

Frantzens to bequeath farm to PFI: Preserving their farm “generation after generation” is paramount

by Tom and Irene Frantzen

Tom and Irene Frantzen have a showcase farm in Chickasaw County, with significant conservation features blended into a working landscape. As Tom and Irene hit their late 50s, they began thinking seriously about their farm’s legacy and have now come to a decision: Upon their deaths, their farm will be transferred to Practical Farmers of Iowa, the 320 acres to be kept together generation after generation. Here is their story of that momentous decision.

Holistic management, which we’ve practiced for 20 years, has been the driver as we’ve worked out the details of our generational transfer. The basic principle in holistic management is that we have no idea where we’re going if we don’t have goals.

The goal we developed to guide us during this generational transfer discussion includes securing “long-term protection for a true Iowa family farm that has significant conservation features blended into a working landscape.” This was written after much thought and a lengthy discussion with our family. With that stated goal, we could now measure proposed actions against it.

Meeting a consultant, developing a plan

We started meeting with a consultant, who also came here and toured the farm. We told him that we each own 50 percent of a business called Frantzen Farm Feeds LLC that is separate from the farm. He said that was the place to start, and he was right. Starting with the business gave us a good idea about how assets can be handled without the emotional attachments that farmland brings.

Without a plan, if our son wanted to take over this business, he’d have to go in debt in order to buy out his sisters.

We decided to appraise the value of the business and then we, through the business, purchased a whole life insurance policy on Irene for that dollar figure. The beneficiaries are our two daughters.

So here’s how the Frantzen Farm Feed transition follows: If Tom passes away tonight, our son inherits half of the business and he becomes a manager. Irene still has half. If Irene passes away tonight, our son inherits her half of the business. Each of our



From left: James, Irene and Tom Frantzen

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daughters then gets half of Irene’s whole life insurance policy. In effect the asset value of the business has been shared by the children and the business continues on.

There’s a very important principle involved: If our family members have physical activity in the operations, then they will share the risk or rewards in it. We love our two daughters, but they’re not involved in this business. Our son ends up with a business which may be worth a lot, or a little – those are the risks and rewards.

With the business transfer in place, the consultant then made some

recommendations for the farm, which we thought about for a year. The farm is not only complicated, it is emotional, and it is far more of a fiscal entity. The consultant recommended that we have some of the farm surveyed off and willed to our son. But in the end we rejected that recommendation, because it didn’t fit our goals.

The decision to transfer the farm to PFI

Instead we have changed our wills to bequeath our 320 acres of farmland to Practical Farmers of Iowa. There is a governing document with the bequest of this land that PFI is required to follow. This list includes actions that are required, ones that are suggested, and those that are forbidden.

The farm has an inventory of grain, livestock and machinery. James currently works nearly full-time for us. In time, he will begin to build his own tangible asset inventory as we reduce our farm activities. The value of these farm goods are an important part of our retirement income.

Now people are going to say, “Well why didn’t you just will the farmland to your son?” When the Pope visited Iowa in 1979, he said that the land is ours to be preserved for generation upon generation. His visit started our transition to a more

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sustainable agriculture and life that we've had. He didn't just say preserve the land for a generation. He said "generation upon generation." The plans that the consultant came up with do not protect the farm long-term. We think that the farm is best preserved by a group than any individual.

There are real problems today with selling our farm to our son as my father sold his farm to us. Land values are ridiculously high. Then it gets very complicated with assessments and how it gets legally transferred. James would end up with a real serious burden of debt, regardless of the price.

And not only that, we also looked at what would happen because our two daughters have chosen other careers and currently do not plan on coming back to the farm. What if something would happen to James? Then it would end as far as it being the Frantzen Farm. He could die of a car accident, he

could become disabled or have some kind of health issue that would prevent him from being able to farm. We aren't looking at just James's generation. We want the farm to be continually preserved and kept in the hands of an organization that's going to care for the land like we do and will maintain the name Frantzen Farm.

We needed a strategy that allows the farm to survive a variety of tragedies and unexpected results or we really don't have a plan for the future.

It's selfish not to have a generational transfer plan. Without a plan, when Tom dies, he dumps all the responsibility and management, from the cow herd to the income tax, in Irene's lap.

When we are no longer here, then the farmland is the PFI Board of Directors' property. We prefer a Frantzen descendent to be the operator of this farm. If our son is here and shows that he's a viable operator, he rents this farm and the rent is based off a percentage of the county's average rent. Future tenants, family or non-family should have a basis for a profitable operation. They will not be burdened with interest and principle payments on the farm.

We are all tenants on our farms in our lifetimes anyway.

Preserving a legacy

This farm has a story that started 100 years ago. Our farm is profitable and we provide sustainable employment. It is a good place to work and an important part of a rural community. It involves many other businesses in very positive ways. Down the road, maybe it will even support more families. There are no rules saying what the farm has to look like in the future. One hundred years ago, it was carved out of a chunk of tallgrass prairie, and it has been changed enormously in many different ways since.

A former Supreme Court justice said that you can have great concentration of wealth or you can have democratic process. You cannot have both. We find the concentration of land ownership and the escalation of its worth very destructive to rural communities. We find those factors a huge threat to democratic process. We personally can't change those trends that are going on, but we don't have to be a part of them either.

To divide up this farm and sell its assets off to the highest bidder is in complete conflict with our goals. Our children understand this. They realize that because of our generational transfer plan, they won't benefit from this current run-up in land values. They understand the love and care and the legacy of the land we are trying to preserve.

Practical Farmers of Iowa is about more than just growing crops or putting food on the table. It's a part of our other family. The organization brought so much to us that we feel like we owe something back to it. We really think that we're setting an example that maybe others can follow. If we don't do it, who will?

Next issue: James Frantzen on the Frantzen legacy plan. ■

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