



# A PLAN FOR SUCCESSION

## *“FAMILY DYNAMICS”*

WESLEY TUCKER

AG BUSINESS SPECIALIST &  
SUCCESSION PLANNING COACH



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## QUESTIONS

- Table Moderators



2



## Tucker Farms - *Tunas, MO*



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20 YEARS AGO...

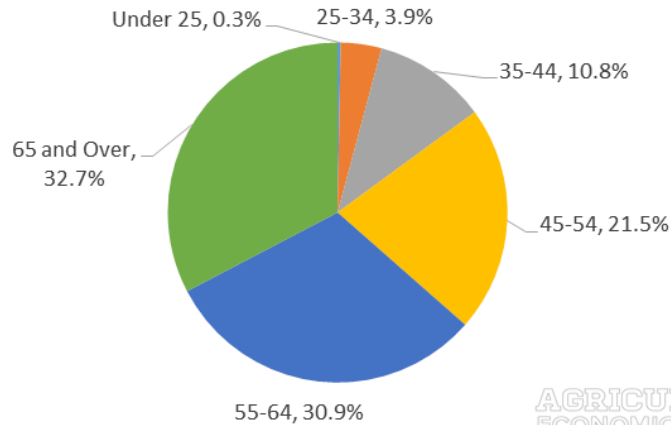
 Estate Planning



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## Percentage of Owned and Leased Farmland by Age



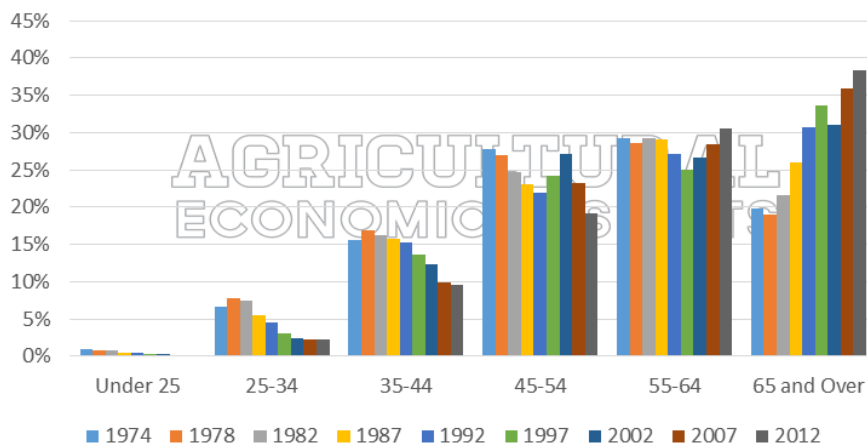
AGRICULTURAL  
ECONOMIC INSIGHTS



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## % of All Owned Acres by Age



AGRICULTURAL  
ECONOMIC INSIGHTS



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## BUSINESS ROLLOVER



7



## SMALL BUSINESS ADMINISTRATION

- Business sales to nonfamily
  - 70%
- Family succession
  - 30%
  - Third-generation success rates are even lower.
  - Why? Why? Why?



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## CAREER CHANGING MOMENT



**2012 Women in Agriculture  
Educators National  
Conference**

**MEMPHIS, TN**

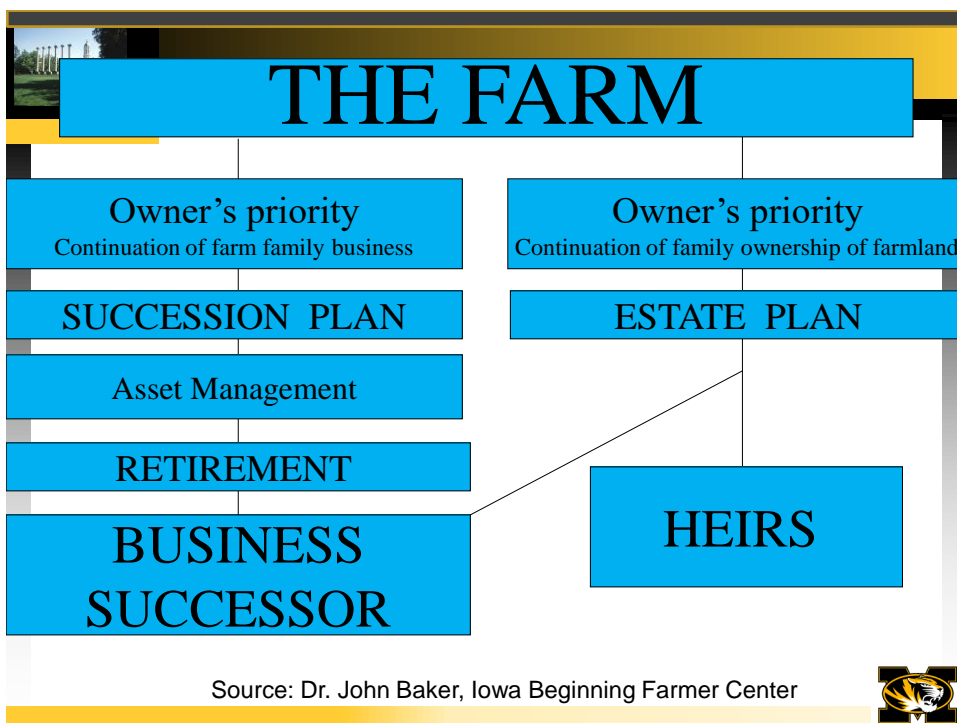
**MARCH 28 - MARCH 29, 2012**



**Dr. John Baker, MS, MBA, JD**  
Attorney at Law  
Iowa Concern Hotline



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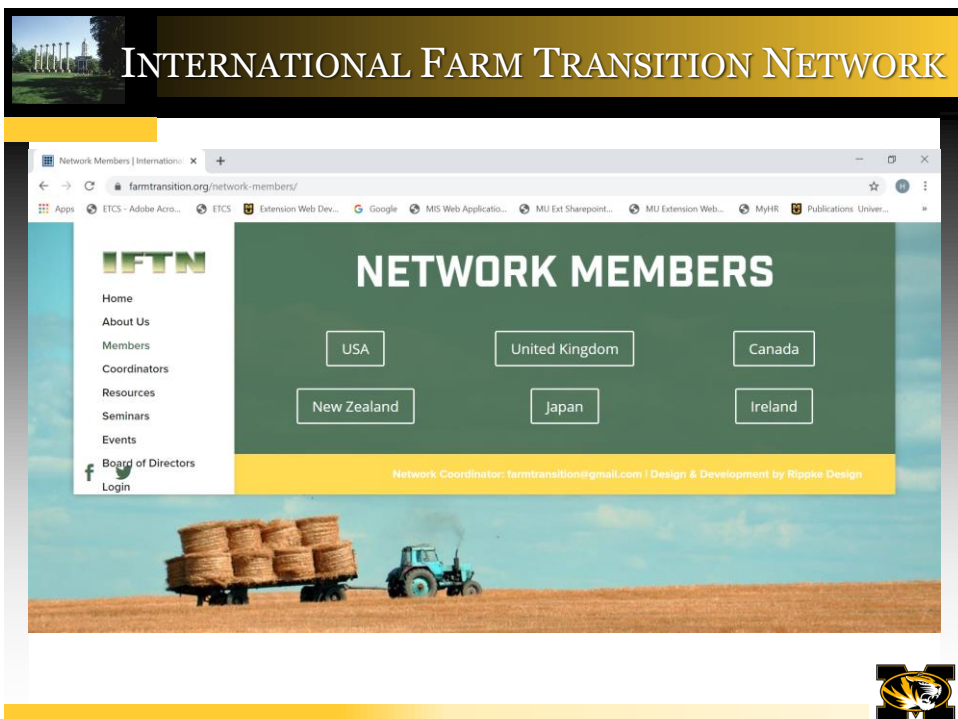


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11



12



## QUESTION

 “What is the hardest part of being in business with family?”



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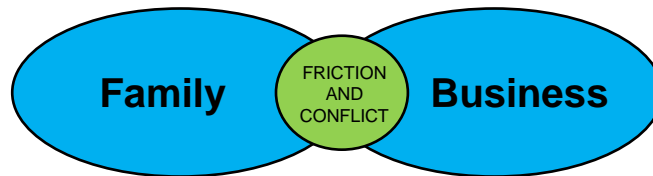
- Family businesses are **HARD!**



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## CLASH OF TWO "SYSTEMS"



15



## FAMILY OR BUSINESS?

One of the more striking features of family business is that family and business roles overlap. In family businesses, parents typically keep control over their children in the adult work roles. In most non-family business families, siblings generally emerge from under parental control when they grow up and leave the house. In family businesses, however, the ultimate power that a boss-as-parent holds over subordinates-as-children makes it difficult for the latter to acknowledge and express the full range of emotions that are part of parent-child relations. Expressions of anger or resentment by adults toward their parents may be inhibited when it means biting the hand that continues to feed them. Roles need to be negotiated in a successful family business. *Randy R. Weigel University of Wyoming*

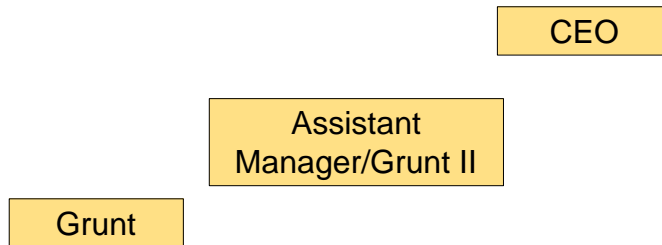


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## TYPICAL FARM SUCCESSION



Source: Dick Wittman, Wittman Consulting



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## ROADMAP TO SUCCESS

**Process  
vs  
Event**


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## NEED FOR A MAP

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## QUESTION

 “Does your family have a plan for how the business will transfer from the older generation to younger?”

- Does the plan only address assets?
- What about management?



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## PHASE 1: AWAY FROM HOME

- Education & Experience Away From Home
  - Work experience in another farm or business
  - Coaching by trusted mentors from outside the farm or business
  - Outside exposure to other companies and membership in peer groups
  - Additional education: university executive programs, industry seminars, etc.



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## PHASE 2: TRIAL WORK PERIOD

- Trial Work Period
  - 1-2 years
- Ends with an honest evaluation of all parties
- Must Separate family & business
  - Being flesh and blood does not guarantee success



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## PHASE 3: BEGIN PATH TO MANAGEMENT & OWNERSHIP

- Management:
  - What opportunities do they have to learn?
  - Where do they get to specialize?
  - *Must be making decisions!!!*
- Ownership:
  - What do they get to own?
  - Road to ownership sooner rather than later
    - Learn about debt
  - Creative compensation plans



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## SENSE OF OWNERSHIP



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## PHASE 4: ADVANCING TOWARDS MANAGEMENT & OWNERSHIP

-  Must take charge of at least one area of the business
  - Learn the finances
  - Purchasing & marketing

 Here is where most fail!!!



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## PRODUCTION VS. FINANCIAL

- Research studies comparing management transfer
  - Finances last domain transferred
- Are you building capacity?



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## PHASE 5: BECOME MAJORITY

- Become Majority Manager & Owner
  - Senior scales back
  - Junior takes over
  - Often another generation is starting Phase 1
- Doesn't have to be withdrawal



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## SUCCESSFUL TRANSITION

- Phases feel seamless – i.e. roadmap
- Communication
- Business is separated from family
  - Non-family vs family
    - Details discussed
    - Written business agreements
    - Not constrained by family & personal feelings

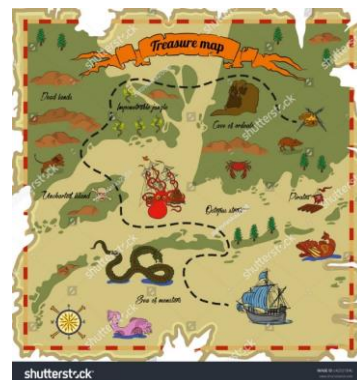


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## SUCCESSION PLANNING


- What's Your Plan???



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## QUESTION









 “Why do you think Dad (or primary operator) just won’t turn over the farm?”



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## FARMER A

-  He – 68
-  She – 66
-  Son – 42
-  Daughter-in-law – 43
-  He – can no longer take care of cows
-  She – wants to travel
-  Son – wants to come home to farm
-  He – does not want him to



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## GENERATIONAL DIFFERENCES

	Traditionalists	Baby Boomers	Generation X	Millennials
Business Focus	Quality	Long Hours	Productivity	Contribution
Work Ethic and Values	Adhere to rules	Challenge authority	Care less about advancement than about work/life balance	Believe that because of technology, they can work flexibly anytime, anyplace and that they should be evaluated on work product-not how, when or where they got it done.
	Dedicated work ethic	Crusading causes	Expect to influence the terms and conditions of the job	Expect to influence the terms and conditions of the job
	Duty before fun	Settle for family and rules	Work/family balance is important to them	Have a work ethic that no longer mandates 10 hr days.
	Expect others to honor their commitments and behave responsibly	Heavy focus on work as an anchor in their lives	Enjoy work, but are more concerned about work/life navigation	High expectations of bosses and managers to assist and mentor them in attainment of professional goals.
	Individualism is NOT valued	Loyal to the team	Have a work ethic that no longer mandates 10 hr days.	Want long-term relationships with employers, but on their own terms
	Like to be respected	Question authority	Like a casual work environment	"Real Revolution">decrease in career ambition in favor of more family time, less travel, less personal pressure.
	Like to hear motivational messages	Process oriented	Looking for meaningful work and innovation	Goal oriented
	Linear Work style	Relationship focused at work	Move easily between jobs and criticized for having no attachment to a particular job/employer	Looking for meaningful work and innovation May be the first generation that readily accepts older leadership
	Socialization is important	Strive to do their very best	Outcome oriented	Looking for careers and stability
	Their word is their bond	Value ambition	Output focused	Mentoring is important to them
	Value due process and fair play	Value collaboration	Prefer diversity, technology, informality and fun	Obsessed w/ career developments
	Value Honor	Value Equality	Rely on their technological acuity and business savvy to stay marketable.	Prefer diversity, technology, informality&fun
	Value compliance	Value Personal fulfillment/gratification	Want to get in, get the work done and move on to the next thing.	Recognize that people make the company successful
	Value Sacrifice	Value personal growth		Tolerant
	Value Dedication	Value teamwork		Thrive in a collaborative work environment
	Value Hard work	Value youthfulness		Training is important to them
	Value Good Attitude	Want respect from younger workers		Understand importance of great mentors
	Value Attendance	Want a flexible route into retirement		Want to enhance their work skills by continuing their education
	Value Practical Knowledge	Willing to take risks		
	Value Loyalty	Work efficiently		

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## "HE'S JUST NOT READY"

- Iowa Attorney John Baker, Iowa Beginning Farmer Center
- Senior farmer reluctant to turn over management control
  - "He's just not ready."
- When do you think he'll be ready?
  - "In another 5 years he should be ready."
- Senior farmer was 96 and his son was 72



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# DR. SHANE CONWAY

## IFTN BOARD OF DIRECTORS

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“shall cease agricultural activity forever”

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# PIERRE BOURDIEU

Search



The diagram illustrates Bourdieu's theory of capital. It features three main types of capital: **ECONOMIC CAPITAL**, **SYMBOLIC CAPITAL**, and **CULTURAL CAPITAL**. Arrows indicate that these capitals can be converted into one another, with the word "change" written next to the arrows. A central figure is labeled "HI I'M SYMBOLIC". To the right, a definition of Symbolic Capital is provided: "SYMBOLIC CAPITAL" is defined as "A RECOGNITION FOR COMPETENCE AND AN IMAGE OF RESPECTABILITY AND HONORABILITY." The word "Prestige" is also written near the definition.

## Sense of Identity & Belonging

3:08 / 11:03

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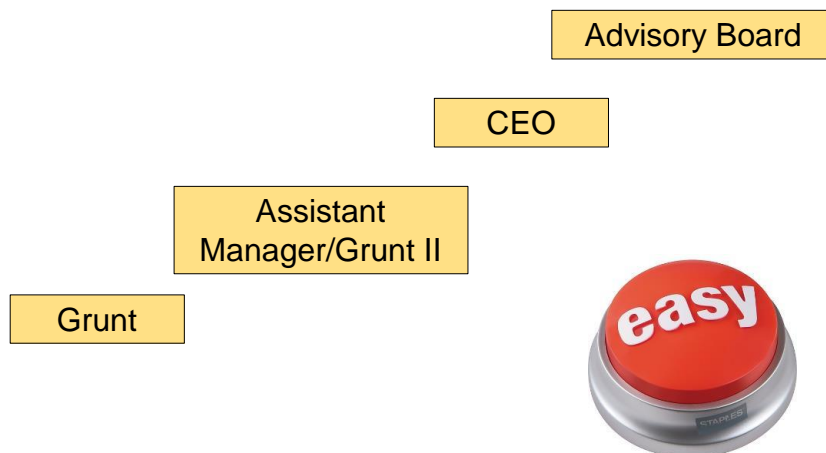
## VIEW OF RETIREMENT



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## NEW FARM SUCCESSION PLAN



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## QUESTION

🐼 “Do you think someone should be required to buy out their off-farm siblings?”

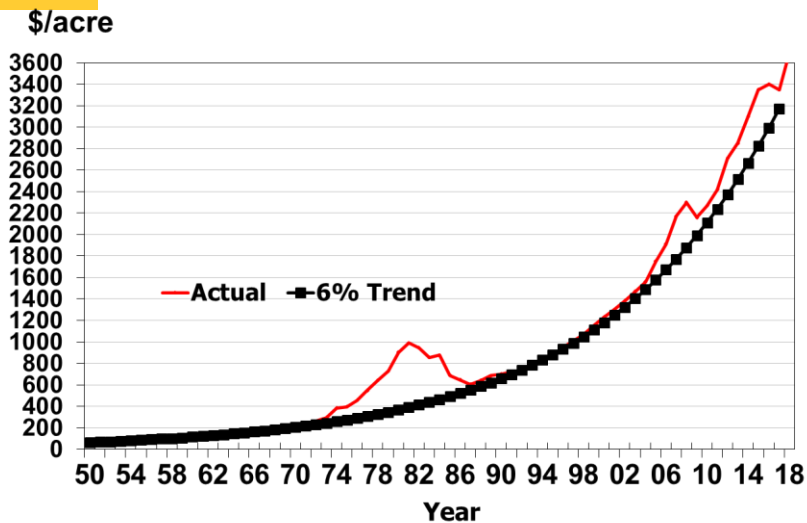
- Yes or No
- Why



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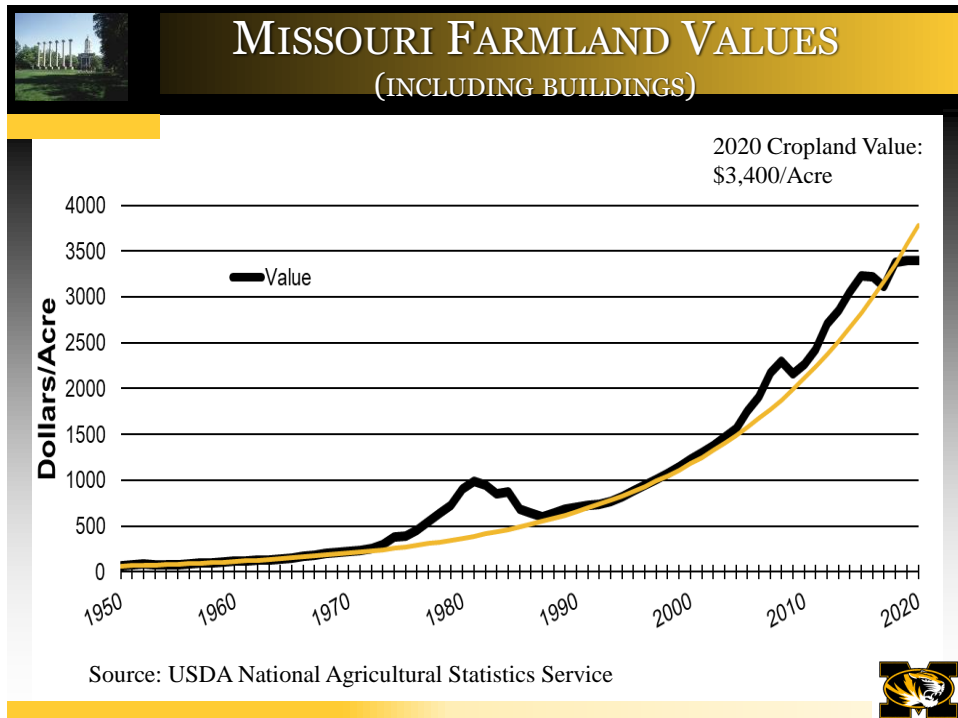
## Missouri Farmland Values, 1950-2018\* USDA/NASS



\*Value of all farm land and buildings.



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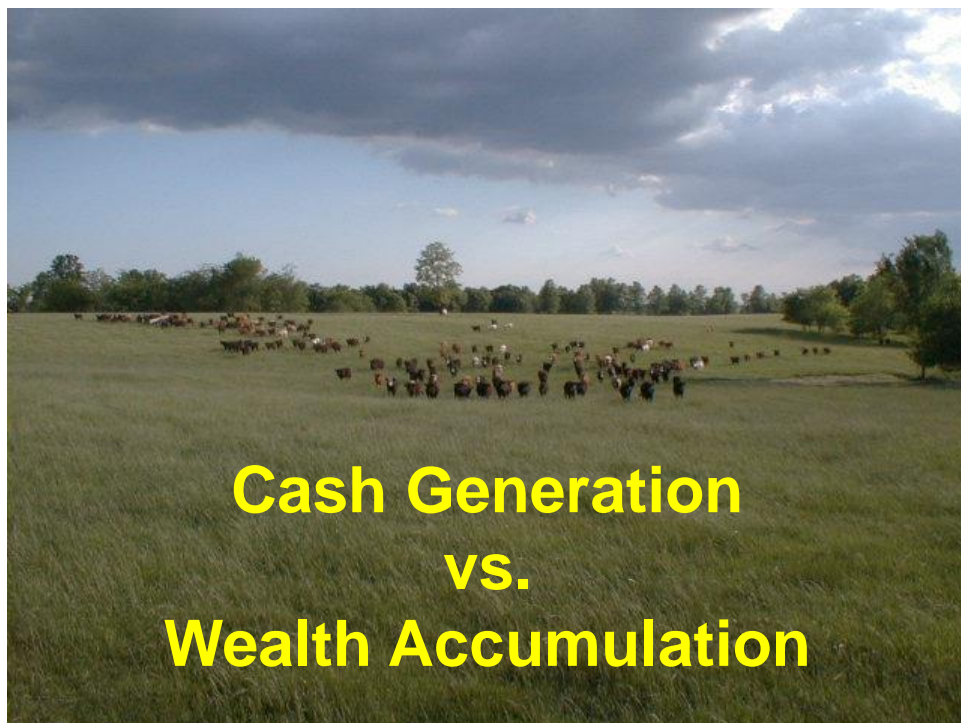
43

A	B	C	D		A	B	C	D
\$100.00			1965		\$418.80	0.06425	\$445.71	1989
\$100.00	0.06425	\$106.43	1966		\$445.71	0.06425	\$474.34	1990
\$106.43	0.06425	\$113.26	1967		\$474.34	0.06425	\$504.82	1991
\$113.26	0.06425	\$120.54	1968		\$504.82	0.06425	\$537.25	1992
\$120.54	0.06425	\$128.28	1969		\$537.25	0.06425	\$571.77	1993
\$128.28	0.06425	\$136.53	1970		\$571.77	0.06425	\$608.51	1994
\$136.53	0.06425	\$145.30	1971		\$608.51	0.06425	\$647.60	1995
\$145.30	0.06425	\$154.63	1972		\$647.60	0.06425	\$689.21	1996
\$154.63	0.06425	\$164.57	1973		\$689.21	0.06425	\$733.49	1997
\$164.57	0.06425	\$175.14	1974		\$733.49	0.06425	\$780.62	1998
\$175.14	0.06425	\$186.40	1975		\$780.62	0.06425	\$830.78	1999
\$186.40	0.06425	\$198.37	1976		\$830.78	0.06425	\$884.15	2000
\$198.37	0.06425	\$211.12	1977		\$884.15	0.06425	\$940.96	2001
\$211.12	0.06425	\$224.68	1978		\$940.96	0.06425	\$1,001.42	2002
\$224.68	0.06425	\$239.12	1979		\$1,001.42	0.06425	\$1,065.76	2003
\$239.12	0.06425	\$254.48	1980		\$1,065.76	0.06425	\$1,134.23	2004
\$254.48	0.06425	\$270.83	1981		\$1,134.23	0.06425	\$1,207.11	2005
\$270.83	0.06425	\$288.23	1982		\$1,207.11	0.06425	\$1,284.67	2006
\$288.23	0.06425	\$306.75	1983		\$1,284.67	0.06425	\$1,367.21	2007
\$306.75	0.06425	\$326.46	1984		\$1,367.21	0.06425	\$1,455.05	2008
\$326.46	0.06425	\$347.43	1985		\$1,455.05	0.06425	\$1,548.53	2009
\$347.43	0.06425	\$369.76	1986		\$1,548.53	0.06425	\$1,648.03	2010
\$369.76	0.06425	\$393.51	1987					
\$393.51	0.06425	\$418.80	1988					
\$418.80	0.06425	\$445.71	1989					
\$445.71	0.06425	\$474.34	1990					

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H	I	J	K		H	I	J	K
\$100.00			1965		\$404.89	0.06	\$429.19	1990
\$100.00	0.06	\$106.00	1966		\$429.19	0.06	\$454.94	1991
\$106.00	0.06	\$112.36	1967		\$454.94	0.06	\$482.23	1992
\$112.36	0.06	\$119.10	1968		\$482.23	0.06	\$511.17	1993
\$119.10	0.06	\$126.25	1969		\$511.17	0.06	\$541.84	1994
\$126.25	0.06	\$133.82	1970		\$541.84	0.06	\$574.35	1995
\$133.82	0.06	\$141.85	1971		\$574.35	0.06	\$608.81	1996
\$141.85	0.06	\$150.36	1972		\$608.81	0.06	\$645.34	1997
\$150.36	0.06	\$159.38	1973		\$645.34	0.06	\$684.06	1998
\$159.38	0.06	\$168.95	1974		\$684.06	0.06	\$725.10	1999
\$168.95	0.06	\$179.08	1975		\$725.10	0.06	\$768.61	2000
\$179.08	0.06	\$189.82	1976		\$768.61	0.06	\$814.73	2001
\$189.83	0.06	\$201.22	1977		\$814.73	0.06	\$863.61	2002
\$201.22	0.06	\$213.29	1978		\$863.61	0.06	\$915.43	2003
\$213.29	0.06	\$226.09	1979		\$915.43	0.06	\$970.35	2004
\$226.09	0.06	\$239.66	1980		\$970.35	0.06	\$1,028.57	2005
\$239.66	0.06	\$254.04	1981		\$1,028.57	0.06	\$1,090.29	2006
\$254.04	0.06	\$269.28	1982		\$1,090.29	0.06	\$1,155.70	2007
\$269.28	0.06	\$285.43	1983		\$1,155.70	0.06	\$1,225.05	2008
\$285.43	0.06	\$302.56	1984		\$1,225.05	0.06	\$1,298.55	2009
\$302.56	0.06	\$320.71	1985		\$1,298.55	0.06	\$1,376.46	2010
\$320.71	0.06	\$339.96	1986		\$1,376.46	0.06	\$1,459.05	2011
\$339.96	0.06	\$360.35	1987		\$1,459.05	0.06	\$1,546.59	2012
\$360.35	0.06	\$381.97	1988		\$1,546.59	0.06	\$1,639.39	2013
\$381.97	0.06	\$404.89	1989		\$1,639.39	0.06	\$1,737.75	2014
\$404.89	0.06	\$429.19	1990		\$1,737.75	0.06	\$1,842.02	2015

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 Could you afford to start over today?

- Land
- Machinery
- Livestock

 Cash flow vs. wealth



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## EQUAL OR EQUITABLE?

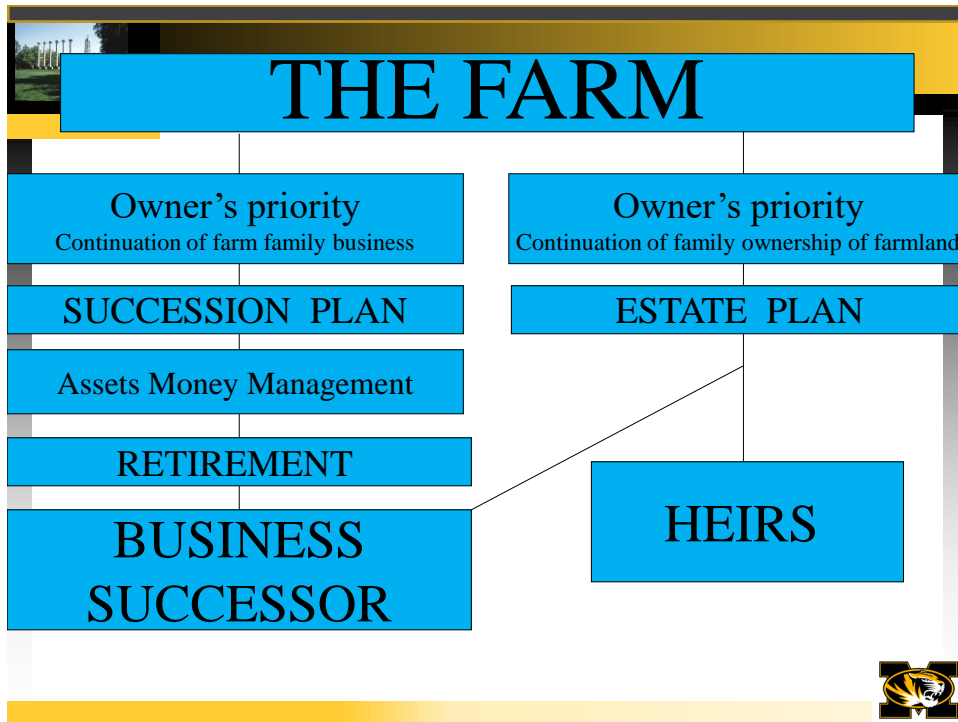
I've spent my entire life paying off my uncles.

Now I'll spend the rest of my life paying off my brothers.

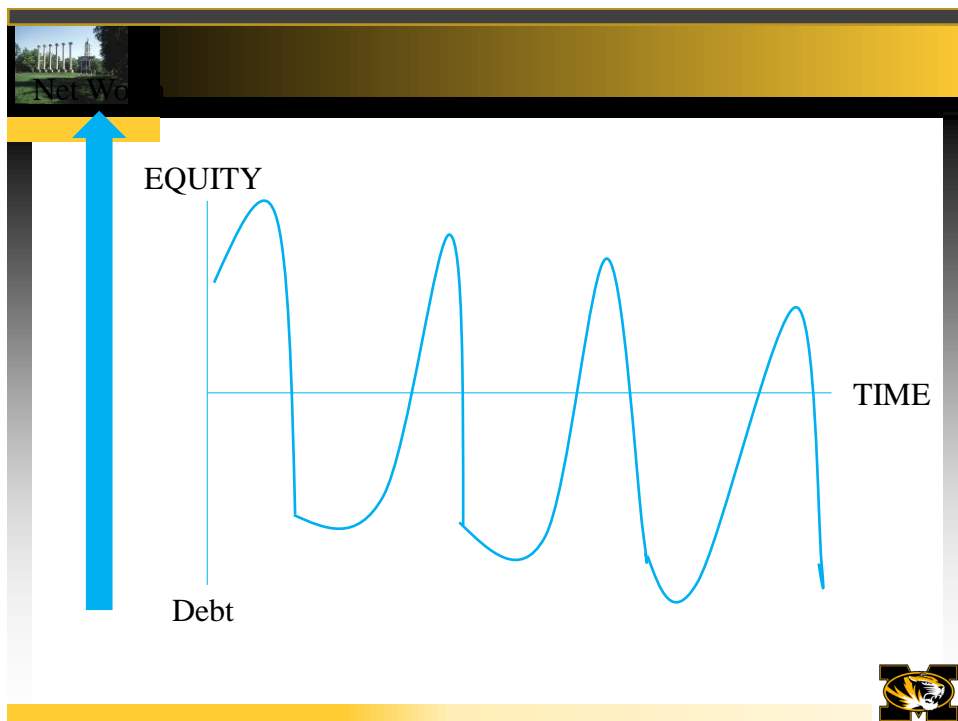
English farmer, Devon, UK 2002



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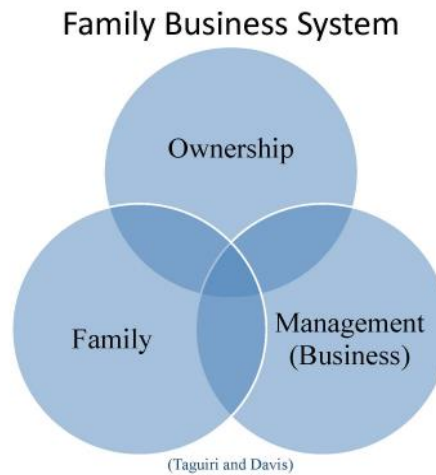


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## HARVARD - 1978

How many  
kids do  
you have?



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## GOLDEN RULE

- Estate Planning Golden Rule???

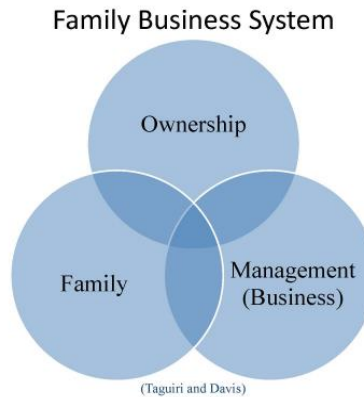


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## MY GOALS

- Goal #1: business performance
- Goal #2: family future
- Goal #3: relationships



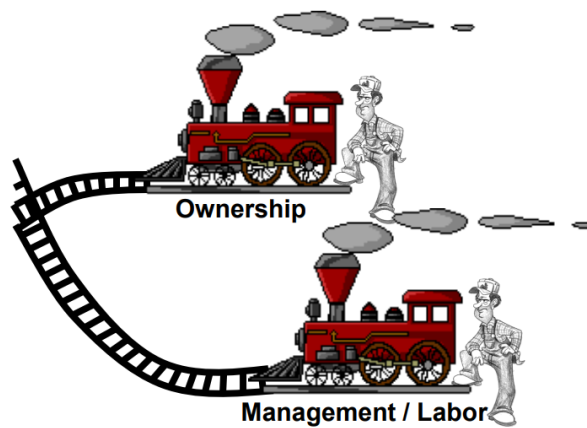
on the  
business  
relationships



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## LINKAGES



Source: Dick Wittman, Wittman Consulting



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## TOOL BOX

- Life Insurance
- Buy-Sell Agreements
- First Option to Buy
- Separate Enterprises
- Entity Structure
- Trusts
- Long Term Leases

Will your kids be  
a family after you  
are gone?

Your  
Responsibility

Goal #2 – It can be a thriving business for future generations

Goal #3 - Maintain family relationships



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# REAL ESTATE AUCTION

Saturday October 9, 2021 10:00AM

286 Acres

**Directions: F**  
**Auction. Watch For Signs.**

Acres M/L

**gfield Rd To**

Real Estate Selling At 10:30AM  
Open House Sunday October 3, 2:00-4:00PM




Large Home & Barns On Up To 286 Acres M/L On Live Creek

**Tract 1:** Spacious 5256 M/L, Sq Ft 5 Bedroom 3-1/2 Bath Brick & Stone Home Featuring Living Room w/ Vaulted Ceiling & Stone Gas Fireplace, Formal Dining w/ Hardwood Floors, Crown Molding & Tray Ceiling & A Large Kitchen w/ Corian Counters, Under Mount Sink, Tile Floors, Built In Stainless Microwave, Smooth Top Range, 6x6 Refrigerator, Breakfast Bar, Pantry & Dining Area. The Main Level Has 3 Bedrooms & 2-1/2 Bathrooms Including The Master Suite w/ Large Walk-in Closet & Bathroom w/ Large Vanity, Large Soaking Tub & Walk-In Shower. The Home Also Has An Attached 2 Car Garage & A Full Walkout Basement w/ An Additional Oversized Family Room, Kitchenette w/ Bar, 2 Bedrooms, Full Bathroom & Mechanical/Storage Room. This Property Also Has 2 Large Barns & Pond On Over 9 Acres M/L.

**Tract 2:** 24 Acres M/L, Open w/ Creek Frontage.

**Tract 3:** 18.5 Acres M/L, Open w/ Creek Frontage.

**Tract 4:** 16 Acres M/L, Majority Open w/ Large Pond & Creek Frontage

**Tract 5:** 34 Acres M/L, Majority Open w/ Pond, Blacktop & Creek Frontage.  
(Tracts 1-5 Offered Separately & As A Whole)

**Tract 6:** 16 Acres M/L, Majority Wooded

**Tract 7:** 16 Acres M/L, Majority Wooded

**Tract 8:** 13.6 Acres M/L, Majority Wooded w/ 2 Ponds  
(Tracts 6-8 Offered Separately & As A Whole)

**Tract 9:** 7.5 Acres M/L, Majority Wooded w/ Blacktop Frontage

**Tract 10:** 2.5 Acres M/L, Partially Wooded w/ Blacktop Frontage

**Tract 11:** 108 Acres M/L, Majority Open w/ Some Woods, Creek & Black Top Frontage  
(Tracts 10&11 Offered Separately & As A Whole)

**Tract 12:** 20.6 Acres M/L, Majority Open w/ Creek Frontage.  
(Tracts 10, 11 & 12 Offered Separately & As A Whole)

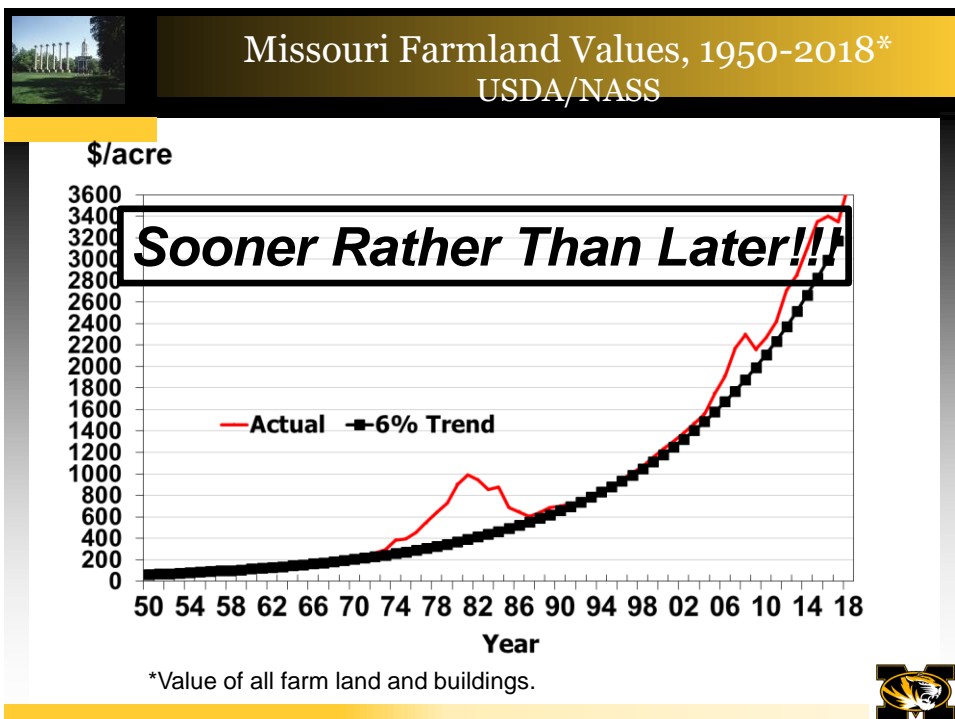


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## CHALLENGING RELATIONSHIPS

- Which relationships are the most challenging in the family business?
  - Parent – Son/Daughter
  - Sibling – Sibling
  - In-business heirs– Out-business heirs
  - Direct – In-laws



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## FAMILY MEETINGS

- Operating Meetings
- Family Business Meetings
- Family Council Meetings



***Intentional  
Communication***



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## FAMILY BUSINESS MEETINGS

- Who
  - Those involved in the day to day operation
  - Might even include lender, vendors, distributors, etc.
- What
  - Strategic business issues



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## FAMILY BUSINESS MEETINGS

- How often?
  - Big vs small issues
- Where
  - Appropriate place
    - Coop, bank board room, hotel
- Working In vs. Working On the business



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## FAMILY COUNCIL MEETINGS


A communication forum that allows all family members an opportunity to learn about the family business.

It addresses family issues that impact the business and business issues that impact the family.


Include: spouses, in-laws, children, grandparents, grandchildren, etc.

Schedule the meeting every year.

Pages 15-20




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## FAMILY MEETINGS

- Agenda sent ahead of time – no surprises
  - Ask for feedback and additional items
  - Identifies action items or key decisions to be made
- Who conducts
  - Division managers? Dad? Rotates? Outside facilitator?
- Who takes minutes



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## FAMILY MEETINGS

- Ground Rules
  - Start and end on time
  - Everyone gets a turn
  - No more than X minutes each
  - Everyone's opinion is valued
  - Stick to the agenda
    - Parking lot



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## FAMILY MEETINGS

- Encourage everyone to speak out and share concerns without fear of being put down or judged
- All insights are valuable even if not acted upon



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## CHALLENGING RELATIONSHIPS

- Which relationships are the most challenging in the family business?
  - Parent – Son/Daughter
  - Sibling – Sibling
  - In-business heirs– Out-business heirs
  - Direct – In-laws



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## YOUR BUSINESS STRUCTURE



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## YOUR BUSINESS STRUCTURE



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## ESTABLISH CLEAR ROLES

- Job descriptions
- Decision making authority
- Evaluation & feedback
- Separate entities
- Employment policy
  
- Cleared defined roles = opportunity for advancement (new skills & responsibility)
- No Path = “I will build my future elsewhere”



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## CHALLENGING RELATIONSHIPS

- Which relationships are the most challenging in the family business?
  - Parent – Son/Daughter
  - Sibling – Sibling
  - In-business heirs – Out-business heirs
  - Direct – In-laws

### *Family Council Meetings*

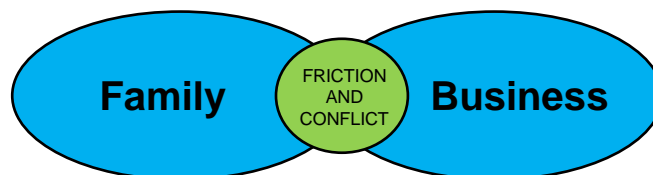
*Family members can accept difficult decisions when there is clear and open communication and they understand the “why” behind the decision*



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## CLASH OF TWO “SYSTEMS”



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## SMALL BUSINESS ADMINISTRATION

- Business sales to nonfamily
  - 70%
- Family succession
  - 30%
  - Third-generation success rates are even lower.

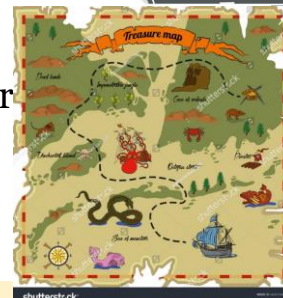


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## PHASE 3: MGMT & OWNERSHIP

- Management:
  - What opportunities do they have
  - Where do they get to specialize?
  - *Must be making decisions!!!*
- Ownership:
  - What do they get to own?
  - Road to ownership sooner rather than later
    - Learn about debt
  - Creative compensation plans



shutterstock

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## YOUR PLAN

### 30-day

- You & spouse begin plan

### 90-day

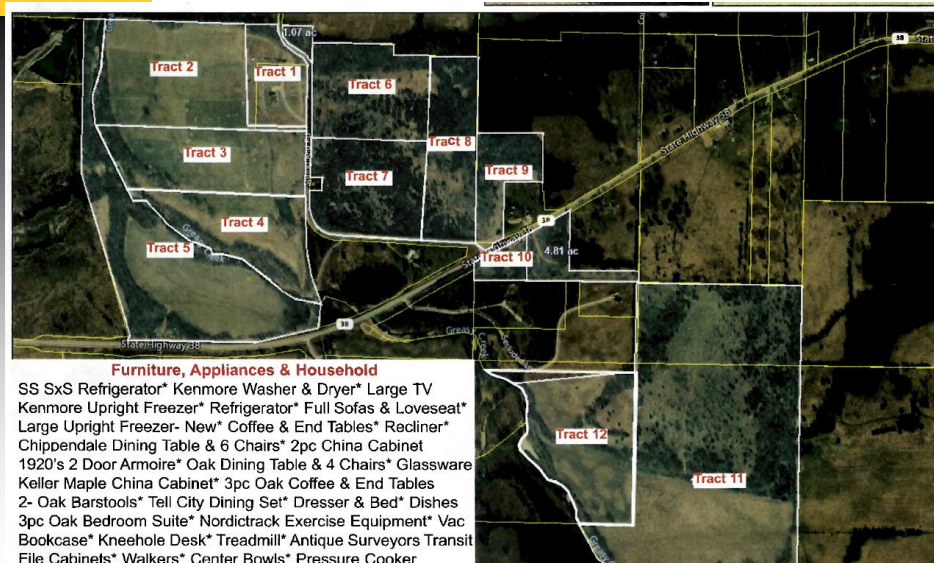
- Host or schedule family meeting

### 365-day

- Written plan for transfer of management & ownership
- Agree upon cash-out procedures of farm shares



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## QUESTIONS

### • Table Moderators



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### Tax legislation changes will affect farm succession



TAX DISCUSSIONS: While proposed changes to estate taxes loom, farmers and ranchers should start now understanding the potential effect these could have on their operations.

**Business Basics: Here is what you need to know about changes to capital gains — and two ways to prepare for it.**

Wesley Tucker | Jun 22, 2021



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## CONTACT INFORMATION

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