

BUSINESS TRANSITION PLAN

Goals and objectives of a farm business transition plan

A key to the success of a farm transfer is for all parties to have compatible goals and objectives. Without these goals and objectives, most muddle through from day-to-day and year-to-year with little direction where they are going.

Your goals and objectives should outline what you want the business arrangement to accomplish and what you want the arrangement to do for you. Deciding where you are going is the first step and often times the hardest.

But after deciding, the avenues for getting there become more clear. Also, by communicating your goals to the other parties in the arrangement, you can identify any conflicting goals held by the various parties.

You need to identify your objectives both individually and collectively. Take a few minutes to identify your objectives. Write them down. First identify your objective individually.

Next, divide into three groups, the parents, the beginning farmer and the off-farm children (if they are a consideration). Within each of these groups, compare and re-examine your objective.

Finally, together you should share, compare and reevaluate your objectives. See if there are any conflicting objectives held by any of the parties. If there are, try to reconcile them.

Here is a checklist of potential objectives to get you started. This is not a complete list; you will have other objectives specific to your operation.

Retiring farmer checklist

- _____ 1. Slow down, devote more time to travel and leisure.
- _____ 2. Turn over the business to the beginning farmer.
- _____ 3. Treat each beginning farmer equitably if bringing more than one back into the business.
- _____ 4. Protect against the break-up of the business.
- _____ 5. Treat non-farming children equitably.
- _____ 6. Receive an adequate retirement income.

- _____ 7. Retain sufficient business assets as security for unexpected retirement expenses.
- _____ 8. Minimize estate taxes.
- _____ 9. Minimize transfer taxes.

Beginning farmer checklist

- _____ 1. Receive adequate income.
- _____ 2. Buy into the business.
- _____ 3. Participate in management.
- _____ 4. Gain control of the business over time.
- _____ 5. Increase the size of the business.
- _____ 6. Incorporate new technology.

(continued)

Non-farming heirs' checklist (if applicable)

- _____ 1. Inherit an equitable share of the parents' estate.
- _____ 2. Receive an equitable return on investment remaining in farm business.
- _____ 3. Participate in management if still involved in the business.
- _____ 4. Mechanism to sell equity to beginning farmer.

All members' checklist

- _____ 1. Maintain and improve the viability of the family business.
- _____ 2. Have and enjoy a pleasant family and home life.
- _____ 3. Have friends and enjoy good times with them.
- _____ 4. Do things that are new and exciting.
- _____ 5. Engage in community activities.

_____ 6. Pursue a favorite hobby or sport.

*Adapted from Iowa/Rural Concern
Goals and Objectives
of a Farm Business Transition Plan*

BUSINESS TRANSITION PLAN (continued)

SETTING GOALS:

1. You must set goals. If you don't know where you're going, you'll probably end up someplace else.
2. Goals give you the direction you want to go, not the exact place you want to end up. Life is in the running, not in the arriving.
3. The direction you go depends on the assets you have going for you. So continually cultivate your assets. You must take the initiative.
4. Achievements will be won gradually, not overnight. "A journey of a thousand miles begins with a single step."

Goals should be:

1. **Personal** — relevant to you, based on your value system.
2. **Specific** — broad goals seem impossible to reach.
3. **Measurable.**
4. **Attainable** — possible.
5. **Timed** — you should be able to form a timeline for achieving individual steps toward your goals.