
Succession Planning

The Role of Resource Professionals

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What is Succession Planning ?

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 - Transparent
 - Fair vs. equitable

Fair vs. Equitable

John & Mary Farms



Fair vs. Equitable



Fair vs. Equitable

- **John Jr:** involved with the farm, interested in carrying on farm legacy
- **Kathy:** uninterested in farm, moves away and becomes a college professor
- **Roy:** uninterested in farm, hits the road with a touring band
- **Jake:** loves to hunt, fish, involved with farm, wants to carry on farm legacy



Fair vs. Equitable

Question: What might be considered a **fair** way for John and Mary to transition the farm to the children?



A- All kids get the same share and control of farm estate.

B- John Jr. and Jake get greater share and control of farm estate than Kathy and Roy.

Fair vs. Equitable



- **Equitable:** All kids get the same share and control of farm estate.
 - Consequence – Kathy and Roy likely to sell their share, creating problems for John Jr and Jake, farm may not survive changes
- **Fair:** John Jr. and Jake get greater share and control of farm estate while Kathy and Roy acquire other heirlooms and value.
 - Consequence - Kathy and Roy may squawk but farm more likely to continue to be managed and passed on to next generation

What is Succession Planning ?

- *Succession planning* is the process of setting up a smooth transition between a landowner and the future owners of their property.
 - Transparent
 - Fair vs. equitable
 - Formal
 - Thorough – reasonably answers all the who, what, where, when, how questions related to the ownership and management of the land for future generations

Question:

- Succession planning is the same thing as estate planning.

A- True

B- False

Same as Estate Planning?

- Succession Planning is preparing your family and property for a change in ownership and leadership.

Same as Estate Planning?

- Succession planning is preparing your property and your family for a change in ownership and leadership.
- **Estate planning** is the process of understanding and using the set of legal tools that are available to make sure your Succession Plan happens the way you want it to happen.
 - Wills
 - Trusts
 - Business structures

Why not just focus on Estate Planning?

■ Talking about the tools before you have the plan is like packing your bags before you decide what kind of trip you want to take. Many families make this mistake and have spent large sums on elaborate estate planning documents without having ever stepped back and asked what they wanted to accomplish in the first place.

-Clint Bentz

5 Things that Can Happen to a Property

1. **Sell all or part to someone else**
2. **Sell or donate portion of land use rights (e.g. through conservation easement) to agency, organization, charity**
3. **Break it up and divide among children**
4. **Give intact to one child**
5. **Give undivided interests in the property to children**

There are benefits and risks to each of these actions which need to be thought through carefully to prevent unintended consequences.

Wait a minute!

Is this really my business??

- No...

Wait a minute!

Is this really my business??

- No...
- but Yes....
 - Consider this reality: millions of acres of family-owned lands in the United States will change hands within the next decade
 - Many of these transfers will happen with virtually **no planning**.

Question:

- Nationwide, the US Forest Service projects that how many acres will pass out of forest use over the next 50 years?
 - A- 725,000 acres
 - B- 1.7 million acres
 - C- 12.5 million acres
 - D- 23.2 million acres

Is this really my business??

- The USDA Forest Service projects that, nationwide, about **23.2 million acres** of forestland will pass out of forest use over the next 50 years. Most of these acres will be privately owned, nonindustrial forest lands converted to residential subdivision.



We do have some responsibility

- **To ask some very simple, nonintrusive, but important questions**
- **To share some information and resources**
- **To invite the next generation to get involved**

They care about this too

- **If you are assisting them, they care about their land and possibly its long-term conservation.**
- **They may not be thinking of the next owner or what happens to the land after they are gone.**

Ask some Questions -

- **If they have kids:**
 - Are they interested in hunting, fishing or otherwise recreating on the property?
 - Are they involved in land management?
- **If no kids or kids out of the picture:**
 - Is there a long-term vision for the land?
 - How to they see the land in 20, 30, 50 or more years?
 - Other heirs or beneficiaries?
 - Conservation vs. Conversion?
 - George vs. Bob examples

Information and Resources

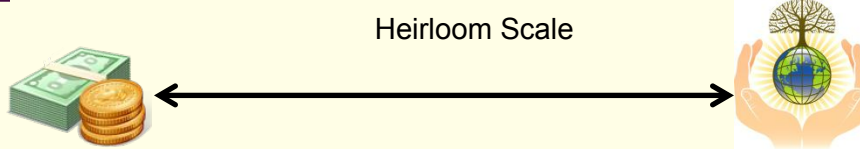
- **Ties to the Land: Your Family Forest Heritage**
 - a resource for families facing the challenge of passing their properties and land-based businesses from one generation to the next. ***Ties to the Land*** will help guide family landowners through ownership transition.
<http://tiestotheland.org/>
- **Extension Resources:**
 - Ownership Succession: Plan Now for the Future of Your Land
<http://edis.ifas.ufl.edu/fr274>
 - Estate Planning: <http://www.timbertax.org/>
 - Workshops



8 Steps to Succession Planning

■ Step 1: Discuss your vision and goals for the land with your spouse and write them down.

- What is your vision for the land?
- Is it simply an investment asset that you know will be sold at some point or do you intend it to be owned and managed by your heirs and their heirs for future generations to come?
- Which heirs, if any, do you think are interested in carrying on the land management?



8 Steps to Succession Planning

■ Step 2: Hold a family meeting to discuss your vision and goals for the property with the family, and get their feedback.

- Share your vision and goals for the property and then determine your family's interests – use the heirloom scale.
- This is one of the more challenging steps:
 - Involves family members' emotions and their relationships with each other and with the land.
 - Thinking about and discussing the future is likely to evoke strong emotions associated with aging, death, sibling relations, parent-child relations, personal visions, etc.

8 Steps to Succession Planning

- **Step 3: Create a formal family business structure to own the land.**
 - This structure defines how business is conducted, how you are taxed, and how much liability you (and partners) bear.
 - The best structure will depend on how large and complicated the business is.
 - Sole Proprietorship
 - General Partnership
 - Family Limited Partnership
 - Limited Liability Corporation
 - S Corporation
 - C Corporation

8 Steps to Succession Planning

- **Step 4: Choose and train a successor.**
 - The successor(s) will manage the family business, so it is essential that he/she/they have, or gain, the acceptance of the rest of the family. If possible, choose someone who has a deep interest in the continued management of the property, even if their vision differs somewhat from your own.
 - Use consistent patterns for decision making, and train the successor(s) to do the same. The longer you can do this, the more ready and able the successor(s) will be to carry on this important role.

8 Steps to Succession Planning

- **Step 5: Hold regular family meetings to discuss concerns and the business.**
 - Develop a meeting agenda and circulate it before the meeting to invite input and to make sure everyone is engaged.
 - Disclose conflicts of interest and explain how decisions will be made on each agenda item. This is an opportunity to teach the family about the business structure, to work out how decisions will be made, and to present updates on any progress in the management of the property. Also use this as an opportunity to continue sharing your passion and vision for the land.

8 Steps to Succession Planning

- **Step 6: Discuss and write down important decisions.**

Examples include but are not limited to:

 - For what objectives will the property be managed?
 - Who will be responsible for regular management and how much oversight will that person have from the rest of the family?
 - At what age does the next generation qualify for ownership?
 - Under what conditions will the property or assets be sold?
 - Will you allow the property to be mortgaged?

8 Steps to Succession Planning

■ **Step 7: Set employment policies before hiring family members.**

If you plan to hire family members to do work on the property, follow the employment laws for your state and make these decisions before any work begins:

- How will payment or salaries be determined and how will they be paid?
- What are the duties and expectations, your own and your employees'?
- Who is eligible for work and what are the qualifications? Is there any special training or education needed for the job?

8 Steps to Succession Planning

■ **Step 8: Create non-financial reasons for keeping the property.**

- Have fun! Encourage the kids and grandkids to visit the property and provide opportunities for everyone to be involved in enjoying and managing the property.
 - Set up a camping area, hiking or riding trails, interpretive trails, shooting range; create a pond or build a dock for one that's already there.
- Host a tour of the property for a group or organization such as the Scouts, 4-H, Future Farmers, Audubon, Native Plant Society or other landowners. Seeing the property through someone else's eyes can be very encouraging and motivating.

Invite the Next Generation

- If you are offering an educational event for landowners, encourage them to bring the kids (if appropriate)
 - Older kids if technical
 - Younger kids will enjoy outdoor excursions like farm tours



What we can do-

- Ask some very simple, nonintrusive, but important questions.
- Share some information and resources.
- Invite the next generation to get involved.

