

Getting Started with a Farm Transfer

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Farm Transfer Workshop

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There's Some Work to Do

- Paperwork
- Homework
- Finesse work

Paperwork

- Balance sheets
 - Market basis
 - Cost basis
- Documents to support valuation
 - Appraisals
 - Property tax bills
 - Bills of sale
 - Bank, investment statements

Paperwork

- Budgets of income & expense needs
 - Historic and future for retirees
 - Future for next generation
- Records of previous gifting
- Relevant legal documents (wills, trusts, contracts, corporate records)

Paperwork

- Insurance policies (life, long-term care)
- Beneficiary designations on investments, insurance policies
- Relevant personal info (including SS#) for heirs, recipients of estate assets
- Tax returns

Homework

Goals are typically to:

A) minimize tax liability

B) Use up or pass along as much as possible

Need to learn the rules of the game

Homework

- Learn gifting rules
 - Annual exclusion
 - Unified credit
 - Uniform Transfers to Minors Act (UTMA)
- Learn about potential tax liabilities
 - Capital gains
 - Regular income
 - Self-employment
 - Estate taxes

Homework

- Learn about various types of trusts
 - Revocable
 - Irrevocable
 - Testamentary and others
- Consider business structure options
 - May want to create a new entity to facilitate transfer
 - May be tax advantages using family limited partnership or LLC

Homework

- Study powers of attorney
 - Durable
 - Power of attorney for health care
- Understand marital property
- Think about tax basis
 - Impact of gifting on recipient
 - “Stepped-up” basis passing through estate

Finesse Work

- Meet with family to discuss *fair* (not necessarily equal) distribution among...
 - On-farm vs. non-farm heirs
 - Blood vs. step children, grandchildren
 - Close vs. estranged children
 - Tightwads vs. hard lucks vs. drunken sailors

Finesse Work

- Consensus (compromise?) is important
- Disinterested third party can be very helpful
 - Can facilitate a thorny discussion
 - Doesn't have to share Thanksgiving dinner with you!