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Making a Success of Succession Planning Iowa Pork Congress January 23, 2014

David W. Baker

Farm Transition Specialist

1-877-232-1999

baker@iastate.edu

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Farmer Center**

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University Extension

IMPORTANT CONSIDERATIONS

Is there a desire to continue family ownership of the farm family business?

Is there an heir or key employee capable of managing the farm family business?

Does the heir or key employee want to manage the farm family business?

Will the owner/managers recognize the authority of the successors?

Can the family withstand the stress that succession planning will generate?

Will the owners/managers actively manage the development of a farm family business succession plan?

Will the owner/managers transfer the management of the farm family business to the successor?

Have all stakeholders been identified, informed and involved?

Has a decision-making process been agreed upon by all parties?

Have the stakeholders developed a vision of their future and the future of the farm family business?

Have the necessary roles that will be filled by the stakeholders been identified?

Have successors been chosen for key positions and have training plans been developed for those positions?

Has an estate plan been developed and does it provide for equitable distribution of farm family business property?

Have all important parties been made aware of the details of the farm family business succession plan?

Have contingency plans been developed?

THE FARM

Owner's Goal:
Continuation of farm
family business

Owner's Goal:
Continuation of family
ownership of farmland

SUCCESSION
PLAN

ESTATE
PLAN

Assets Money Management

BUSINESS
SUCCESSOR

HEIRS

Transferring property

Sale

Installment sale

Contract for deed

Note and mortgage

Sale of ownership interest

(Stock, Partnership, LLC, etc.)

Gift

Inter Vivos gift

Testamentary Gift

Trust

Beneficiary

Transfer of money

Hourly wage

Gift of money

Salary

Incentive plan

Profit sharing

Share lease



VALUES

What is important to me?
What do I hold dear?



VISION

What does the future look like?



MISSION

Why are we here?
What do we believe in?



GOALS

What do we want to do?
What do we want to be?



OBJECTIVES

How are we going to get there?
How will we know when we have arrived?

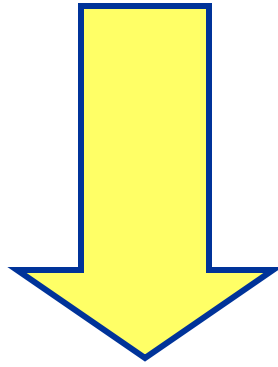


STRATEGIES

What do we need to do?
What are we required to do?

TACTICS

What do we need to carry out our strategies?
Who is responsible for the necessary activities?



ACTIVITY

Skills
Training

Business
Meetings

Recreational
Activities

Strategic
Business
Planning

Transfer
Planning

Estate
Planning

Skills
Assessment

Financial
Analysis

Asset
Analysis

Continuing
Education

Retirement
Planning

Relaxation

Estate
Planning

Asset
Inventory


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Business Succession Planning

Owner Generation

- **Values** – What is important to me?
- **Vision** – What does my future look like?
- **Mission** – Why am I here?
- **Goals** – What do I want to do or be?
- **Objectives** – How will I measure activity?
- **Strategies** – What is my plan?
- **Tactics** – How do I implement the strategies?

Self-Assessment

- **Skills**
- **Abilities**

Essential Planning Skills

- **Communicating**
- **Decision making**
- **Conflict resolution**

Successor Generation

- **Values** – What is important to me?
- **Vision** – What does my future look like?
- **Mission** – Why am I here?
- **Goals** – What do I want to do or be?
- **Objectives** – How will I measure activity?
- **Strategies** – What is my plan?
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Self-Assessment

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Essential Planning Skills

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Business

Resource inventory and analysis

- **Physical** – Short, intermediate and long term property.
- **Financial** – Income statement, balance sheet, financial ratios.
- **Personnel** – Human assets.

Essential business principles

- **Values** - What is important to our business?
- **Vision** - What does the future look like?
- **Mission** - Why are we here?
- **Goals** - What do we want to do or be?
- **Objectives** - How will we measure activity?
- **Strategies** - What is our plan?
- **Tactics** - How do we implement the strategies?

Planning should be done simultaneously because all planning areas influence one another.

Business Planning

- Opportunities
- Threats
- Strengths
- Weaknesses
- One year
- Two years
- Five Years
- Ten Years

Retirement Planning

- Timing
- Residence
- Income Source
- Household Budget
- Recreational Needs
- Health Care Needs
- Long Term Needs

Transfer Planning

- Income Amount Source Method
- Household Budget
- Management
- Assets

Estate Planning

- Equal vs. Equitable
- Business Assets
- Personal Assets
- Consistency
- Flexibility
- Legal Documents
- Liquidity Needs
- Tax Consequence

Funding Options

- Iowa Finance Authority
- USDA FSA
- Private lenders
- FCSA
- Owner financed
- Self financed

Range of Financial Strategies or Scenarios

- Start-up, Growth, or expanding your business
- Stabilize your business
- Restructuring finances
- Succession planning
 - Exit planning

The 5 C's of Credit

Capacity – the ability of the business to pay debts and expenses and be profitable.

Capital – money or equity the business owners or investors are putting into the business.

Collateral – the value of the assets that secure the loan.

Conditions – the economy, industry trends, or other factors that will affect the ability of the business to make a profit.

Character – the education, background experience, and references that indicate the personal qualities and qualifications of the borrower.

Don't be afraid to ask dumb questions.

They're more easily handled than dumb mistakes.

William Wister Haines

QUESTIONS ??????????????????

COMMENTS.....

PLEASE

Presented by:
David W. Baker
baker@iastate.edu

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www.extension.iastate.edu/bfc/
877.BFC.1999

Providing such programs as Ag Link
Matching Service, Returning to the
Farm Seminar, educational materials
from research, individual family
consultations


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