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**Farmers' Evaluations and Behavioral Changes
due to Attending Farm Transfer and Estate Planning Seminars**

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Selected Paper prepared for presentation at the American Agricultural Economics

Association Annual Meeting, Long Beach, California, July 23-26, 2006

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Minnesota has 80,839 farms; the average age of the principal operator is 52.9 years of age (Minnesota Agricultural Statistics Service, 2004). Ninety-one (91) percent of those farms are sole proprietorships owned and operated by farm families. Total assets held by those families including real estate, livestock, machinery, and crop inventories is \$85.6 billion. Minnesota has 27.7 million acres of farmland.

Even without asking the farmers, one could surmise that issues surrounding farm transfers between generations and estate planning are and should be extremely important now and into the future. Surveys of farmers show this is more than just a conjecture. A survey by Iowa State University found more than 50% of Iowa farmers had no estate plan and 71% had not named a successor (Duffy, Baker, and Lamberti, 2000). They also found that a mere 20% had spoken to a banker, 30% to an accountant, and 28% to an attorney about succession and estate planning. A survey by Successful Farming showed that 30% of farmers had not even discussed their plan with their family (Tevis, 2003).

Not only have farm families expressed a need for information and help with farm transfer and estate planning, other agricultural professionals have voiced concern as well. Ag lenders, attorneys, accountants, and others who deal with farm families have expressed strong support for programming to help farm families with the transfer and estate planning process.

As a result of the survey data and the information requests received by University of Minnesota Extension Educators, it is clear Minnesota farm families are searching for strategies and assistance with accomplishing their farm transfer. Their questions relate to farm goals, keeping the farm in the family, starting the next generation in farming while being able to retire comfortably, reducing tax consequences during the transfer, treatment of heirs, as well as long-term care, power-of-attorney, and life insurance issues.

To address this apparent lack of planning and the demand for information, the Agricultural Business Management group in the University of Minnesota Extension Service developed a farm transition and estate planning program. The focus of the Extension educational program is to assist farm families with their farm business succession and estate planning. The next section describes the program development and the evaluation plans. The results of the end-of-meeting evaluation survey on changes in participant's understanding and resulting plans are presented in the following section. The last section of the paper presents our conclusions and lessons learned from running the workshops and analyzing the survey.

Program Development and Evaluation Plans

The education program was designed to address the human and financial risks arising from the lack of farm succession planning, lack of intergenerational goal setting, and lack of implementing a farm transfer and associated estate plan. Topics included in the workshops are: establishing personal, family and business goals to begin the transfer process; transfer strategies including examples; financial considerations when transferring the farm business; tax considerations during the transfer process; treatment of heirs; estate planning issues and strategies; developing a written transfer plan; and establishing a transfer and estate planning team.

Program curriculum and promotional materials were developed by Regional Extension Educators with the University of Minnesota Extension Service. The team included two Educators with extensive background in farm transfer and estate planning subject matter and two Educators who have extensive subject matter background in agricultural taxes and farm management as well as being Enrolled Agents with the IRS.

In addition, the Regional Extension Educators formed collaborations with other professionals to insure the program content was up-to-date and accurate. A certified financial planner was included as a collaborator to insure accurate, up-to-date information in the tax and financial planning areas. A second collaborator was a local attorney who specializes in business transfer, estate planning and elder law for reviewing and validating the information related to all aspects of estate planning, power-of-attorney, trusts, health care directives, and elder law issues. A third collaboration was with the Minnesota State College University System (MnSCU) Adult Farm Management Instructors to work one-on-one with program participants to complete a FINPACK long-range farm business analysis to help the family assess whether or not their farm business will financially support multiple families during the transfer process.

Program content was delivered via face-to-face workshops. The workshops were five hours in length with lunch included as part of the meeting. Presenters utilized PowerPoint slides and a comprehensive 260 page workbook as the main delivery tools. Participants received a copy of the workbook which included all PowerPoint slides; ten information sheets on farm transition, estate planning, and farm financial management; website addresses for additional information; and a set of worksheets used during the presentation.

The agenda for each workshop was as follows:

- Preparing to transfer the farm business – establishing personal, family & farm business goals
- Major tax considerations when transferring assets
- Overview of farm transition strategies
- Financial considerations in transferring the farm business
- Estate planning issues and the transfer process
- Treatment of heirs and financial assistance
- Developing a written transition plan

The workshops were organized under a system referred to as the “sponsorship model”.

Local businesses that had professionals, such as lenders, working with farm families chose to sponsor a program. The sponsor selected a meeting date and location, they recruited participants, they organized all refreshments and meal arrangements, and they paid a flat sponsorship fee to Extension to deliver the program.

Following each workshop, participants were asked to complete an evaluation focused on whether or not they had better understand farm transfer and estate planning concepts and strategies as a result of attending the workshop. In the first section of the evaluation, participants were asked to use a Likert scale numerical rating system of 1 for strongly disagree through 5 for strongly agree to indicate their change in understanding of the following key educational points due to attending the workshop:

1. I better understand the need for clear goals and communication as part of the transfer process.
2. I better understand the strategies available for use in a transfer plan.

3. I better understand the importance of assessing the financial strength of the farm business.
4. I better understand tax issues related to the farm transfer process.
5. I better understand wills, trusts, and estate planning strategies.
6. I better understand life insurance, power-of-attorney, and health care issues as part of the process.

Participants were also asked to respond to set of questions related to the status of their current farm transfer plan and personal estate plan. They were asked whether they currently had an up-to-date estate plan, an up-to-date farm transfer plan, and if they did not have a transfer plan whether they, as a result of attending this workshop, plan to begin the farm transfer process by developing a transfer and estate plan this year.

In the fall of 2006, 9 months following the workshops, participants will be surveyed again to determine whether they have completed and began implementation of their farm transfer and estate plan.

Evaluation Results

Twelve workshops were held from November 2005 through April 2006. Five hundred twenty-four (524) Minnesota farm family members from 191 communities, representing 301 farm business units, attended one of the twelve workshops. Ages ranged from 22 to 89 years. The audience was 33% female and 67% male; 49% were over the age of 55. Twenty-three (23) local businesses were program sponsors. Two hundred ninety-six (296) surveys were completed providing a 56.5% response rate for the end-of-meeting survey.

In terms of improving understanding, the workshops were highly successful. Most of the participants indicated their understanding of the main educational points of the workshop

improved due to attending the workshop (Table 1). Almost all indicated they better understood the need for clear goals and communication. Over 90% said they better understood the strategies available for use in a transfer plan; the importance of assessing the financial strength of the farm; and wills, trusts, and estate planning strategies. Ninety percent said they have improved their understanding of life insurance, power-of-attorney, and health care issues as part of the process. Eighty-seven percent of the participants said they had improved their understanding of tax issues related to the farm transfer process.

Table 1. Participants' self-reported evaluation of whether their understanding of educational points was better due to attending a workshop				
Educational point	Median score	Average score	Standard deviation	% indicating "strongly agree" or "agree"
1. The need for clear goals and communication as part of the transfer process	4.5	4.5	0.53	99.0
2. The strategies available for use in a transfer plan	4	4.3	0.56	95.6
3. The importance of assessing the financial strength of the farm business	4	4.3	0.61	92.2
4. Tax issues related to the farm transfer process	4	4.2	0.67	87.2
5. Wills, trusts, and estate planning strategies	4	4.3	0.60	93.9
6. Life insurance, power-of-attorney, and health care issues as part of the process	4	4.3	0.63	89.9
296 participants completed the end-of-meeting evaluations. The Likert score ranged from 1 for strongly disagree to 5 for strongly agree.				

Participants were also asked to respond to set of questions related to the status of their current farm transfer plan and personal estate plan. Their responses closely track with the survey results mentioned in the introduction. Fifty-eight percent of participants did not have an up-to-date estate plan (Table 2). Eighty-nine percent did not have an up-to-date farm business transfer

plan. On the positive side, 81% stated that, as a result of attending the workshop, they would begin the farm transfer process by developing a transfer and estate plan this year.

Table 2. Participants' self-reported status of their current farm transfer plan and personal estate plan.			
Question	Response Percentage		
	Yes	No	NA*
Do you currently have an up-to-date estate plan?	42.2%	57.8%	0.0%
Do you currently have an up-to-date farm transfer plan?	5.4%	88.9%	5.7%
If no, as a result of attending this workshop, I plan to begin the farm transfer process by developing a transfer and estate plan this year?	81.4%	4.3%	14.3%
*Note: NA for the transfer plan was a result of participants being the entering generation – no farm to transfer. NA for beginning the process was a result of participants who did not have a farming heir.			

When asked to write down two things they would change in the program, the most popular response (noted 30 times out of 296 total responses) was to make no changes in the program, that it was good the way it was. The next most suggested change (noted 16 times) was that the workshop was too long and perhaps needed to be divided into 2 sessions. The third most suggested change (noted 11 times) was to spend more time on wills and trusts. Other suggestions (and the number times noted) included: more time on tax issues (5), help finding attorney and other professionals (4), more examples (3), more time for discussion (3), more time on LLCs (2), more time on POA (2), more examples on farm transition (2), costs of doing “all these things,” (2), have an attorney at the workshop session (2), shorter presentation (2), shorten the tax discussion (1), more on fair versus equal in treating family members (1), more time on long term care and health insurance (1), and what to do when no direct heirs (1).

When asked to write down what they thought was the best part of the workshop, the most popular response (noted 40 times out of 296 total responses) was the discussion on trusts. The next most frequent response on what was best was “all of it” (noted 23 times). Other best parts

mentioned frequently (and the number of times noted) were workbook (22), discussion on wills (21), and the discussion on goals (10). Other best parts mentioned less frequently (and the number of times noted) included good presenters (7), estate planning (7), unbiased information (5), tax issues (4), transfer strategies (4), worksheets and the steps to individual plan (4), and the discussion of POA (3). Several parts were mentioned by 2 respondents: long term care, good examples, fair is not always equal, transfer plan example, non-farm heir discussion, and the humor and cartoons. Several parts were mentioned by 1 respondent: property ownership discussion, list of resources, probate discussion, HIPPA discussion, health care directive, LLC discussion, direct answers to questions, business structure discussion, shows where and how to get started, basis discussion, financial position of farm, communication with non-farm heirs, and family communication.

The impact of these workshops on farm transfer and estate planning can be seen in the estimated financial assets of the participants. Since the average balance sheet for a Minnesota farm business owner lists assets of \$1,115,090 (including owned land, livestock, equipment, and machinery; Minnesota Agricultural Statistics 2004) and a total of 301 farm business units participated in the program in 2005-2006, the estimated total assets potentially involved in this program effort was \$336 million. A total of 81.4 percent of the participants stated that as a result of attending one of the workshops, they were going to begin the process of developing and implementing a farm transfer and estate plan. This percentage of assets from the 301 farm units attending represents approximately \$274 million. Assuming only one-half of those participating accomplish a successful farm transition, the total potential impact of this program effort would be \$137 million.

To determine long-term outcomes of the program effort, there will be a follow-up evaluative process conducted 9-12 months following the workshops. The intent is to determine if participants did in deed complete and begin implementation of a farm transfer and associated estate plan.

Conclusions/Lessons Learned

These workshops on farm transfer and estate planning were obviously successful since most the participants indicated improvement in their knowledge of the workshop's key educational points. Given the complexity of transferring a business and estate planning, the 99% agreement or strong agreement with the need for clear goals and communication as part of the transfer process is very good. The improved understanding of the strategies available for use in setting up a transfer plan is also good. While the participants indicated better understanding in the other educational points, these other points also involve a very large set of complex options and details. So the improved understanding for goals, communications, and strategies is a very good omen for the future work on farm transfers and estate planning.

Farm transfer and estate planning are complex issues. Program participants openly stated their desire and need for basic farm transition and estate planning materials and a place to begin the process. This can be seen in the written comments by participants and summarized below.

- Many wanted more time on several specific issues.
- Many participants thought the workshop was fine as it was with no changes
- Many thought the whole workshop was the best part,
- Several participants suggested splitting the workshop into 2 sessions.
- The need for examples to clarify the points and situations was also obvious in their comments.

- Participants expressed their appreciation of the examples and worksheets used in the work book.
- Participants expressed how important the workbook was as a reference for future use.

The development team also learned several lessons for future programs. These are summarized below.

- Working with an attorney who understand agriculture and who specializes in business succession, estate planning, and elder law is critical, rather than an attorney who is a generalist. Farm business succession and the associated aspects of estate planning and elder law are very complicated. In addition, the laws change frequently so accurate, up-to-date information is crucial.
- Working with an accountant or tax consultant (who is an Enrolled Agent with the IRS) and who understands agriculture for all the aspects of tax law and the consequences of tax issue on the transfer process is crucial. Again, working with a specialist in this area is very important because the laws are complicated and they change regularly.
- While working with an attorney and accountant/tax preparer is crucial, it was just as crucial not to have them as a presenter for the program. The program is 5 ½ hours in length with lots of information to cover. The workbook serves as a follow-up reference. Participants are encouraged strongly to take the next step of talking with a professional such as an attorney. To include an attorney in the program would most likely cause a vast amount of time to be used in specific questions and answers decreasing the amount of time available for the basic educational program material.

- Working with local sponsors (such as, lenders, financial planners, and insurance agencies) is important for marketing the program. Since Extension is seen as not selling anything, we can present the educational material and be trusted. An attorney or accountant as a presenter is always perceived as selling their services.
- Our experience also shows that a local sponsor inviting their customers to the program results in much better attendance. The customers feel they are getting something in return for doing business at the bank, and the bank feels good because they are offering the program as a service to their customers.
- The workbook is critical as a handout and for future reference because of the large amount of information on a complex topic.

In summary, the participants in Minnesota were not much different from farmers in other states in terms of the low level of up-to-date wills and transfer plans. These workshops will have a large impact even if only half of those who attended started developing a transfer plan. Given the positive response to these workshops and the obvious need expressed by farmers and others as well as shown in the age distribution of farmers, the final conclusion is that we will continue to present these workshops in the future.

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