AG LEGACY

How Do You Plan for the Cost of Succession?

Brought to you by:
the UWEXT Ag & Hort Initiative Team
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Today's Speaker

John P. Hewlett

Ranch/Farm Management Specialist,
Department of Agricultural & Applied Economics,
University of Wyoming

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How Do You Plan for the Cost of Succession?

John P. Hewlett – Farm/Ranch Management Specialist
Caleb Carter – Extension Educator, Goshen County

Bertha and Joe had planned for retirement, someday . . .

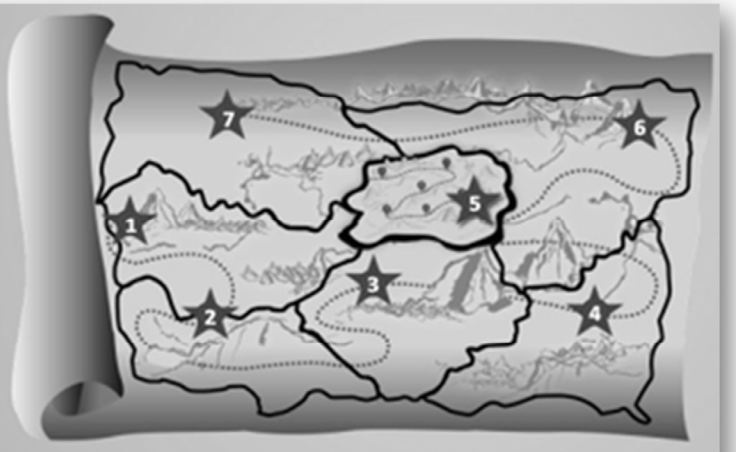
Bertha and Joe had planned to retire in their early to mid-60s since they bought their last farm. They were both now in their later 60s and didn't really have a solid plan for transferring the farm or the management duties to either of their two children. Sally and Billy Joe had both been back on the farm since completing their college degrees. The farm was doing well and the three families seemed to have good communication. However, both Sally and Billy Joe had concerns about their parents retirement. In particular, they were worried about the financial management of the farm. Bertha had always kept the books and neither she, nor Joe were very interested in sharing any of the details.

The questions hanging over the farm these days was, **"When will they retire?"** and **"Where will we stand financially when they do?"**

Retirement Plan

Describing these details requires a roadtrip involving several stops to cover the entire process, including:

- Establish a timeline
- Establish a planning team
- Select the appropriate successor(s)
- Develop a written plan
- Communicate the plan
- Plan for retirement
- Enjoy the years ahead



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Retirement Plan cont.

Retirement Plan cont.

Management Succession Written Plan:

How Do We Get There From Here? Retirement Plan WORKSHEET

At what age do you plan to retire? Your spouse?

At what time will your successors be willing and prepared to take over the business?

Have you selected a place where you would like to live in retirement? Are your successors aware of your preferences? What are the implications of this choice for your financial needs?

Do you or your spouse have any special health needs or considerations to take into account when planning for your retirement? Choice of location to live?

Will you have on-going responsibilities to the business in retirement? How often? How long will this continue?

How important is it for you to maintain your current lifestyle in retirement? For your spouse?

Do you have any dreams for your retirement? Travel? Activities? Does your spouse?

Do you foresee any major expenses in your retirement? If so, how will those be met?

What are your biggest worries about retirement? Your spouse's biggest fears?

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Retirement Plan cont.

Management Succession Plan:

How Do We Get There From Here? Plan for Retirement WORKSHEET

DEFINE RETIREMENT: Decribe what a happy, fulfilling retirement means for you:

Goal 1:

Goal 2:

Goal 3:

Goal 4:

What does it mean for your spouse?

Goal 1:

Goal 2:

Goal 3:

TAKE STOCK of what you will have to work with, skills, resources, etc. in retirement. What do you enjoy? Will any of these activities earn extra income?

EVALUATE YOUR HEALTH: When was your last physical, dental cleaning, blood test? Preventative health care can help lower health care costs at any stage of life. Getting enough sleep, eating healthy, regular exercise are all things you might commit to in retirement. Make a list of health improvements you intend to make:

Improvement 1:

Improvement 2:

Improvement 3:

Improvement 4:

Healthy Activity 1:

Healthy Activity 2:

Healthy Activity 3:

Plan for Retirement, page 2.

SOCIAL SECURITY: Plan when you will begin to draw social security benefits. When will your spouse?

I will begin to draw SS benefits:

Spouse will begin to draw SS benefits:

NETWORK using social media or other methods to maintain connections in retirement. List some ways you plan to network with family, friends, former business associates and others in retirement.

Network 1:

Network 2:

Network 3:

Network 4:

Network 5:

WORK: Decide how much you want (or need) to work in retirement. After developing the Retirement Plan Worksheet and determining your financial needs for retirement, describe your plans for work in general terms here. How often will you work, how far will you travel to work, will your spouse work?

EXPENSES: Consider ways that you may be able to cut expenses in retirement compared to the way you live now. List some of your ideas here:

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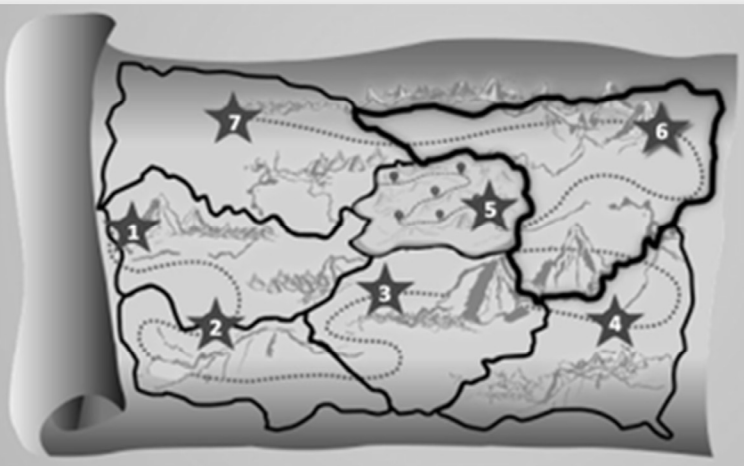
Financial Plan

Having a detailed Financial Plan can help to provide founders a sense of security as they move into retirement.

The worksheets in this section will help you to:

- Outline the business and personal resources and any remaining financial commitments for each founder.
- Plan how the business will meet the financial needs of the retiring founders and incoming successor(s).



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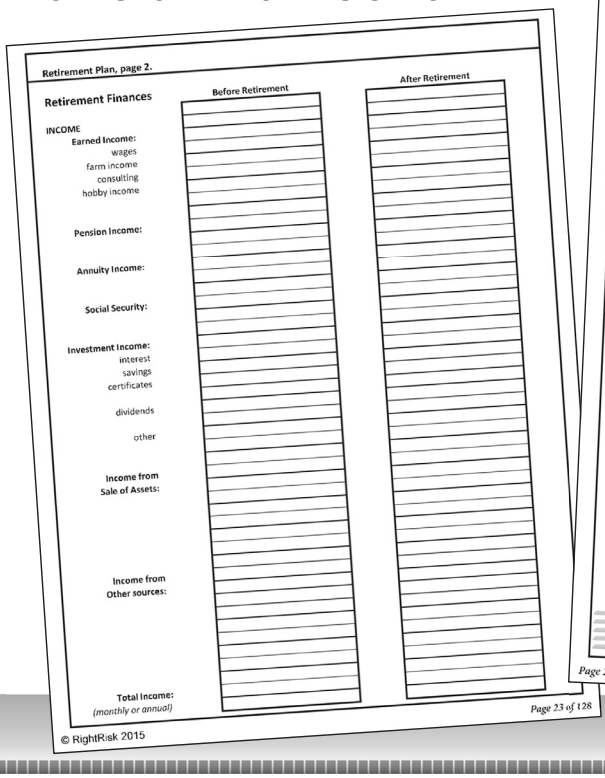
Financial Plan cont.



Retirement Plan, page 2.

Retirement Finances

	Before Retirement	After Retirement
INCOME		
Earned Income: wages, farm income, consulting, hobby income		
Pension Income:		
Annuity Income:		
Social Security:		
Investment Income: interest, savings certificates, dividends, other		
Income from Sale of Assets:		
Income from Other sources:		
Total Income: *(monthly or annual)*		

Page 23 of 128

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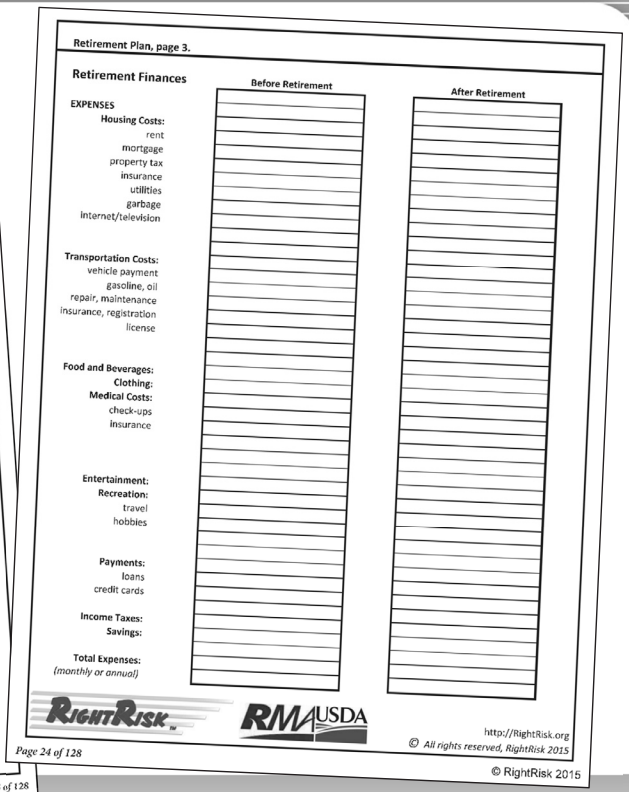

Retirement Plan, page 3.

Retirement Finances

	Before Retirement	After Retirement
EXPENSES		
Housing Costs: rent, mortgage, property tax, insurance, utilities, garbage, internet/television		
Transportation Costs: vehicle payment, gasoline, oil, repair, maintenance, insurance, registration, license		
Food and Beverages:		
Clothing:		
Medical Costs: check-ups, insurance		
Entertainment:		
Recreation: travel, hobbies		
Payments: loans, credit cards		
Income Taxes:		
Savings:		
Total Expenses: *(monthly or annual)*		

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Page 24 of 128

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Documenting Your Financial Assets

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Documenting Your Financial Assets cont.

Financial Plan cont.

Management Succession Plan:

How Do We Get There From Here? Financial Plan WORKSHEET

This section should provide a brief summary of the financial plan. Although a much more detailed version could be compiled, this section is intended to provide the financial highlights for the transition.

Item Description		Book Value	Market Value
ASSETS:			
CURRENT ASSETS:	Cash on Hand		
	Marketable Stocks/Bonds/Securities		
	Market Livestock		
	Inventories (feed, seed, fertilizer, hay)		
NON-CURRENT ASSETS:	Breeding Livestock		
	Machinery and Equipment		
	Buildings and Improvements		
	Real Estate		
	Other Non-Current Assets		
LIABILITIES:			
CURRENT LIABILITIES:	Operating Loans		
NON-CURRENT LIABILITIES:	Livestock Loans		
	Machinery or Equipment Loans		
	Building or Improvement Loans		
	Real Estate Loans		

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Page 120 of 128

Financial Plan, page 2.

Item Description	Year End Totals
CASH RECEIPTS:	
Crop/Hay/Grain Sales Receipts	
Market Livestock & Livestock Product Sales Receipts	
Custom Work Receipts	
Capital Sales Receipts	
Other Farm/Ranch Receipts	
CASH EXPENSES:	
Labor Expenses (wages & benefits)	
Fuel and Oil Expenses	
Input Expenses (vet, fertilizer, feed, seed, chemicals, etc.)	
Marketing and Trucking Expenses	
Interest Expenses	
Utilities, Other Supplies and Miscellaneous Expenses	
Loan Principal Payments	

RETIREMENT FINANCIAL PLAN

INCOME:	
From Farm/Ranch Business	
EXPENSES:	
Housing	
Transportation	
Food	
Clothing	
NET RETIREMENT INCOME:	

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Page 121 of 128

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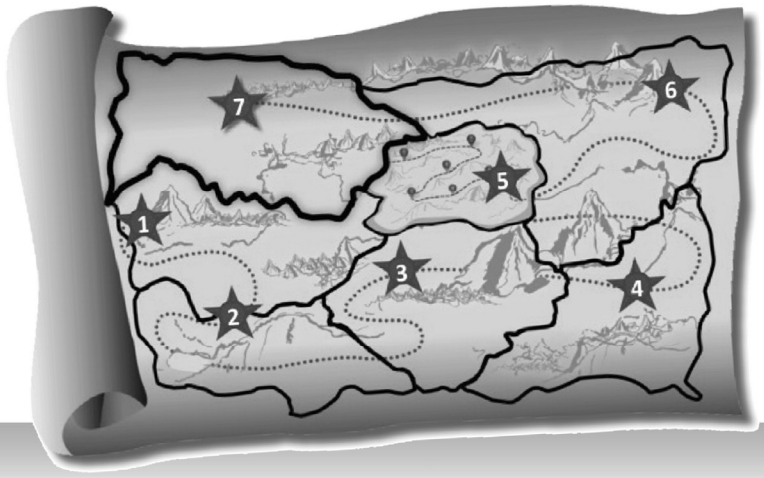
Contingency Planning

CONTINGENCY PLANS

Every succession plan should include contingency plans. What will happen if something goes wrong? In this section, things like disability insurance, life insurance, employee training, back-up support, how-to manuals, and communication with family, employees, and key stakeholders should be considered.



Roadmap for Change

ROADMAP For CHANGE

GOAL FOR CHANGE:

OUTSIDE RESOURCES NEEDED:

Action Steps:	Date for Completion	Person(s) Accountable	Tracking or Monitoring System
1			
2			
3			
4			
5			

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AG LEGACY Materials . . .

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  - Workbooks
  - Newsletters and bulletins
  - Recorded presentations
  - And MUCH more!

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