

BEFORE YOU TRANSFER

Transferring the farm business to the next generation is a complex and serious business. If not done properly, it can cause serious financial and family strife. Answer these questions honestly before you start the transfer process.

1. Is the farm generating enough income to support an additional family?

YES ___ NO___

2. If not, are there viable off-farm or farm income-expansion possibilities available to support the entering family?

YES ___ NO___

3. Is there a way to transfer the farm and keep everyone in the family happy? That includes exiting and entering families and non-farm heirs and in-laws.

YES ___ NO___

4. Can the family afford to give some financial subsidy to the entering family and yet maintain an adequate retirement income?

YES ___ NO___

5. Is the exiting manager willing to transfer management skills and control to the entering manager?

YES ___ NO___

6. Have the parties involved in the transfer had a positive, respectful and considerate attitude toward one another in the years before entering a transfer agreement?

YES ___ NO___

7. Does the entering manager have the desire and willingness to learn farm management skills?

YES ___ NO___

8. Can involved parties communicate openly and freely with one another?

YES ___ NO___

9. Are all parties willing to develop a written plan of transfer and business agreement prior to starting the transfer process?

YES ___ NO___

10. Are housing facilities available that will provide acceptable yet independent lives for all involved persons?

YES ___ NO___

11. Are all participants, including spouses, willing to be involved in decision making regarding work, hours, vacations, finances and family expectations?

YES ___ NO___

12. Are all parties willing to start with a trial period of working together through a wage agreement or farming independently while sharing resources for a year or two before starting a formal arrangement?

YES ___ NO___

13. Are the parents willing to provide security to entering parties by agreeing to a buy/sell agreement, allowing the entering parties the right to purchase assets in the future? The agreement should be binding on the heirs.

YES ___ NO___

14. Are the parents willing to sell, lease, gift or otherwise transfer assets to the entering parties at perhaps less than going market values?

YES ___ NO___

15. Are the parents willing to eventually move to town or to a residence off the farm to allow the new manager to be nearer the center of farm operations?

YES ___ NO___

16. Can and will the parents put together a tax plan that will be acceptable to both parties as they transfer assets?

YES ___ NO___

17. Are the parents insurable, and will they permit the younger generation to carry life insurance on them for financial protection in case of premature death?

YES ___ NO___

18. Are the parents willing to provide protection from premature payout to off-farm heirs by establishing installment terms for sale of assets in their will or living trust?

YES ___ NO___

19. Are the parents willing to pledge that they will not be domineering and will not try to control every aspect of the entering child's business and personal lives?

YES ___ NO___

20. Are entering children willing to pay parents adequately for work done after retirement?

YES ___ NO___

21. Are entering parties willing to sacrifice standard of living and go the "extra mile" with work to get started farming?

YES ___ NO___

22. Do the entering parties appreciate the farming opportunity given to them by their parents, and are they willing to "give and take" to make the transfer process successful?

YES ___ NO___

23. Do entrants wish to farm because they have prepared for it educationally, financially and emotionally, and feel it is their chosen field?

YES ___ NO___

BEFORE YOU TRANSFER (continued)

If you can answer "yes" to all these questions, you have a good chance for a successful transfer of the farm.

If you answered "no" to any question, you may wish to evaluate the situation before you proceed.

*Adapted from the University of Minnesota Extension Service
Transferring the Farm Series #1, Erlin J. Weness*