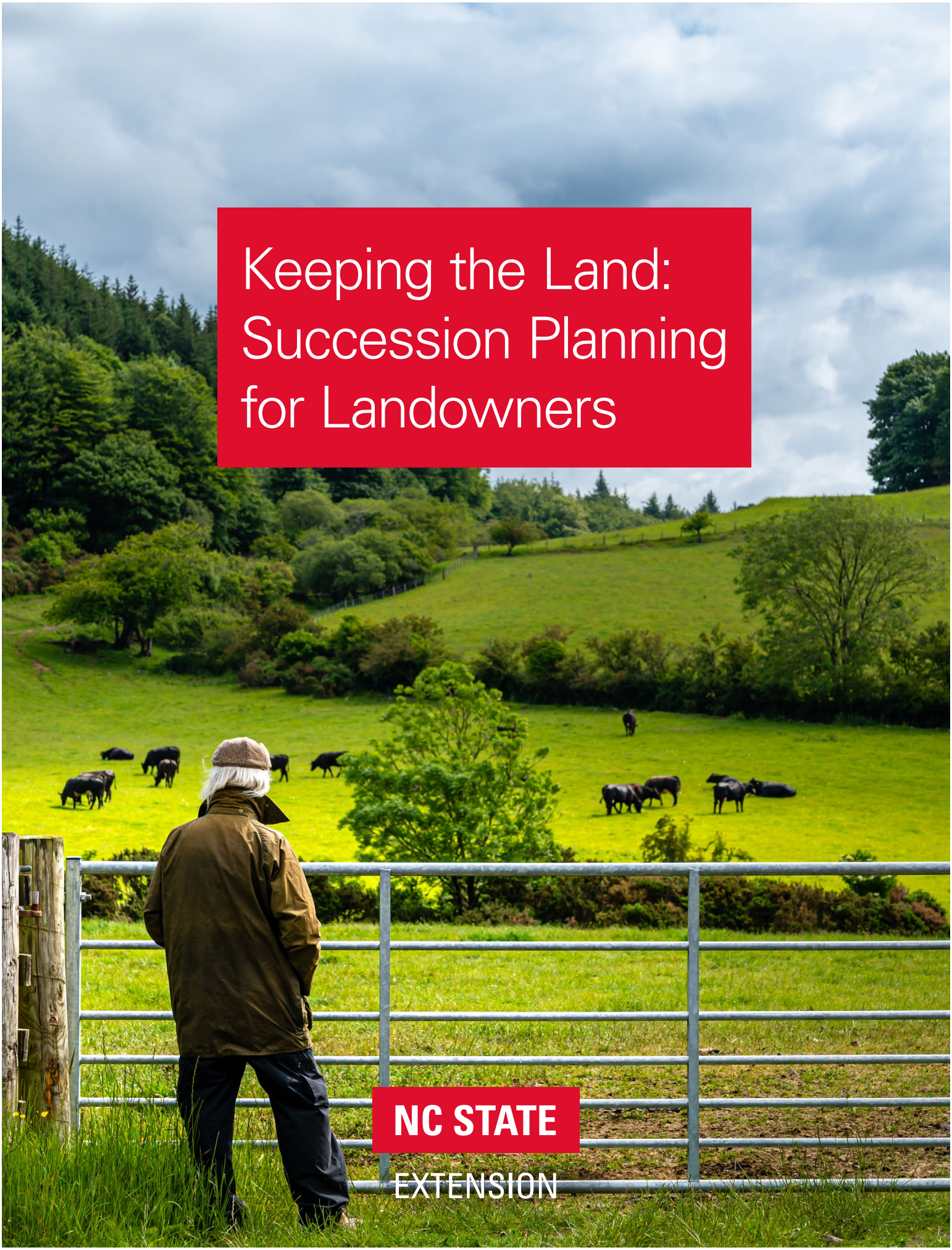

Keeping the Land: Succession Planning for Landowners

NC STATE EXTENSION

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Introduction

Millions of acres of family-owned forest and agricultural lands will change hands in the next several decades. These land transfers are important for keeping both forest and farm lands for succeeding generations. Intergenerational land transfer depends on the abilities of families to work together to find the best solution for their situation. Differences among family members in values, goals, and critical skills can often lead to disaster. This is where early succession planning can pay big dividends.

Succession planning is the human side of estate planning. This article and the related worksheets describe strategies that will assist landowners in assuring successful intergeneration transfer of land, wealth, and assets from one generation to the next. Understanding and building awareness of the key challenges that face land owners engaged in forestry and agriculture and motivating families to address these challenges are the focus.

Successfully transitioning forests and farms to the next generation is a collaborative effort. Family, neighbors, friends, professional consultants, and conservation organizations, as well as legal and financial advisers, all play a part in crafting a succession plan. This information and associated worksheets are designed to facilitate improved communication with family members, business partners, attorneys, and tax specialists. Our hope is that you will find these materials helpful as you begin your journey into succession planning for your forest, farm, and family.

To download a copy of this publication, visit content.ces.ncsu.edu/keeping-the-land or scan the QR code

Part I: Why Succession Planning?

If you own land of any size in North Carolina, and have overseen that land through the harvesting of timber and crops and rebuilding after flood and hurricane, you can almost hear the steps of ancestors around every outbuilding and fence line. You are likely to care a great deal about your property and wish to see that property continue with the next generation as part of your legacy as a productive working forest or farm. It is essential that you plan for the eventual future and continue your legacy.

When planning for the future of your land, think about what you value most. For many, this may extend beyond simply providing income to beautiful views, fishing in the pond, watching wildlife, and continuing your family heritage. Together, these things will compel you to think about and invest your time in thinking about the future.

For working landowners who share those values and want to see them continue, it is important to develop a succession plan and to follow the family, financial, and legal steps needed to transfer your legacy to future generations. As part of this journey, you must consider successors or possible successors for your property. This may involve working with a child or grandchild early in the process or identifying a conservation organization to place an easement on your property or for an outright donation.

Succession planning can be a sensitive, uncomfortable topic. Most individuals do not embrace the idea of taking time to think of what their farm or forest will be after they are gone. Conversations with family, lawyers, and accountants about the disposition of an estate created after a lifetime of work can be stressful. As difficult as it might be, the process can also be rewarding. With planning and effort, you can develop an effective succession plan that will assure that your land will be cared for in the future in a way that aligns with your values and creates your legacy.

This "Keeping the Land" article and the associated worksheets are designed to help you begin the succession process with a framework that will help you engage your thoughts, assess your own values and resources, and facilitate your family discussions and legal considerations as you move forward.

It is important to remember that succession planning is really a starting point for good estate planning. Succession planning will involve you in many of the social aspects and considerations of moving your assets forward to the next generation. Succession planning involves many legal and financial considerations, and collaboration with legal and financial experts.

Tax considerations are often what will ignite landowners and their families to begin thinking about the intergenerational transfer of land and property. Until recently, estate taxes represented a significant burden to successors. In most states, tax burdens for successors have been lowered considerably. However, tax law is always in a state of change. Tax burden and liability should never drive your decision process exclusively to the exclusion of your goals for your farm or forest, but should work in concert with the needs and desires of your family or the successor to your property.

One of the first tasks is determining who you want to own or manage your land and business in the future. The process of succession planning will help you gain clarity and confidence about the successor who will carry on the legacy of your land. Understanding your own wants and needs for your land will help you articulate your goals and expectations for the next generation of owners. When you know who you want to succeed you, you can begin to develop their connection to the land and business. This will help to give you peace of mind as you establish the pace and path for transitioning when the time comes.

The worksheets are designed to help you through the succession planning process with a succession planning framework. Completing these worksheets will divide the large task of succession planning

into manageable sections and help you document your planning progress. The succession process described here is only a suggestion. Everyone's needs and goals are different, and no single formula or template will work for everyone.

As you begin planning for succession, you may not have decided who you want to manage or own your land or business in the future. The process of succession planning will help you to gain confidence in choosing the individual(s) who will inherit your assets and business. It is helpful to first develop a clear vision and goals before selecting your successors or an organization, and who you want to oversee your land or business in the future. Having your vision and goals outlined before selecting a successor or organization also helps you identify what you value about the land or business and what direction you want for future managers. Understanding your wants and needs for the future before enlisting the next generation can help you share your desires and expectations with them.

If you already know who you want as your successor, consider how you want to develop your successor's ties to the land or business in ways that reflect your vision and goals. Keeping an open mind about potential successors and organizations will allow you to make the best decision. Passing on your legacy will require you to collaborate with successors or organizations during the planning processes. This can take place at any point during the succession planning process. Moving through the succession planning process will help you find and choose a successor or organization that fits into your goals and plans. When the time comes, you will foster your successors or organizations' connections to the land or business at the pace and time that is appropriate for your situation.

One of the first steps to building a foundation for your plan is to assess your financial situation, vision, and goals. Evaluate your assets and complete a comprehensive inventory of your land, personal property, household items, and finances. Your assets include those you own jointly. Knowing what you possess will help determine how to allocate your assets among your successors or organizations.

As you estimate the value of your assets and begin defining your vision and goals, you may also want to think about the direction you want for your land or business in the future. This might include everything from passing on the family farm or forest to family members, donating your land to a land trust, or selling your land to a new owner with similar goals and ideas. Your vision should be a passion, and you should use it to provide direction for your succession plan.

Setting goals should include the finer details of your vision and how the land or business could be managed or operated in the future. Your goals should be specific, timebound, and attainable. Specific, timebound goals will hold you accountable for completing tasks as planned and help you make progress on your succession plan. Your goals could be financial, such as increasing profit over the next five years or saving money for a child's college education. Alternatively, your goals could be related to management, such as planning to have younger generations in charge after ten years, introducing new timber species, thinning a stand for income, and creating wildlife habitat. Your goals might be a combination of financial and management goals, which will be unique to your situation and needs. Setting goals and having open conversations about those goals is crucial if you operate a family business.

Your goals must clearly reflect what you want to happen with your business when it is transferred to the next generation of owners or managers. Understanding what you want to happen will help you bring others into the succession planning process.

Part II: Using the Worksheets

Worksheet #1
Estimating the Value of Your Assets
This worksheet will create a record of the inventory of all assets and a rough estimate of the value of each. Consulting your local tax assessor's office is a good starting point for learning the value of land and buildings. It is best to revise and update this inventory every five years to record changes in your assets and current values.

Worksheet #2
Locating Your Documents
This worksheet will record the location of important legal and financial documents such as deeds, titles, bank statements, insurance policies, and wills. This will help you and others locate the documents when needed.

Worksheet #3
What Does Your Land and/or Business Mean to You?
This form will help you reflect on how you feel about your land and/or business. This should encourage you to think about your passions related to your land and business and what is important to you. This could include preserving your family heritage, being a good steward of the land, or providing income for your family.

Worksheet #4
Vision into Goals
This form will assist you in thinking through your goals for the land and/or business. Your goals should be specific, timebound, and attainable. Specific, timebound goals will help to hold you accountable for completing tasks, while attainable goals help you make progress on your succession plan. Your goals could be financial, such as increasing profit over the next five years or saving money for a child's college education. Alternatively, the goals could be related to management, such as having younger generations in charge after ten years, introducing a new crop, or creating a wildlife habitat. It could also be a combination of both financial and management goals that reflect your vision.

Worksheet #5
Planning Your Retirement
This form focuses on your retirement and your long-term care needs. This form will be helpful when you consult your financial advisor to discuss making your retirement goals a reality. It could involve traveling the world for a year, completing certain projects, providing for the college education of a grandchild, or simply spending more time with your grandchildren and less on the land and business.

Worksheet #6
Overview of Your Management Structure
This form focuses on who currently does what on your land and the professionals you work with, the timing of management activities, and any permits in place on your land. You should consider your current management structure and plan for any changes in the future.

Worksheet #7
Meeting Logistics
This form will help you record the logistics of your meeting(s) — such as date, time, location, attendees, and rough draft of an invitation. Consider providing your invitees with a range of dates. You may also consider completing an agenda with designated ground rules (see Worksheet 8) and attaching them to the final meeting invitation so that your attendees can be prepared for the meeting.

Worksheet #8
Crafting the Meeting Agenda
This form will help you create a meeting agenda and minutes, including major decisions or discussions. Identify actions to accomplish before the next meeting or a certain date. A sample agenda is included.

Worksheet #9
Successor and Organizational Assessment
This form will help you assess the individuals or organization you plan to include in your plan. For individuals, consider their age, heirs, character traits, needs, and life situation. With an organization, it is important to consider its mission, values, and conditions for accepting land.

Worksheet #10

Strategies for Succession

This form will help you record and analyze your strategies for succession.

Worksheet #11

Your Team of Advisors

This form records important information about your advising team. Include their contact information and why they are a valuable addition to your team (long-term family advisor, highly qualified, knowledgeable).

Worksheet #12

Legal and Financial Instruments

This form records the legal and financial documents or instruments that comprise your estate plan and their location.

Worksheet #13

Your Succession Plan Timeline

You can record and retain your important dates or milestones for your succession plan.

Notes

Part III: Pursuing an Estate Plan

Now that you have completed the groundwork for your succession plan, it may be time to move forward with executing an estate plan that details the distribution of your financial assets and land, as well as the legal agreements necessary for transitioning your land or business. In this part of the succession planning process, you will work very closely with your professional advisors to complete the paperwork needed to make your plan a reality.

In this section, we will discuss basic elements of an estate plan, options for transferring your land, forms of ownership, and additional planning tools that are provided as reference information. These materials provide a broad overview and will help educate you before you visit your attorney, tax specialist, and financial advisor.

Basic Elements

An estate plan has basic elements that can be customized to fit your needs. A will is one of those elements that describes how your property and assets will be distributed after your death. Without a will, the courts will disperse your assets according to state law and not your directions. You may also consider creating a "living will" that follows your wishes if you become terminally ill or medically incapacitated. Such wishes identify specific medical practices or life support.

Two other important items to consider in your estate plan are a durable power of attorney and durable power of attorney for health care. A power of attorney allows you to authorize another person to make legal, financial, or business decisions on your behalf. This is important if you become disabled or incompetent. The durable power of attorney for health care is often used in conjunction with a living will. The health care applications are broad and allow the designated person to make health care decisions on your behalf if or when you no longer can decide for yourself. Including these documents in your estate plan can help ensure that your assets will be distributed according to your wishes while also accounting for any health care you may need or refuse.

Know Your Options

When working on your goals for the future, it is best to begin by brainstorming and exploring your ideas for the future of your land. In your succession plan, you will decide the roles of your successors or organization in the ownership and management of your land. Listed below are some options for accomplishing this transfer.

Sell Your Land (and Associated Enterprise)

This might occur with individuals or a conservation organization. If you have a relationship with purchasers, you may consider building their interest into the land. You may sell the land or business and place that money into a trust fund, an investment, or insurance.

Donate the Land

You may donate your land. The timing, method, and amount of the donation will vary because of taxes, gifting limits, or other implications for the organization that receives your donation. You will need to discuss these with the organization of your choice, as well as your attorney and financial advisor, to create a timeline that works for all parties.

Select One Successor

In this case, one individual will receive your land. For example, you may have one successor who is qualified to receive the land, while other successors might receive personal property, money, or life insurance. You can complete the transfer of your land via a will.

Leave the Land Undivided to All Successors

With this option, you can either leave the land undivided to your successors in your will or you can use a form of ownership to transfer the land to them while you are still alive. The possible forms of ownership are discussed below. Regardless of when the transition occurs, make sure that your successors have a good working relationship with each other because this type of ownership functions as a business.

Divide the Land Among Your Successors

This option divides the land among your successors and can be accomplished via will, deed, or other forms of ownership. You may select this option

if future land management would benefit from individual ownership or management. This could be the case if your children have difficulty cooperating with each other.

Do Nothing

This option means that you develop no plan for the outcome of your estate. Doing nothing will result in a default form of ownership upon your death and will depend upon your number of direct heirs. The options will be either sole ownership or joint ownership with the right to survivorship. There will be no planning for inheritance taxes or estate taxes. Your direct heirs will face the consequences of your having no plan.

Forms of Ownership

As you develop your estate plan, you will need to learn what ownership option will best accomplish the transfer of your land or business. Ownership provides a management structure and a method for making decisions about your land or business. Forms of ownership can be defined for the purpose of during-life transfers of land or assets or by decisions later by your successors after your death. No single form of ownership is considered the best option — each landowner's situation requires a unique solution and will require different forms of ownership.

There are two distinct groups of ownership that can accomplish a successful transition:

The first group is sole ownership, joint ownership with the right to survivorship, and tenancy in common — transfer ownership via will. These types of ownership are considered defaults because they simply result from the transfer. For example, you choose to will your land to one successor who would then have sole ownership of the land after you pass. If you choose to sell the land or business to two or more people, the result could be joint ownership with a right to survivorship or a tenancy in common. Regardless of when the transfer occurs, it is best to engage your successors in management activities.

Sole and Joint Ownership with Right to Survivorship

This simplest form of ownership is when one individual holds a legal title and exclusive rights of possession. This individual make all decisions. This form of ownership can be both positive and negative. The ownership process is simple and low-cost, and taxes are reported by the individual. This ownership has no liability protection and can only be transferred via will or deed. The sole ownership ends when it is transferred from the owner's hands.

Joint ownership with right to survivorship is an ownership where two or more owners share an undivided interest in the property. This is simple and inexpensive to establish. Taxes are reported by each owner. This ownership offers no liability protection. Upon the death of a co-owner, the other owners automatically assume ownership. When one owner remains, it reverts to sole ownership. When one owner decides to sell their share, they must obtain consent from all other owners, and they cannot force a sale. Interest or shares cannot be willed. This ownership requires good communication among all involved (Cushing et al. 2022).

Tenancy in Common

This is joint ownership without the right to survivorship. This has several implications. First, interests can be transferred via a will and thus will go through probate. Second, owners can force a sale or sell their interest without consent from all other owners. In this form of ownership, owners can own different proportions of the property. This ownership will continue until it is sold or until there is only one owner, at which point it will revert to sole ownership. The structure is simple and low-cost, and taxes are reported by each owner. This type of ownership offers no liability protection (Legal Information Institute 2023).

The second group of ownerships includes partnerships, limited liability corporations, and corporations. These are generally formed for the purpose of during-life transfers or after-death decisions by your successors. "During life transfers" can be an effective way to involve your successors, either by fostering interest in ownership or incorporating them in its management. These forms of ownership can also be implemented by

your successors after you have passed to maintain ownership and management of the land or business.

General Partnership

This is when two or more co-owners or partners establish an organized for-profit entity. The process is more complex and expensive. The partnership must file a tax form in addition to individual taxes. The partnership itself does not pay taxes. Partners can have an unequal interest in the business but are liable for all its debts and contracts. The partnership may terminate in the case of death, bankruptcy, or exit by a partner, although its interest can be passed on to heirs or disposed of in a buy-sell agreement. No formal agreements are legally required for this ownership, although a written operating agreement is recommended that defines the management structure, individual responsibilities, and shares. A buy-sell agreement is also advisable since it identifies all provisions for selling shares. The transfer of this type of ownership goes through probate (U.S. Small Business Administration 2023).

Limited Partnership

This differs from a general partnership in that it offers limited liability protection to some partners. General partners are managers and thus assume personal liability. Limited partners own shares and thus enjoy protection from liability, although they will lose that protection if they become managers or general partners. Limited shares can also be used to involve younger generations, which gives them the opportunity to become invested in the partnership. The business can end with the death of a general partner, although wills and written agreements are used to avoid its dissolution. Taxes are filed like a general partnership (Cushing et al 2022)

Limited Liability Corporations, or LLC

This creates a for-profit entity that combines the liability protection of a corporation with taxation and the flexible structure of a general partnership. All owners or members avoid personal liability, and can be involved in defining the management structure, responsibilities, and interest transfers. Interest can be divided in any manner, although the person who owns the majority is generally the manager. Interest in the LLC can be transferred through gifting, sales, or a will. The lifetime of an LLC can be indefinite, depending on its structure. A written operating agreement is required. Because this form of ownership is complex, initial costs are higher, and regulations vary by state. In addition, the formation of an LLC must be reported to the state. Taxes are similar to a partnership (U.S. Small Business Administration 2023).

S and C Corporations

These are entities that have rights and liabilities separate from their owners, or shareholders. Corporations are heavily regulated, have a rigid and complex management structure, incur a high setup cost, and must file their creation with the state. Shareholders elect a board of directors who then appoint managers to make the day-to-day decisions. Corporations don't have reduced capital gains tax rates and are taxed on their earnings, when shares are transferred out of the company, and upon dissolution. Shareholders enjoy liability protection. Shares can be transferred through sale, gift, or will as well as in or out of the company. Types of corporations differ in their taxation, number of owners, and types of stocks. C corporations are taxed as entities and shareholders pay taxes on dividends resulting in double taxation of earnings. They can have an unlimited number of shareholders and are able to own different types of stocks. Meanwhile, an S corporation avoids double taxation but is limited in its number of shareholders and types of stocks (U.S. Small Business Administration 2023).

Trusts

One last form of ownership that can be used to transfer land is a trust. Trusts are legal documents that separate legal ownership and beneficial ownership, meaning it separates the management of an asset from the benefit of that asset. The grantor creates the trust and its provisions, the trustee manages the trust assets per its provisions, and the beneficiary benefits from the trust. The different parties involved in the trust can be the same person or different individuals.

Trusts can be used as an ownership option for land or a business or as a vehicle for transferring assets, such as donating or gifting. They can be used to protect someone from themselves, whether they are

too young to use their money, make poor financial decisions, or are afflicted by addiction. They are also used to retain money for a specific purpose, such as paying for college tuition or medical expenses.

Trusts are perhaps the most flexible tool used in estate planning, although they can also cause the most problems if they are not constructed carefully. The trustor has the freedom to develop why, how, and when assets will be dispersed to the beneficiary as well as to determine the amount of discretionary power the trustee has. In addition, the trustor can elect to have a trust disperse assets while they are alive (living trusts) or deceased (testamentary trusts). The trustor also decides what level of control they want over the assets in the trust; it can be permanent (irrevocable) or subject to change (revocable). If you choose to create a trust, put careful thought into its parameters and work closely with your legal advisors.

The level of control in a trust can be valuable for different reasons. A revocable trust is useful because it can be amended or revoked at any time. An irrevocable trust is useful because it helps move assets out of the grantor's estate, although it cannot be easily amended and can leave the trustee with too little or too much discretionary power. All trusts are subject to income taxation that will vary by state, and living trusts are subject to estate taxes at the time of the trustor's death. If you create a trust, make sure that your advisors design it specifically to meet your needs since trusts can be difficult to modify (Hicks n.d.)

If you have opted to use a form of ownership for during-life transfer of ownership, you don't necessarily have to wait until you pass away to begin transferring assets or ownership of your land. Doing so can lower the value of your estate and provide an incentive for your successors to build their ties to the land or business, since they are now literally invested in it. Finally, a during-life transfer may help transition the management to the next generation while you are alive to provide oversight and assistance. After looking at all these options, you might be wondering what ownership form is the most appropriate for your situation. Work closely with your advisors to determine which ownership form best meets your needs.

Additional Tools

In addition to the basic elements and ownership options discussed above, leases, conservation easements, insurance policies, and investment portfolios are additional tools that can facilitate the transfer of your land or assets. None of the additional tools listed here could be considered the best option for everyone. Just like the forms of ownership described above, each situation will require a unique solution.

Leasing

Leasing your land may be an option if you want to maintain some control over your land or rely on it for income. Leasing can also allow you to begin training your successors or allow an experienced manager to keep working the land after ownership is transferred to the next generation. A lease may also provide your successor with access to the land and allow them to gain experience tending land. If you choose to lease, it is best to have a written agreement in place with the tenant and build a foundation for honest communication.

Conservation Easements

A conservation easement is a "voluntary legal agreement between a landowner and land trust or government agency that permanently limits uses of the land in order to protect its conservation values" (Land Trust Alliance 2019, p.1). A conservation easement legally restricts certain private property rights of a landowner in exchange for the conservation of other values into perpetuity and will transfer with the land if it is sold or deeded. Think of property rights as a bundle of sticks where each stick represents what you can do with your land, such as subdividing, developing, farming, or harvesting timber. A conservation easement takes one or more of those sticks away from the bundle and may restrict operations on your land. However, the conservation of other values may be more important to you than certain property rights. These values can include a working farm or forest, wildlife habitat, water quality, or historical significance. Many organizations want to conserve working lands because they are integral to the production

of human goods and services, as well as the preservation of wildlife habitat. Regardless of values, each conservation easement will be unique to the landowner, property, and conservation organization (Land Trust Alliance 2019).

The restrictions that you and the conservation organization have decided to impose on your working land will depend on a final written agreement. Understand what conditions and restrictions the conservation organization will want to include in the easement's agreement. The restrictions can be general (such as no change in land use) or very specific (may not be developed for houses). Make sure the restrictions are flexible because change is inevitable. Recognize that you may need to use active management strategies to meet the easement's goals. This is also important if you depend on your working lands for income. Some organizations may require a stewardship plan, but you should be able to build allowances into the plan. For example, a forestry easement could focus on protecting or creating wildlife habitat, but it should also allow you to harvest timber under specified conditions, such as for income or creating desired forest structure.

Most organizations will seek a donation of the property rights for the easement, but some may be willing to pay for it. You may be compensated for the easement or be eligible for tax breaks from a donation of your land or the value of your easement. The change in the value of the land, or the difference in the "before" and "after" value of placing an easement on a parcel, may be deducted assuming the donation meets IRS rules (see a tax advisor for information on donations). There may also be property tax reductions when the land is placed under a conservation easement. Specific details will vary by state and by county, so make sure you understand the laws for your area.

You may need to consult an attorney. Have an approved, licensed, or qualified appraiser value your property if you are considering a conservation easement and want to see the property's potential change in value. There will also be legal and financial costs associated with a conservation easement; you will want your advisors to review the documents or require appraisal services. Some organizations may charge an administration fee (up-front or annual) or request a voluntary contribution for their stewardship of your land in perpetuity. Some organizations have the resources to help landowners offset the cost. Tax breaks may also help offset the cost of setting up the easement.

The organization can legally enforce the terms of the agreement if it is broken, although its goal is to ensure that it doesn't happen. The organization must make sure the landowner honors the agreement and associated responsibilities. The agreement may be questioned when the land is sold and there are issues with land use. However, conservation organizations try to avoid this by building relationships with landowners when the land changes hands.

If you are considering a conservation easement, start by identifying your long-term vision and goals for your land. Make sure this is what you really want to do with your land and understand the consequences of your decisions. Know what "sticks" you are willing to give up permanently and think about future actions that may need to happen on your land. Most importantly, research which organization is the best fit for you, and understand its eligibility requirements. Most conservation easements are made with land trusts, but they can be granted through federal programs such as the Natural Resource Conservation Service and Forest Legacy Program in the U.S. Forest Service. Make sure that you and the organization generally agree about what is right for the land and be willing to work closely with them throughout the process. Honest communication is imperative for building a good partnership and creating an easement that works for you and the organization.

Insurance

There are two different, but equally important types of insurance you might consider for your estate plan. These are health insurance and life insurance. Health insurance can be important for when you are no longer covered by an employer or if Medicare and Medicaid cannot adequately cover your health care expenses. As you age, your health care needs will increase. Having health insurance is a way to

finance it without exposing your estate to a huge financial burden. Although health insurance can be expensive, planning for large health care costs can make it easier to protect your assets. Consult with your advisors or insurance provider to help you make the best choice. There may be alternative methods that better fit your situation.

You should also discuss life insurance with your advisors. Very simply, life insurance is a contract to pay liquid cash to someone if someone else dies. Thus, it can be a source of cash for paying taxes on your estate. Your advisors should help you make sure that it will accomplish that purpose if needed. Life insurance can also serve other purposes for your estate: providing an inheritance for successors, paying off outstanding debts, funding buy-sell agreements, and providing capital for business operation or expansion. Your advisor should also be aware of your current life insurance policy, premiums for new insurance policies, permanent and term options, and any consequences of holding life insurance in a trust.

Investment Portfolios

Investments are another tool to consider when developing your estate plan. Like life insurance policies, these assets can be used to help pay estate tax costs, cover any outstanding debt, and pay inheritance to successors who will not become landowners. If you own a business or rely on income from your land, investments can also help supplement your income and management needs and those of your successors during economic downturns. Your financial advisor will be extremely helpful in determining your investment needs and your portfolio.

Now you're ready. You have thought about your vision, goals, and legacy for your working land. You have worked through the worksheets. You have spoken with family members and business partners and learned about the various options and important elements in a succession plan, and it's time to talk with your trusted legal and financial advisors.

Notes

Disclaimer

The information provided in this workbook and the related materials is for educational purposes only. If you need legal, tax, financial or other professional advice, please consult a qualified attorney, tax advisor, financial consultant or other professional advisors.

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Notes

WORKSHEET #1

Estimating the Value of Your Assets

This worksheet asks you to estimate the value of your different assets.
You may have more or fewer entries for some items than those listed here.

Real Estate (use county assessments)

Description / Address		Acres
Parcel / Tax Lot	Zoning / Easement	
How Acquired / Date	Ownership	
% Ownership	Basis $	Debt / Obligation $
Estimated Value / Date		

Description / Address		Acres
Parcel / Tax Lot	Zoning / Easement	
How Acquired / Date	Ownership	
% Ownership	Basis $	Debt / Obligation $
Estimated Value / Date		

Description / Address		Acres
Parcel / Tax Lot	Zoning / Easement	
How Acquired / Date	Ownership	
% Ownership	Basis $	Debt / Obligation $
Estimated Value / Date		

Description / Address		Acres
Parcel / Tax Lot	Zoning / Easement	
How Acquired / Date	Ownership	
% Ownership	Basis $	Debt / Obligation $
Estimated Value / Date		

Buildings

Description / Address		Type of Building
Located on Parcel / Tax lot		Square Feet
How Acquired / Date	Ownership	
% Ownership	Basis $	Debt / Obligation $
Estimated Value / Date		

Description / Address		Type of Building
Located on Parcel / Tax lot		Square Feet
How Acquired / Date	Ownership	
% Ownership	Basis $	Debt / Obligation $
Estimated Value / Date		

Description / Address		Type of Building
Located on Parcel / Tax lot		Square Feet
How Acquired / Date	Ownership	
% Ownership	Basis $	Debt / Obligation $
Estimated Value / Date		

Description / Address		Type of Building
Located on Parcel / Tax lot		Square Feet
How Acquired / Date	Ownership	
% Ownership	Basis $	Debt / Obligation $
Estimated Value / Date		

Description / Address		Type of Building
Located on Parcel / Tax lot		Square Feet
How Acquired / Date	Ownership	
% Ownership	Basis $	Debt / Obligation $
Estimated Value / Date		

Equipment

Year / Make / Model		
Purchase Cost	Purchase Date	
Estimated Value	Basis $	Debt / Obligation $

Year / Make / Model		
Purchase Cost	Purchase Date	
Estimated Value	Basis $	Debt / Obligation $

Year / Make / Model		
Purchase Cost	Purchase Date	
Estimated Value	Basis $	Debt / Obligation $

Timber

Stand ID/Description	Age	Estimated Value	Valuation Date	Value	How Estimated?

Crops and Feed

Item	Value
Total Value	

Livestock

Item	Value
Total Value	

Bank Accounts and CDs

Type of Account	Account #	Bank / Company / Contact Information	Balance

Safety Deposit Boxes

Name on Account	Key Location or Password	Bank / Company / Contact Information	Contents

Life Insurance

Company	Policy #	Owner	Beneficiary	Value

Mutual Funds / Investments

Company	Fund Type	Policy #	Owner	Beneficiary	Value

Retirement / Employee Benefits

Bank or Company	Account #	Beneficiary	Balance / Value

Tools (Power Tools, Hand Tools, etc.)

Item	Value

Furniture, Kitchen Appliances

Item	Value

Jewelry / Gems / Precious Metals

Item	Purchase Date	Original Cost	Market Value	Location

Average Annual Maintenance Costs

For worksheet 5, Planning your retirement, divide annual total by 12 to obtain monthly maintenance costs.

Item	Amount	Description
ex: house	*$xxxx*	*termite treatment*
ex: herbicide treatment	*$xxxx*	*annual tree improvement*
Total		

WORKSHEET #2

LOCATING YOUR DOCUMENTS

Record the document and its general location here. This list will be useful later in the planning process.

Document	Location of document
Wills and trusts	
Medical records	
Durable power of attorney	
Birth certificates	
Marriage certificates/divorce papers	
Deeds	
Lease agreements	
Management plans	

Other Information	Details
Executor of will	
Funeral instructions	
Guardian	

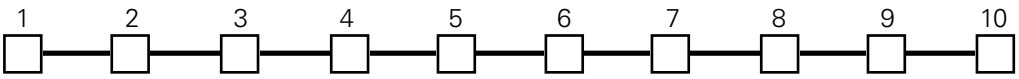
WORKSHEET #3

EMOTIONAL ATTACHMENT SCALE

Independently assess what your land or business means to you. It will help you communicate the importance of the land or business to others involved in your succession plan. Record your place on the scale and consider your choice independently, then discuss your thoughts with your co-owner(s). Each interested party might fill this worksheet out independently.

Name	Date

My property is only a financial investment to me



My property is priceless to me

My thoughts about why I feel this way:

WORKSHEET #4

VISION AND GOALS

Establish your overall vision for your land/business. Complete this worksheet independently and then share it with your spouse or co-owner(s). Next, work together to create a set of shared long-range goals.

My goals for the next five years are:
ex — retirement

I'd like to see this happen with my business/property in the next 10 years:
ex — select a successor

Over the next 20 years Id like to see this happen to my business/property:
ex — transfer ownership

I see these as the major challenges to execute my succession plans:
ex — my kids have no interest in the land

WORKSHEET #5

PLANNING YOUR RETIREMENT

Assess your retirement needs to prepare for later discussions with your legal and financial advisors. Gathering this information ahead of time can help you be more prepared for those conversations. Note your potential income and any current annual expenses.

List some of your retirement goals here:

In this table, collect information about you and your spouse's personal net worth, if applicable. Knowing your personal net worth, or the sum of your debts, assets, savings, and investments, can help you plan for life during retirement. Some of the information you need here can be found in Worksheet #1.

ASSETS	Value
Real estate	$
Buildings	$
Equipment / vehicles	$
Timber / crops	$
Household items	$
Other	$
Assets total	$

DEBTS	Value
Credit card(s)	$
Mortgage(s)	$
Education loan	$
Car loan	$
Other	$
Debt total	$

SAVINGS/INVESTMENTS	Value
Bank accounts	$
CDs	$
Mutual funds	$
Investments	$
Retirement accounts	$
Insurance / annuities	$
401K, 403(b) Roth IRA, IRA	$
Other	$
Other	$
Savings / investment total	$

NET WORTH	Value
Total savings and investments	$
Total debts	($)
Personal net worth	$

Calculating your monthly income and expenses will help you anticipate how much money you will need each month to live in retirement. You can also compute these values annually and divide them into 12 to obtain monthly totals.

MONTHLY INCOME	Amount
Employment	
Social Security	
Veterans Benefits	
Other	
Other	
Other	
Monthly income total	$

Positive or negative expense margin?
You may need to consider ways to cut your living expenses, or you may be able to accelerate your retirement plan.

Talk with a professional financial advisor.

MONTHLY EXPENSES	Amount
Federal Taxes	
State Taxes	
Other Taxes	
Housing	
Mortgage	
Rent	
Property tax	
Homeowners Insurance	
Utilities	
Home Maintenance	
Groceries	
Dining out	
Transportation	
Vehicle payment	
Fuel	
Auto Insurance	
Vehicle Maintenance	
Health care	
Health Insurance	
Personal care	
Clothing	
Services	
Travel/vacation	
Other	
Monthly expenses total	$

WORKSHEET #6

ANNUAL OR RECURRING ACTIVITIES

Annual or Recurring Activities

Activity	Month / Date	Who does it?	Notes
ex: maintain roads	*June*	*grading company*	*done poorly last year*

Permits, Leases, Agreements

Type	With who?	Why is it necessary?	Notes
ex: road easement	*neighbor*	*access to crops*	

Management of Property

Job / Service	Who does it now?	Who will do it in the future?	What skills?	Are they prepared?
ex: Forestry consultant	*ACME Timber*	*Unknown*	*Forestry management*	*No, need to make them*

WORKSHEET #7

MEETING LOGISTICS

Record the logistics of your meeting(s) — date, time, location, attendees, invitation rough draft, etc. Consider giving your invitees a range of dates to choose from but recognize that some simply may not be able to attend. You may also consider completing an agenda with designated ground rules while doing this (see Worksheet #8) and attach them to the final meeting invitation so that your attendees can be more prepared for the meeting.

Location	Date and Time
Meeting host	
Meeting chair	
Who will take minutes / notes?	

Invitee	Date of First Call	Date Invite Sent	Date of Follow Up	RSVP

Other meeting considerations:

SAMPLE INVITATION

Hi everyone, as you know, I/we are aging, and it feels like the right time to sit down with everyone and discuss what's going to happen to the farm/land/business after I/we are gone. It's my/our hope that we can get together soon and since we are all in driving distance (OR since we are not all close together, let's get together) around month day. I/We'd like to have lunch (or brunch) first and then a business meeting afterwards.

When: Day of week, Month, Day

Where: Local restaurant / office space / home

What: lunch at TIME, followed by meeting from TIME to TIME

Your families are more than welcome to stay and socialize at the house while we hold our meeting, and I/we would love to spend time with them later in the day. I/we suggest having dinner later as a large group. Also, please read the attached agenda and bring it to the meeting along with any questions that you have. I/we anticipate the meeting being productive and pleasant. I/we look forward to seeing you soon.

With love,
Signature of sender(s)

WORKSHEET #8

MEETING AGENDA AND MINUTES

Record your meeting agenda and minutes, including major decisions or discussions. Set actions to accomplish before the next meeting or a certain date.

Your agenda:

SAMPLE AGENDA

Welcome

Expectations for conduct/ communication

Reason for meeting

Land/business management update

Emotional value scale

Action item/homework:
Emotional value scale/Worksheet #3

Closing remarks

Decision points:

Action items for follow up:

WORKSHEET #9

SUCCESSOR AND ORGANIZATION ASSESSMENT

Assess the individuals or organization you want to include in your plan. For individuals, think about their age, heirs, character traits, needs and life situation. For an organization, consider its mission, values, and conditions for accepting land. Be honest in your assessments.

For each individual successor, evaluate the following:

Name	Relationship to you
Address	
Current role or engagement in land / business management (if applicable)	
If you have multiple successors, have you considered how you will divide your estate? What will this successor receive?	

Name	Relationship to you
Address	
Current role or engagement in land / business management (if applicable)	
If you have multiple successors, have you considered how you will divide your estate? What will this successor receive?	

Name	Relationship to you
Address	
Current role or engagement in land / business management (if applicable)	
If you have multiple successors, have you considered how you will divide your estate? What will this successor receive?	

For each potential organization (conservation, charity, or university), complete the following:

Organization	Website
Contact info	
Address	
What kind of donation will they accept? If so, what are their conditions for accepting land? Do these conditions align with your stewardship and legacy goals? Do they align with your values?	

Organization	Website
Contact info	
Address	
What kind of donation will they accept? If so, what are their conditions for accepting land? Do these conditions align with your stewardship and legacy goals? Do they align with your values?	

Organization	Website
Contact info	
Address	
What kind of donation will they accept? If so, what are their conditions for accepting land? Do these conditions align with your stewardship and legacy goals? Do they align with your values?	

Organization	Website
Contact info	
Address	
What kind of donation will they accept? If so, what are their conditions for accepting land? Do these conditions align with your stewardship and legacy goals? Do they align with your values?	

WORKSHEET #10

STRATEGIES FOR SUCCESSION

Record your strategies for succession here. Include any ideas for your contingency plan.

Ownership

Current
Transition
Future

Management (day-to-day)

Current
Transition
Future

Governance (decision-making):

Current
Transition
Future

Possible Strategies

ex—Thought about having Braden as manager but too busy with her kids and career across the country.

ex—Considered having more than one successor on board for decision-making but decided it would be too difficult.

Contingency Plan Ideas

ex—Braden will become new manager in case something happens to Taylor

WORKSHEET #11

YOUR TEAM OF ADVISORS

Record important information about your advising team. Include their contact information and why they are a valuable addition to your team (ex. long-term family advisor, highly qualified, knowledgeable, etc.).

Attorney

Name	
Address	
Phone	Email
How long in this role for you?	
Why?	

Accountant

Name	
Address	
Phone	Email
How long in this role for you?	
Why?	

Financial Advisor

Name	
Address	
Phone	Email
How long in this role for you?	
Why?	

Insurance Agent

Name	
Address	
Phone	Email
How long in this role for you?	
Why?	

Consultant

Name	
Address	
Phone	Email
How long in this role for you?	
Why?	

Other

Name	
Address	
Phone	Email
How long in this role for you?	
Why?	

Other

Name	
Address	
Phone	Email
How long in this role for you?	
Why?	

WORKSHEET #12

LEGAL AND FINANCIAL INSTRUMENTS

Record the legal and financial documents or instruments that make up your estate plan and their location. Feel free to cross out unused items or add more that are necessary for your plan and you may want to make notes about why you chose a specific instrument for your plan.

Will

Location of document	Date completed
Bequest lists	
Notes	

Life Insurance Policy

Location of document	Date completed
Company	Policy #
Agent	Contact info
Notes	

Health Insurance Policy

Location of document	Date completed
Company	Policy #
Agent	Contact info
Notes	

Long-Term Care Policy

Location of document	Date completed
Service provider	Contact info
Notes	

Ownership Structure

Location of document	Date completed
Name	Ownership
Owners	
Notes	

Operating Agreement

Location of document	Date completed
With	
Notes	

Buy-Sell Agreement

Location of document	Date completed
With	
Notes	

Trust

Location of document	Date completed
For whom	
Notes	

Conservation Easement

Location of document	Date completed
Organization	Contact info
Notes	

Other Legal Documents

Document	
Location of document	Date completed
Notes	

Document	
Location of document	Date completed
Notes	

Document	
Location of document	Date completed
Notes	

Notes

WORKSHEET #13

YOUR SUCCESSION PLAN TIMELINE

Transition Timeline and Goals: record what you would like to see happen and when.

Next year, the goal is to:

In two years, the goal is to:

In ____ years, the goal is to:

In ____ years, the goal is to:

In ____ years, the goal is to:

In ____ years, the goal is to:

Record important events for your succession plan here and check them off.

Annual Meeting

☐	Annual meeting / location	Date
☐	Prepare meeting agenda	Date
☐	Social event / location	Date
☐	Review succession plan	Date

Advisor Meetings

☐	Accountant	Date
☐	Attorney	Date
☐	Financial Advisor	Date
☐	Insurance Agent	Date
☐	Consultant	Date
☐	Consultant	Date
☐	Other	Date
☐	Other	Date
☐	Other	Date

Taxes

☐	Prepare statements (who)	Date
☐	Submit taxes (who)	Date

Annual Gifting (if applicable)

☐	Who / amount	Date
☐	Who / amount	Date
☐	Set date to make recurring gifts	Date

Notes

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