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RIGHTRISK NEWS

Management Succession

DATES TO REMEMBER

Spring-planted crops sales deadline:
- March 15, 2020

Noninsured Crop Disaster Assistance Program (NAP)
Deadline for springseeded forage and all other crops
- April 1, 2020

For more information see:
<http://www.rma.usda.gov>
<http://www.fsa.usda.gov>

Are you ready to turn over your farm or ranch business to the next generation? Or are you like many farmers and ranchers who struggle to think about business succession?

Succession is a process and not an event. It is a continuous process of planning, researching, deciding, and documenting. It is the transfer of knowledge, skills, labor, management, control, and ownership of the business from one generation to the next generation. A good succession plan is a well thought out, fully discussed, and written plan that meets the needs of the farm/ranch family.

Succession Planning Process:

Sometimes it seems the hardest part of succession planning is getting started. Most families have a difficult time starting the process, but families that take the time to put a succession plan in place feel good about protecting the business and their families.

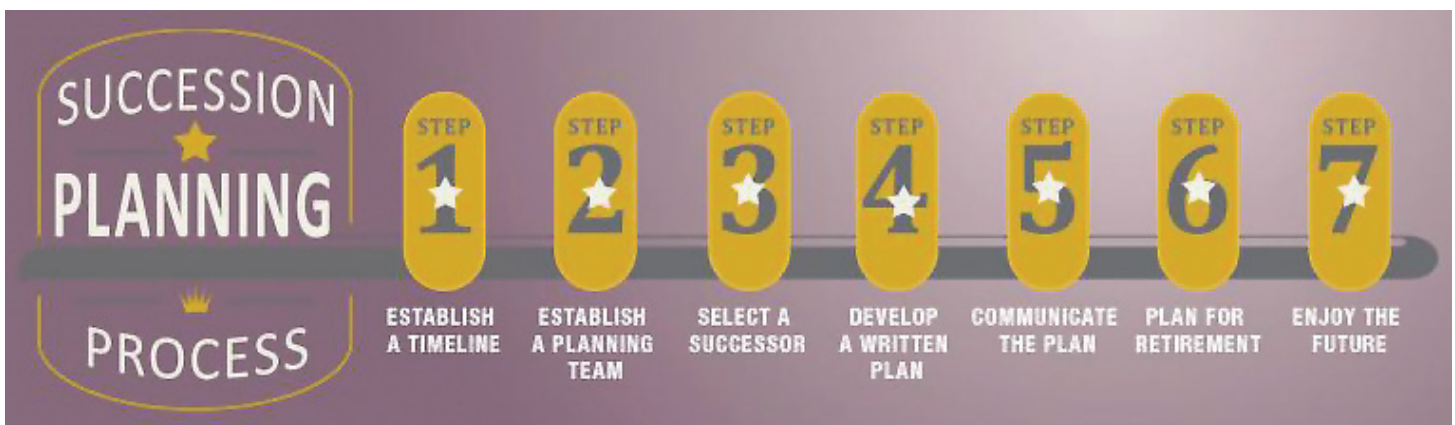
Farmers and ranchers may find a 7-step succession planning process helpful as they transfer management and ownership of their operations to the next generation. They should carefully consider, prepare for, and complete the transition of business ownership and management from one generation to the next. Following are some highlights of each step of the process, but more details are available at RightRisk.org.



Step 1 **Establish a timeline for the process.** It is critical to the success of the process that the founders (or members of the retiring generation) feel comfortable that the personal values they instilled in the business will be maintained. Each person and his or her family should discuss and decide what they want to happen and when each event or action should occur. These milestones will help the retiring farmer/rancher accept the concept of slowing down and turning management over to his or her successor!

Step 2 **Establish a Planning Team.** A team of people should be assembled to coach and advise the family through the entire management succession process. The team should be comprised of the business owners and appropriate family members, business associates, attorney, accountant, facilitator/coach, lender, and/or other outside advisors. These people can help the family to develop and implement the plan. It is important that all people involved in the process trust and rely upon the counsel of the team members!

How Much Risk is Right for You?



Step 3 **Select the Appropriate Successor or Successors.** The retiring owner/operator will need to select the appropriate successor or successors. Successors should have interest and commitment to the mission of the business and not feel as if they have no choice but to take over the business. The retiring person should mentor the successor or successors, and there may need to be a plan for building or improving competencies. Rather than treat the person or persons taking over the operation as employees, a successor must be treated as a successor!

Step 4 **Develop a Written Plan.** The planning team should develop a written plan which includes rules and procedures in order to avoid tensions; a timeline for succession that details the owner's reduced participation and the successor's expanding roles and responsibilities; and a description of leadership and skills development programs. Such a written plan will reduce tensions, misperceptions, and questions!

Step 5 **Communicate the Plan.** While input from family members is essential at each step of the succession planning process, it is critical to a successful transition that the written succession plan be formally shared with family members and others who have interest in the continuity of the business. Some families can discuss the plan and its implications to both the family and the business, but others may desire a coach or other person to facilitate sharing and discussing the plan. The succession process and the future of the business will have higher likelihoods of success with transparency and openness!

Step 6 **Plan for Retirement.** The business owners should plan for their retirement. They should first define their retirement. Will retirement mean reducing farm-related activities and continuing to farm well into later life? Or will they quit farming and spend time doing non-farm activities? Secondly, they need to estimate their financial needs during retirement. How will they fund their retirement years. Have they saved money or made non-farm investments over the years? Will they need to continue covering some family living expenses from the farming or ranching operation? Will they need to lease assets to the business successor? Might they need to sell some of the assets to the successor, successors, or non-family members? Farmer or ranchers can better enjoy their retirement and improve the succession plan by defining what retirement means to them and determining how their retirement will be funded!

Step 7 **Enjoy the Years Ahead.** Retiring farmers and ranchers should be proud of their accomplishments which include how they mentored their children as successors of the business. They can develop a "bucket list" of things they want to do and then do them. They should select enjoyable activities and hobbies appropriate for their physical and financial abilities. They should enjoy life, fulfill their dreams, share their experiences with their grandchildren, and leave a lasting legacy!

Succession planning can be a difficult process for some retiring farmers and ranchers. It is a continuous process of planning, researching, deciding, and documenting. It is the transfer of knowledge, skills, labor, management, control, and ownership of the business from one generation to the next generation. Yet, in spite of sometimes uncomfortable family discussions, selecting a successor or successors from among several family members, paying for outside advisors, and overcoming life-long habits, a farm or ranch succeeding to the next generation of family members can be a true gift and a lasting legacy.



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

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E-mail: information@RightRisk.org

Web: www.RightRisk.org

RightRisk News is brought to you by the RightRisk Team

Contributing authors:

John Hewlett, Ranch/Farm Management Specialist - University of Wyoming, hewlett@uwyo.edu

Jay Parsons, Risk Management Specialist - University of Nebraska-Lincoln, jparsons4@unl.edu

Jeff Tranel, Ag and Business Management Specialist - Colorado State University, Jeffrey.Tranel@ColoState.edu

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

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