee. For example, trusts have separate taxpayer identification numbers.

But trustees are not the full owners of trust property. Trustees have a legal duty to use trust property as provided in the trust agreement and permitted by law. The beneficiaries retain what is known as equitable title: the right to benefit from trust property as specified in the trust.

Assets to Beneficiary
The grantor provides terms in a trust agreement as to how the fund's assets are to be distributed to a beneficiary. The grantor can provide for the distribution of funds in any way that is not against the law or against public policy.

Types of Trusts Almost Limitless
The types of trust are almost limitless. Trusts may be classified by their purpose, duration, creation method, or by the nature of the trust property.

One common way to describe trusts is by their relationship to the life of their creator. Those created while the grantor is alive are referred to as ***inter vivos trusts*** or ***living trusts***. Trusts created after the grantor has died are called ***testamentary trusts***. Another helpful classification of trusts is comparing those which are ***revocable*** compared to trusts which are ***irrevocable***.

Inter Vivos Trust
An inter vivos trust, also known as a living trust, may be revocable or irrevocable. In a revocable trust, the grantor can retain control of the property, if the grantor so wishes, and the terms of the trust may be changed, or even canceled. An irrevocable living trust, on the other hand, may not be changed or terminated after it is executed.

Testamentary Trust
A testamentary trust is most often a component of a will. The testamentary trust is created when the trustor passes away. The designated trustee then steps in and distributes or manages the assets of the trust according to the deceased's wishes.

Revocable Trust
A revocable trust can help assets pass outside of probate, yet allows you to retain control of the assets during your (the grantor's) lifetime. It is flexible and can be dissolved at any time, should your circumstances or intentions change. A revocable trust typically becomes irrevocable upon the death of the grantor. You can name yourself trustee, or co-trustee, and retain ownership and control over the trust, its terms, and assets during your lifetime, but make provisions for a successor trustee to manage them in the event of your incapacity or death. Although a revocable trust may help avoid probate, it is usually still subject to estate taxes. It also means that during your lifetime, it is treated like any other asset you own.

Irrevocable Trust
An irrevocable trust typically transfers your assets out of your (the grantor's) estate and potentially out of the reach of estate taxes and probate, but cannot be altered by the grantor after it has been executed. Therefore, once you establish the trust, you will lose control over the assets and you cannot change any terms or decide to dissolve the trust. An irrevocable trust is generally preferred over a revocable trust if your primary aim is to reduce the amount subject to estate taxes by effectively removing the trust assets from your estate. Also, since the assets have been transferred to the trust, you are relieved of the tax liability on the income generated by the trust assets (although distributions will typically have income tax consequences). It may also be protected in the event of a legal judgment against you.

Do you have an estate plan?
Why or why not? Do you think an estate plan might be helpful to you, your family, and your farm? I'd love to hear from you; reach me any time by email at gordon@gordonfischerlawfirm.com or by phone at 515-371-6077.

A great place to start: Estate Planning Questionnaire
Here's my Estate Planning Questionnaire, offered for free, and without any obligation. Simply go to my website, ***gordonfischerlawfirm.com***. My Estate Planning Questionnaire is a PDF. You can print it and fill out with pen/pencil, or fill it out on your computer (just remember to save often!).

GORDON FISCHER LAW FIRM

Conclusion

By Steve Bruere

Passing on your farmland to the next generation, a charitable cause or hospital, a community or civic group, or a university or school, is of the single most selfless acts.

It is not just because of the raw dollars or physical property you are gifting. The time, effort, energy and emotion before the handoff occurs is where the real sacrifice is at play. It is about letting go. It is acknowledging that you will not forever be here but your land, cash, property, keepsakes and other valuables carry on in some shape or form and for how long depends on your best laid plans.

As David Baker says in this piece, "Everyone is a successor."

He's right. None of us got here on our own. We had people toiling these lands since before the United States existed as a country, working to provide for themselves and gifting their excess through plans very similar to what is discussed on these pages, maybe not in complexity, but in intent.

The key with all of it is, put it in writing.

There is a lot of useful information on these pages. What struck me most is the level of passion from the people who succession plan for a living. It is clear how many horror stories exist as a result of a lack of succession planning or failing to communicate your plan to your heirs and their in-laws.

David Baker is working to bridge the trust gap that exists between heirs, and understands our communities are better off if assets remain locally-owned. These families are our civic volunteers, provide the children who keep our schools open and offer the ideas for making life better in rural America.

Gordon Fischer showed us that while emotions run high, your intentions will never be realized if you don't also go through the technicalities of succession planning. It is not easy, and this is why experts like Gordon provide the estate planning tools you need in order to make sure you are concrete in your plans.

Chris Soules has seen friends and family ripped apart due to a lack of succession planning. He used these painful stories as his impetus for ensuring the same will not happen between he and his non-farm heir sisters.

And of course, Teresa Opheim does a terrific job recounting her years of work, research and interactions on this issue. We always learn from the real-world examples of the families she speaks with.

We hope you enjoyed this white paper. I want to thank everyone who contributed, and my hope is the lessons in here provide a path and prevent the pain as you prepare to pass on your legacy. The wealth transfer we are going to experience in agriculture over the next 20 years will represent the largest transfer of wealth in the history of our country. Those who fear taking the steps to plan now will ultimately allow the forces of greed determine the fate of their assets. Don't let greed and fear be your final legacy. Preserving asset value and family harmony can only be achieved with very specific and intentional planning. As Benjamin Franklin said years ago, failing to plan is planning to fail.

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Peoples Company is a leading provider of agricultural land brokerage, land management, land appraisal and land investing services in the Midwest. The Land Investment Expo is the cornerstone of the Peoples Company's aggressive marketing tactics, with an innovative team of ag real estate sales professionals striving to connect landowners and investors in 14 states. The Peoples Company real estate brokerage is licensed in Iowa, Arkansas, Georgia, Illinois, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, North Dakota, South Dakota, and Wisconsin. For more information visit ***PeoplesCompany.com***.

Write Your Own Farm Legacy Letter

In this booklet, or on your computer, please provide the following information. Then share with your heirs, to start a conversation about the future of your farmland.

Date: ___________________

Section 1:
(farm basics, the "nuts and bolts")

My farm is ________________ acres located:

I have owned the farm since:

Enterprises on the farm include:

We used to have the following enterprises on the farm:

My farm has changed over the years in the following ways:

Section 2:
(strong memories and events, the "heart and soul")

My strongest memories of the farm are:

I remember best these sights/smells/sounds/touches/tastes:

These events stand out as particularly important about the farm:

Section 3:
(from results of goal-setting activity on pages 2-3)

My number one goal for my farmland is:

This is my very top goal because:

The following goals are also my priorities (although not my top goal):

These are important goals for me because:

Section 4:
(conclusion, the "parting gifts")

It is important that my farm is managed like this:

30 years from now, I want people to remember this about my farm:

Lastly, I want to leave you with this information:

Resources

What Matters Most? Set Goals First
Pages 4-6

Goals clarification worksheet and other tools for getting started with farm transitions:
http://www.farmjournallegacyproject.com/tools/#getstarted

A variety of resources on goal setting, assessments and family communications:
http://farmtransitions.org/family-communications-assessments-goal-setting/

Family goal and conversation starters:
http://landstewardshipproject.org/farmtransitionsfamilygoals

Setting personal, family and business goals:
https://www.extension.iastate.edu/agdm/wholefarm/html/c6-42.html

A step-by-step guide that will walk you through all the aspects of planning for the future of your farm, including goal setting:
https://www.agtransitions.umn.edu/

For Farm Legacy Letters and the importance of documenting your farm history:
www.practicalfarmers.org/member-priorities/farm-transfer

Learn more about the Lynch Family on helping son build equity:
www.practicalfarmers.org/member-priorities/farm-transfer

Learn more about the Frantzen Family, see "Set Goals First":
www.practicalfarmers.org/member-priorities/farm-transfer

More than 25 farmland owners' stories are available in the book:
"The Future of Family Farms: Practical Farmers' Legacy Letter Project": www.uiowapress.org

Early and Often: Communicating With Your Family Helps Avoid Conflict
Pages 7-9

Family meeting agenda, good conversation starters, keeping family harmony:
http://www.farmjournallegacyproject.com/tools/#getstarted

Family goal and conversation starters:
http://landstewardshipproject.org/farmtransitionsfamilygoals

Developing good family business relations, improving communications and resolving conflicts:
https://www.extension.iastate.edu/agdm/wdbusiness.html#transferring

Attributes of good family communication:
http://extension.psu.edu/youth/intergenerational/program-areas/farm-families-continuity-planning/farm-succession-planning

Good workbook on farm transitions, including how to communicate effectively:
http://agecon.okstate.edu/farmtransitions/index.asp

"Map of My Kingdom," a play on the difficulties of family communications and farm transitions, available for live performance and in DVD format:
www.maryswander.com

One (large) family's disciplined approach to farm business communications:
http://practicalfarmers.org/blog/author/teresa/

More on the Juchems family and communicating with family:
www.practicalfarmers.org/member-priorities/farm-transfer

Farmland owners discuss: Should in-laws go to family meetings?
http://practicalfarmers.org/blog/author/teresa/

Farmland owners (Frantzens) on how to create a great and lasting farm, including communicating with family:
http://practicalfarmers.org/blog/author/teresa/

Four farmland-owning sisters (Bouska Family) and their family farm meetings:
http://practicalfarmers.org/blog/author/teresa/

Communications and goal setting for the younger generation:
http://landforgood.org/wp-content/uploads/LFG-Farm-Succession-And-Transfer-Strategies-For-Junior-Generation-Handbook.pdf

Keeping the Family Farming: Providing Land for Your Heirs to Farm

Pages 12-14

Transferring the Farm Series includes an article on valuing the "sweat equity" of the farming heir:
www.extension.umn.edu/agriculture/business/farm-transfer-estate-planning

How to examine what is fair when you have farming and non-farming heirs:
http://www.farmjournallegacyproject.com/tools/#getstarted

A step-by-step guide that will walk you through all the aspects of planning for the future of your farm:
https://www.agtransitions.umn.edu/

Program to help women address succession, business, estate and retirement planning:
http://www.anniesproject.org/managing-for-today-and-tomorrow/

Farm succession planning workshops, factsheets on probate, buy-sell agreements:
http://www.extension.iastate.edu/bfc/

Evaluating your estate plan, including estate planning terms, retirement planning, gift taxes, federal estate taxes:
https://www.extension.iastate.edu/agdm

Federal financing for those farming 10 years or less:
http://www.fsa.usda.gov/programs-and-services/farm-loan-programs/beginning-farmers-and-ranchers-loans/index

Farmland owners discuss how to treat on-farm heirs fairly
http://practicalfarmers.org/blog/author/teresa/

Videos of farm families tackling succession issues:
http://www.uvm.edu/farmtransfer/?Page=videos.html

Learn more about the Lynch Family helping son build equity:
www.practicalfarmers.org/member-priorities/farm-transfer

To network with other beginning farmers:
www.practicalfarmers.org/member-priorities/beginning-farmers

A variety of resources for new farmers:
https://newfarmers.usda.gov/

Provide Land for a Family to Farm: Keep Rural Communities Vibrant

Pages 16-17

Transferring the Farm Series is an excellent overall resource:
www.extension.umn.edu/agriculture/business/farm-transfer-estate-planning

Iowa program providing tax credits to landowners who rent to beginning farmers:
http://www.iowafinanceauthority.gov

Nebraska program providing tax credits to landowners who rent to beginning farmers:
http://www.nextgen.nebraska.gov

Federal financing for those farming 10 years or less:
http://www.fsa.usda.gov/programs-and-services/farm-loan-programs/beginning-farmers-and-ranchers-loans/index

Information on program to use CRP land to help beginning farmers:
http://sustainableagriculture.net/publications/grassrootsguide/farming-opportunities

Resources for landowners who want to find farmers:
http://landforgood.org/who/landowners/

Company that helps young farmers rent or buy farmland:
www.iroquoisvalleyfarms.com

Dale Nimrod and how he found a farmer to sell to:
http://practicalfarmers.org/member-priorities/farm-transfer/

Shivvers sisters, farmland owners, work to transfer their land, "Choose Tenants with Your Values"
http://practicalfarmers.org/member-priorities/farm-transfer/

Landowners Rob and Susan Fleming helping farmers access farmland:
http://practicalfarmers.org/blog/2016/08/01/tribute-landowners-community/

More good profiles on farm transitions:
http://landstewardshipproject.org/farmtransitionsprofilesintroduction

Good resource for beginning farmers seeking land:
https://www.uvm.edu/farmlasts/FarmLASTSAgLandTenure.pdf

To network with other beginning farmers:
http://practicalfarmers.org/member-priorities/beginning-farmers/

A variety of resources for new farmers:
https://newfarmers.usda.gov/

Giving Back: Using Your Farmland to Benefit a Worthy Cause

Pages 20-21

Excellent resource laying out options for landowners who have conservation goals:
www.iowalandoptions.org

Tools form farm transfer when conservation is a top goal:
http://landstewardshipproject.org/farmtransitionsconservationfinancingabstract

Assistance for landowners and farmers develop farm lease arrangements that are profitable and sustainable for the landowner, the farmer, the community and the land:
http://sustainablefarmlease.org/

National research on farmland conservation, agricultural easements and more:
http://www.farmlandinfo.org/

The Transition Incentives Program, whereby a retiring farmer with expiring CRP land may provide a long-term lease or sell to a beginning farmer to transition it to organic production:
https://www.fsa.usda.gov/programs-and-services/conservation-programs/transition-incentives/

Iowa program that keeps farmland donations while benefiting your charities with the farm income:
https://www.desmoinesfoundation.org/keep-iowa-growing.aspx

Minnesota program that retains farmland while benefiting your community with the farmland income:
http://www.greaterminnesota.net/farmland-retention/

An Iowa land trust devoted specifically to sustainable agriculture:
www.silt.org

More on Helen Gunderson, who is donating her farmland to various nonprofit organizations:
www.practicalfarmers.org/member-priorities/farm-transfer

Providing for Your Heirs: Building Wealth With Your Farmland
Pages 24-25

Transferring the Farm Series, University of Minnesota: This excellent resource includes information on long-term care insurance and farm transfer:
www.extension.umn.edu/agriculture/business/farm-transfer-estate-planning

Evaluating your estate plan, including estate planning terms, retirement planning, gift taxes, federal estate taxes and more:
http://www.extension.iastate.edu/agdm

Whole farm transition and estate planning, including estate planning terms, retirement planning, gift taxes, estate taxes and more:
http://www.extension.iastate.edu/agdm

Program to help women address succession, business, estate and retirement planning:
http://www.anniesproject.org/managing-for-today-and-tomorrow/

The book "Beating the Midas Curse" explores how to put family before fortune, to keep both strong for generations. See
http://theheritageinstitute.com/video-books/

University resources on farm transfer:
https://newfarmers.usda.gov

A simple form to start the conservation with family members about end-of-life wishes:
www.theconversationproject.org

Five Wishes has resources for talking with your family and health care providers about your medical as well as emotional, spiritual and personal needs for end of life:
https://agingwithdignity.org

Discussion on whether family members should be compensated for being caregivers:
http://practicalfarmers.org/blog/author/teresa/

Farmland owners discuss: Who's entitled to the land?
http://practicalfarmers.org/blog/author/teresa/

Iowa attorneys recommended by members of Practical Farmers:
www.practicalfarmers.org/member-priorities/farm-transfer

The Bar Association of many states have websites that allow you to search for attorneys who specialize in estate planning, trusts, Power of Attorneys, Probate and business law: For example:

In Iowa: http://www.iowafindalawyer.com/
In Minnesota: http://www.mnbar.org/member-directory/find-a-lawyer
In Missouri: http://www.mobar.org/forthepublic/findalawyer.htm

A variety of resources for farms in transition:
https://newfarmers.usda.gov

Endnotes

1 USDA Census of Agriculture, see https://agcensus.usda.gov/Publications/2012/About

2 http://extension.psu.edu/youth/intergenerational/program-areas/farm-families-continuity-planning/farm-succession-planning

3 https://www.familybusinessinstitute.com/consulting/succession-planning/

4 http://www.uvm.edu/farmtransfer/

5 http://www.extension.umn.edu/Agriculture/business/farm-transfer-estate-planning/docs/putting-a-value-on-sweat-equity-2014.pdf

6 Iowa Rural Life Poll, see https://store.extension.iastate.edu/Product/Iowa-Farm-and-Rural-Life-Poll-2014-Summary-Report

7 http://info.legalzoom.com/statistics-last-wills-testaments-3947.html

8 https://www.caregiver.org/selected-long-term-care-statistics