

# FARM SUCCESSION CHECKLIST

To achieve a successful farm transition, interested parties should actively communicate with one another. Conversations should take place between spouses, farming partners, the next generation, and relevant business planning professionals. Here are the questions that should be considered when engaging in the farm succession process:

## STEP ONE: Determine Goals and Objectives

	Yes	No
Do the interested parties want the farm to remain in the family's possession?		
Do the interested parties want the farm to continue as a farm?		
Do the current farm owners want to remain in the management of the farm?		
Do the current farm owners want to maintain any financial control over the farm?		
Do the current farm owners want to remain physically involved with the farm?		
Do the current farm owners want to slow down or retire at a certain age?		
Do they aspire to travel or have other interests they want to pursue?		
Is anyone in the next generation interested in the farming operation?		
Have all interested parties been included in the farm succession conversations?		
Have the interested parties attended any farm succession educational meetings?		

Who do the current owners want to be the farm successor? \_\_\_\_\_

Is the number of successors feasible for the size of the farming operation? \_\_\_\_\_

How do you want the farm divided among the next generation? \_\_\_\_\_

Do you want the assets distributed equally among all the next generation? \_\_\_\_\_

Do you want the assets distributed fairly but not equally, where more is given to those involved in the farming operation?  
\_\_\_\_\_

Do the current owners want full market value for the farm? \_\_\_\_\_

Do the current owners want to be paid in installments or in a lump sum? \_\_\_\_\_

Have the parties considered which professionals (such as attorneys and accountants) they would like to work with to achieve the farm succession? \_\_\_\_\_

Has anyone among the interested parties been selected to be in charge of coordinating the succession process to ensure goals and objectives are met in a timely manner? \_\_\_\_\_

*Disclosure: The information contained in this document is for educational purposes only and does not represent legal advice. A licensed attorney should be consulted prior to finalizing any farm succession plan. Thank you to the Penn State Center for Agricultural and Shale Law and the USDA for making this resource possible.*

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## STEP TWO: Gather the Necessary Information for Analysis

- Financial Statements:
  - Income Statement
  - Cash Flow Statement
  - Balance Sheet
- Tax Returns
- Current market value of the farming operation \_\_\_\_\_

### **Analyze the financial position of the operation by asking the following questions:**

What is the current debt on the farming operation? \_\_\_\_\_

Will the current cash flow allow the next generation to meet financial obligations? \_\_\_\_\_

Will the next generation need to take on debt? \_\_\_\_\_

Does the next generation need to work off-farm to provide necessary income or benefits? \_\_\_\_\_

Is the current farming operation compliant with manure management, conservation practices, and zoning? \_\_\_\_\_

What are the retirement needs of the current owners? \_\_\_\_\_

Must the next generation purchase the farming operation? \_\_\_\_\_

Can current owners provide financing for the farm transition? \_\_\_\_\_

Can the next generation lease to own? \_\_\_\_\_

Will future expansion be required for profitability? \_\_\_\_\_

Will any future expansion be difficult to achieve due to zoning, neighbors, and conservation easements? \_\_\_\_\_

Will any part of the agricultural operation require a written lease? \_\_\_\_\_

Have the current owners considered issues involving long term care insurance and Medicaid planning? \_\_\_\_\_

Have the current owners considered estate planning? \_\_\_\_\_

Do they have a will? \_\_\_\_\_

Do they have a trust? \_\_\_\_\_

Have they considered gifting options? \_\_\_\_\_

Have they considered issues involving health care, power of attorney, and a living will? \_\_\_\_\_

### **What business entity should be used for the farming operation?**

- Sole Proprietorship
- Partnership
- Corporation (C or S)
- Limited Liability Company (LLC)

What tax implications are associated with transferring the farming operation? \_\_\_\_\_

How will future profits be divided among owners? \_\_\_\_\_

What are the options for someone that wishes to leave the business? \_\_\_\_\_

Must the remaining owners buy them out? \_\_\_\_\_

How will any buy-out price be established? \_\_\_\_\_

## STEP THREE: Choose the Right Professionals to Work With

### ***Do you have the necessary professionals to assist?***

- Accountant
  - Attorney
  - Financial planner
  - Insurance specialist
  - Lender
  - Facilitator (as needed)
- Referrals: Ask farming friends, colleagues and professionals that you're currently working with about who they have used and if they have been satisfied with the results.
  - Online search: Use different combinations of keywords to look for professionals that specialize in ag in your area. For example, "horse business accountant in Lancaster, PA" or "farm business attorney in PA".
  - Do the professionals you are considering have a proper understanding of the often unique issues associated with agriculture and farm succession?

### ***After interacting with a prospective professional, ask yourself:***

- Do they seem competent?
- Do they seem trustworthy?
- Do you feel that you will be able to freely share personal information?
- Do you feel comfortable?
- Will they be able to accomplish your goals within your required time frame?
- Are there any potential conflicts of interest with prospective professionals?

## STEP FOUR: Developing and Implementing the Succession Plan

- Have you written down a potential/draft succession plan?
- Have all interested parties been given an opportunity to provide feedback?

### ***What are the recommendations of the professionals you have hired?*** \_\_\_\_\_

- Do you agree with those recommendations?
- Have you given the professionals all of the information necessary to provide you with your desired goals and objectives?
- Have you incorporated the professionals' recommendations into your succession plan?
- Have you written down a final succession plan?
- Does your plan adequately address your goals and objectives?
- Do all interested parties have a copy of the final succession plan?
- Do all of the interested parties fully understand the implications of your final succession plan?
- Are all interested parties comfortable with the terms of the final succession plan?
- Have all interested parties provided input on the final succession plan?
- Have you reviewed the final succession plan with your professionals to make sure the correct pieces are in place?
- Has a timetable been established to implement the final succession plan?
- Is the implementation timetable being followed?
- Is a system in place to periodically review the succession plan to allow for any necessary adjustments?