

Only the Rocks Live Forever!

Hints for Leaving Your Legacy

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Management Succession

*Failure to plan
is planning to fail*

-Ancient Proverb

Less than 40%

of agricultural businesses have a formal succession plan



Management Succession

The first stage of a smooth and efficient transition of ownership, leadership, and management of a business to the next generation.

Of all family businesses:

33% successfully transition to the next generation.

70% do not survive into the 2nd generation.

90% do not survive into the 3rd generation.



Ownership vs. Management Succession

Ownership

- ✓ Owns the assets and net worth of the business.
- ✓ Affected by the financial performance of the business.
- ✓ Requires capital.

Management

- ✓ Runs day-to-day operations.
- ✓ Responsible for financial performance of the business.
- ✓ Requires the right skills/competencies.



Who Are You?

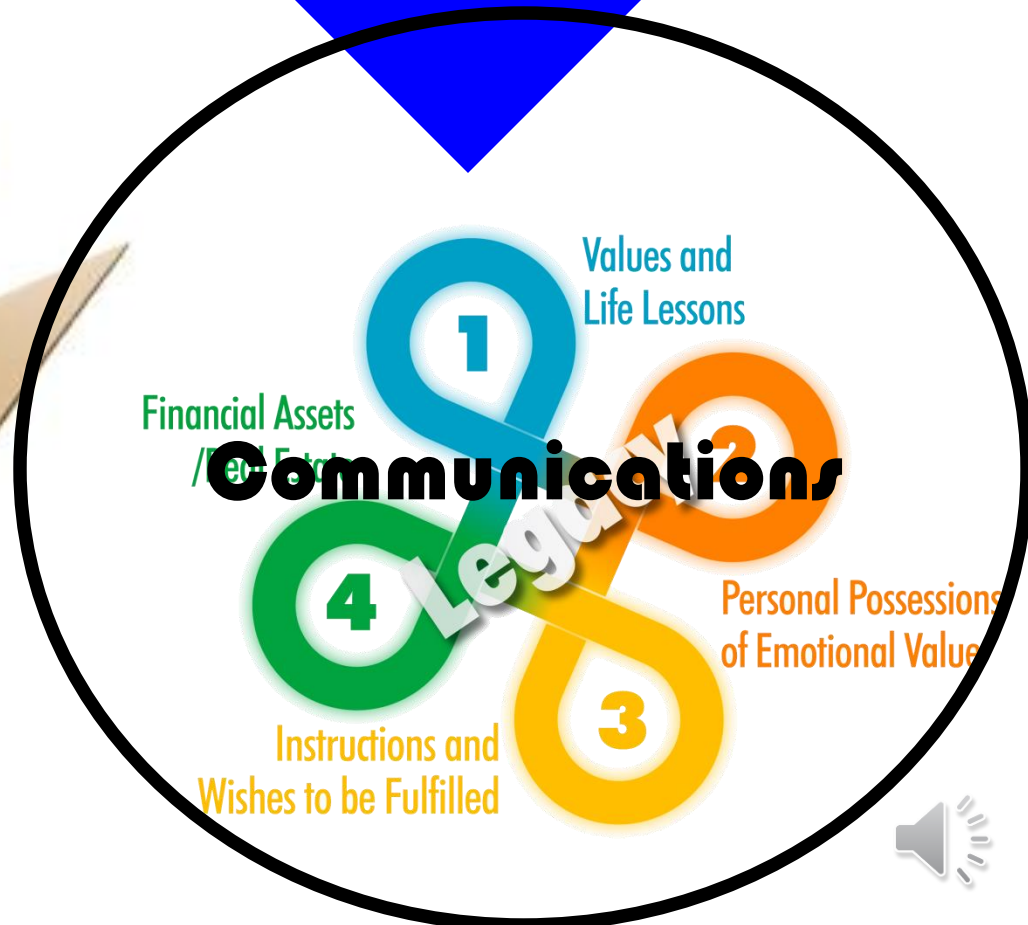


Pedigree
Personality
Family
Values & Beliefs
Personal Stuff
Community Service
Religion/Faith
Traditions
Farm/Business
Everything Else Making Up YOU



Who Are You?

Lasting Legacy



Inheritance vs. Legacy

Tends to be thought of as synonymous with money.

Implies one's life work can be coldly calculated in dollars and cents.

A process filled with legal hair-splitting.

Captures all facets of a person's life.

family traditions, personal values, personal wishes, accumulated wealth, reputation, accomplishments, impacts,



Family Communications



Family Council Meetings

- Inform all family members about the family business
- Listen to views on issues that impact the family.



Family Business Meetings

- Active family members
- Dedicated communication forum to discuss family issues



Family Council & Business Meetings

- Announcement
- Agenda
- Assignments
- Environment
- Officers
 - Leader, recorder, parliamentarian, other
 - Facilitator?
- Publish meeting minutes
- Follow-up



3 Questions

1. Where are we?
2. Where do we want to go?
3. How can we best get there?

Personal ~ Business



Q1: Where Are We?

- ❖ Financial status of the business
- ❖ Legal structure(s)
- ❖ Ownership of property
- ❖ Financial status of personal wealth
- ❖ Family situation
- ❖ Location of documents



Where Do We Want to Go?

- ❖ What do you want, what does your family want
- ❖ Ultimate goal for land, for the business(s)
- ❖ Fairness
- ❖ Incentives for future generations
- ❖ Portion of estate needed by surviving spouse
- ❖ Provisions if surviving spouse re-marries
- ❖ Other



Q3: How Can We Best Get There?

- ❖ Timing of retirement
- ❖ Successor to the business
- ❖ Legal structure
- ❖ Ownership transition to heirs
 - ❖ Gifting
 - ❖ Sell – at FMV? at less than FMV
 - ❖ Lease
 - ❖ Combination
- ❖ Ownership transition to non-heirs
 - ❖ Sell all assets
 - ❖ Sell business, keep land



What is Fair?

Equal

- All persons are treated the same
- This could mean equal number of items, dollar value, or emotional value

Equitable

- Takes into account differences
- These differences could be age, gender, needs, care giving role, and other distinctive differences



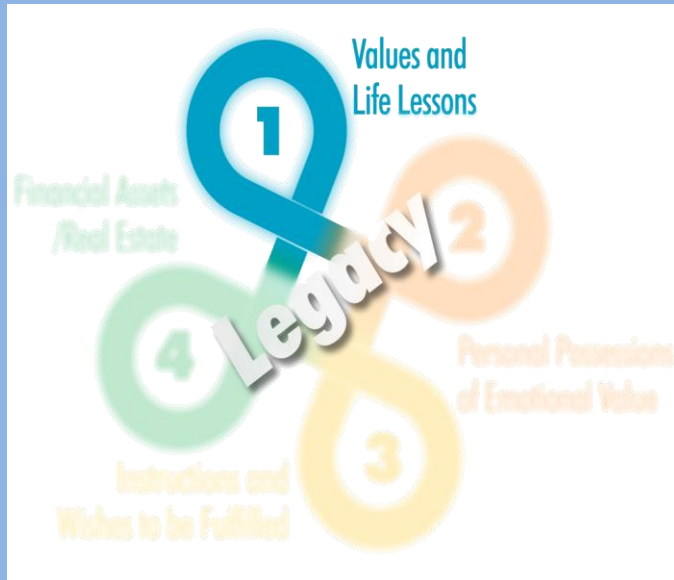
Family Transition



<https://www.RightRisk.org>



Values & Life Lessons



- Family traditions**
- Family history**
- Belief systems**
- Values**



Personal Possessions of Emotional Value



Sentimental value

Difficult to divide

1. Recognize sensitivity of the issue.
2. What to accomplish
3. Be fair
4. Understand different meanings
5. Distribution options/consequences
6. Agree to manage conflicts if they arise



Instructions & Wishes to be Fulfilled



- Family knows and agrees with my preferences?*
- My preference will be carried out?*
- Who makes decisions?*



Financial Assets and Real Estate



- Titled property.***
- Goals.***
- How to transfer?***
- When to transfer?***



- ❖ Free, on-line courses [rightrisk.org]
 - ❖ Leaving a Lasting Legacy
 - ❖ Management Succession
- ❖ Fact sheets [rightrisk.org & wr.colostate.edu/ABM]
 - ❖ Organizational structures
 - ❖ Financial management and analysis tools
- ❖ Group education
- ❖ Coaching



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Chief Lame Beaver
From Centennial

