

Agribusiness solutions

# Keep the farm, and family, intact

How to avoid conflict in the planning of your family business

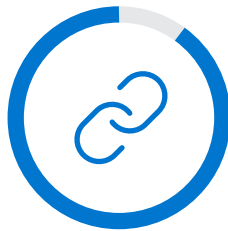
**As you know, managing a successful farm or ranch takes time, strategy, and sometimes a little luck.**

As an owner, you don't just plan for next week or next month. You must plan years into the future despite many variables.

You'll need to apply the same kind of careful planning to your financial future, including the day you pass the farm or ranch on to the next generation. Consider these statistics when thinking about your transition plan.



**Family farms**  
account for  
**98%** of U.S. farms.<sup>1</sup>



**Only 12%** of  
**second-generation**  
farm operations make it to  
the third generation.<sup>2</sup>



**53%** of the principal  
operators planning to  
retire in the next five  
years, don't have a  
**succession plan.**<sup>1</sup>

## Take small steps now that will help you:

- Provide estate liquidity for fair distribution
- Help cover debt
- Create supplemental retirement income
- Meet your goals to give back in the community
- Keep family peace

# Keep the family on the farm, and conflict out.

You've spent a lifetime building your operation. Keeping your legacy alive, and the business in the family, is important to you and those you leave behind. Consider these ways to avoid family conflict and lost opportunities.

## Decide what fair inheritance looks like

The inheritance you leave each of your kids may not be identical and equal, but it can still be fair and equitable. Take your time to decide what legacy you want to leave, and what fair looks like to you. Then you'll be able to assess your options and find your solution.

For example, creating an equal share of the operation for each kid is tough. It sounds fair, but in reality it leaves the big decisions to the kids and puts the future of the farm at risk if those who want to take over can't afford to buy out those who don't.

On the other hand, leaving the business whole for one or more kids and passing on non-liquid assets for others is tough, too. Often times, operations are asset rich and cash poor and the smaller value of non-business assets doesn't allow you to be as fair as you'd like.

## Consider life insurance to equalize your estate

If you can't leave an inheritance you think is fair without risks to the future success of the operation, life insurance can be a critical tool. It may allow you to keep the operation intact while helping to maintain peace in the family, which is the ultimate goal.

For example, your life insurance benefits could provide a more fair inheritance for kids who aren't taking over. You can name them as beneficiaries of the policy. Similarly, the kids who are taking over can purchase a policy and use the benefits to fund the purchase of the farm. If estate taxes are a concern, gifting techniques can provide solutions. Your team of professionals can help sort through the complicated details and find a solution that supports your specific goals and needs.

## Keep lines of communication open

One of the keys to making any arrangement work is discussing your plans with your children in advance. Explain the reasoning behind the choices you've made and the enormous care you've taken to be fair. While the discussions may be tough, they'd be harder if you weren't there.



For more  
information

Contact your financial professional today. Visit **principal.com**.

<sup>1</sup> USDA Economic Research Service: America's Diverse Family Farms, 2020 Edition, December 2020.

<sup>2</sup> "Keeping farms in the family for future generations", <https://www.farmprogress.com/farm-life/keeping-farms-in-the-family-for-future-generations>, updated February 2021.



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