Business Transition Planning for You and Your Clients

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• Why discuss business transition planning at a crop insurance conference?

• Two perspectives!
Survey Results
(MN, ND, IA, & WI)

• 85.8% of farm families have no business transition plan.

• 68.3% of farm family members have no personal estate plan.

• What happens if I do nothing?
  • No business & personal estate plan:
    ✓ State Intestate law enforced:
      • Assets may go to someone you don't want them going to.
      • Family feud.
      • Business dies with you.
      • All of the above.
• **What happens if I do nothing?**

• **Tax consequences:**

  ✓ Federal estate tax:
  - 2010 - no tax but limited step-up in basis
  - 2011 - back to $1 million exclusion

  ✓ State estate/inheritance tax:
  - MN - $1 million exclusion
  - SD - no estate/no inheritance tax
  - ND - no estate/no inheritance tax
  - IA - inheritance tax
  - IL - $2 million exclusion (2009)
  - WI - no estate/no inheritance tax

• **Where do I start?**
• **Begin by listing your goals:**

  • List what you *want* to have happen to your business & personal assets.
  
  • List what you *do not want* to have happen to your business & personal assets.
  
  • Write them down:
    
    • Individually - do your personal list.
      - individual, family & business goals.
    
    • Family - sit with your partner & prioritize your lists.
    
    • Business - everyone sit together to prioritize lists.

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**Find a Competent Transition & Estate Planning Team**

- Attorney: [www.wealthcounsel.com](http://www.wealthcounsel.com)
- Accountant
- Financial Planner
- Insurance agent
- Banker
- ????
Other Considerations

- Minimize any tax consequences.
- Consider establishing a business entity:
  - Transition ownership shares.
  - Discounting assets.
  - South Dakota LLC.
- Consider selling assets.
- Consider gifting.

Personal Estate Plan

- Will or Trust
- Power-of-Attorney
- Health Care Directive (Living Will)
- HIPAA designees
Personal Estate Plan

• Will:
  • Lists how you want your assets distributed.
  • Triggers probate process.
  • Probate:
    • Time: 12-18 months.
    • Cost: 2-3% of estate value.
    • Open to the public.
  • Does not allow for disability planning.

Personal Estate Plan

• Revocable Living Trust:
  • Assets in trust bypass probate process.
  • Administrative phase:
    • Time: much less than 12-18 months.
    • Cost: .75 - 1% of estate value.
    • Closed to the public.
  • Allows for disability planning.
Personal Estate Plan

• Power-of-Attorney:
  • Durable form of POA.

• Health Care Directive:
  • List how you want to be cared for if disabled or death is eminent – physically & financially.
  • List who you charge with the responsibility of carrying out your wishes.

• HIPAA designees:
  • Folks you grant access to your medical information.

Why do we Care?

• To protect your customer’s business!

• To protect your business!
• **Website:**
  
  - [www.cffm.umn.edu](http://www.cffm.umn.edu)
  
  - Business transfer & estate planning information sheets under publications then farm management

• **Contact Information:**
  
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**Commercial Plug**

• **Farm Transition & Estate Planning:**
  
  *Create Your Farm Legacy.*

  • Five hour educational program targeted at farm/ranch families.

• As a Sponsor:
  
  - Pay a sponsorship fee.
  - Recruit participants.
  - Opportunity to offer something extra to your customers.
Thank you!

Questions - Comments