



# The Transition Planning Checklist

If you are wondering how to get started with farm or ranch transition planning, you are not alone! The idea for a planning checklist grew from a real farm family in transition who asked, “Why can’t there just be a ‘roadmap’ that tells us what to do?” A group of representatives from many farm organizations across Iowa helped develop this checklist to offer a ‘roadmap’ for the transition planning process.

There are no exact directions or ‘roadmaps’ for the transition of your farm or ranch business from an established to a beginning generation. However, there are common issues that need to be addressed and not forgotten. There is also a logical progression of when to address those issues as well as planning tools to help with the process.

This checklist was developed to provide you with a general guide through the farm or ranch transition process. Keep in mind, the order of progression through the process is flexible. Some steps, such as holding farm or ranch business meetings, need to be repeated often. Other steps may need to be re-visited from time to time.

Share the checklist with your farm or ranch family members or non-related business partners to help everyone understand what usually needs to be done in a transition plan. Determine where you are in the process; check what have you already done and note possible next steps. Use the checklist however it is most useful to you and your family or partners.

- 1. Getting Started with Transition Planning** (*necessary for all types of planning*)
  - Learn how business, estate, retirement and succession planning is combined to form an overall farm or ranch transition plan.
  - Identify and list the important reasons you and your farm or ranch family or non-related business partners want to develop a transition plan.
  - Think through your potential roles in the transition planning process as well as the potential roles of other family members or non-related business partners.
  - Attend workshops, read about transition planning, and ask for advice from experienced families that have made successful transitions.
- 2. Improving Communication** (*necessary for all types, especially succession planning*)
  - Practice new strategies for improved communication with farm or ranch family or non-related business partners.
  - Communicate with family or partners, both on-farm and off-farm, about starting the transition planning process.
  - Conduct regularly scheduled business meetings as often as needed to help move the planning process forward and to make the best possible decisions.
- 3. Creating a Vision and Setting Goals** (*necessary for all types of planning*)
  - Identify the values that underlie your and other's vision for the future.
  - Create your personal vision; then create a shared vision with your spouse or closest partner; then bring together the multiple generations involved in the farm or ranch to create a shared vision for the future.
  - Develop goals that can help move the family or partners toward the shared vision for the future of the farm or ranch business.
- 4. Taking a Look at the Balance Sheets** (*necessary for all types of planning*)
  - Prepare and/or examine personal and business balance sheets and balance sheet trends over time.
  - Calculate key ratios and compare to benchmarks to analyze the financial stability of the business.
  - Assess the ability of the farm or ranch business to support multiple generations.
- 5. Sharing Income** (*necessary for business and succession planning*)
  - Prepare and/or examine the farm or ranch income statements and income trends.
  - Calculate additional financial ratios and compare to benchmarks to analyze the income-producing ability of the current business.
  - Compare various options for sharing income with multiple generations.
  - Assess whether business changes or growth strategies are needed to increase income.
- 6. Becoming a Beginning Farmer or Rancher** (*necessary for succession planning*)

- Identify the skills needed in the beginning generation; assess available skills and the potential value of those skills; strategize how and when skills can be developed.
- Estimate beginning farmer personal living expenses and annual budget; consider potential changes such as housing, marriage and children.
- Investigate whether off-farm jobs will be needed, and for how long.
- Cooperate with the established generation to develop a strategy and timeline for transfer of farm or ranch labor, management and decision-making; transfer or redistribution of farm income, and transfer of specific farm asset ownership.

#### **7. Thinking About Retirement** (*necessary retirement and succession planning*)

- Identify retirement or semi-retirement activities, location, needs and wants; develop plans for a productive and enjoyable time in life.
- Estimate retiring farmer personal living expenses and projected budget; consider changes such as housing, recreation, lifestyle and health.
- Investigate possible sources of income in retirement other than the farm or ranch.
- Cooperate with the beginning generation to develop a strategy and timeline for transfer of farm or ranch labor, management and decision-making; transfer or redistribution of farm income, and transfer of specific farm asset ownership.

#### **8. Preparing for Estate Planning** (*necessary for estate planning*)

- Learn about key estate planning terms, tools and concepts.
- Discuss the purposes for, and identify professional planners and advisors.
- Assemble basic information necessary for estate planning.

#### **9. Understanding Estate Methods and Laws** (*necessary for estate planning*)

- Learn about the estate settlement process.
- Choose advance directives, powers of attorney, or other forms of substitute decision making.
- Explore how the laws for trusts and gifting may impact your transition plans.

#### **10. Transferring Assets Equitably** (*necessary for estate and succession planning*)

- Learn about options for transferring core farm business assets to on-farm heirs and other assets to non-farm heirs. Consider fairness to heirs and the needs of the business.
- Estimate the value of the sweat equity contributed by farm or ranch family or non-related business partners.
- Compare different strategies used to transfer property during lifetime, at death, or after death.

#### **11. Building a Business Plan** (*necessary for business and succession planning*)

- Evaluate the strengths, weaknesses, opportunities and threats that may impact the future of the business or ability of the business to grow.

- Develop a written business plan to document proposals and decisions. A complete plan includes the following:
  - Business mission and description
  - Operations and production
  - Marketing plans
  - Management, personnel, and legal business structure
  - Financial projections
- Assess and manage risks of adding another generation to the business as well as risks involved with business expansion or other changes
- Develop contingency plans that factor in the 5 Ds of death, disability, divorce, disagreement and disaster.

### ***12. Leading Transitions with Confidence (necessary for all types of planning)***

- Be confident in the unique skills and abilities you bring to the farm or ranch transition planning process; be a leader and keep learning
- Meet with professional advisors who can review your plans and help you finalize and implement them. Your team may include the following:
  - Accountant
  - Attorney/Lawyer
  - Banker/Lender
  - Business or industry advisor
  - Financial planner
  - Insurance agent
  - University Extension agents or specialists
  - USDA – FSA, NRCS or others
  - Clergy or other spiritual advisor
- Monitor your progress towards goals and maintain momentum; be diligent and persistent to accomplish the important management tasks required to successfully transfer the farm or ranch business to the next generation,
- Acknowledge the contributions of others and celebrate your achievements.

## What to Do When Progress Stops

If there are problems moving forward with the farm or ranch transition process, pursue one or more of the following strategies:

- Work to improve family communication. How can you bridge the differences in communication styles?
- Revisit individual visions for the future. Were personal values represented in the plans so far?
- Find a facilitator to guide the family through difficult decisions. Call on professional advisors to move you forward.
- Seek help with conflict resolution. Request mediation services and/or family counseling.

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