
Controlling the Future of Your Ranch with Effective Estate Planning

By Brett Crosby, Custom Ag Solutions

I spent much of the last week preparing court testimony for a common situation. Parents couldn't decide how to split up the family farm and left it to their four children to work things out. The parents died, the siblings disagreed, arguments escalated, and the children eventually filed civil suits against each other over the estate. Now, a judge will decide how to split up the family farm. The children's relationships with each other have been permanently altered, and they have spent thousands of dollars on attorneys, accountants, appraisers, and economists. This situation is all too common and could have been avoided with an effective estate plan.

An effective estate plan helps maintain family harmony and keep heirs out of court by managing expectations and directing the orderly division of property. Effective estate plans also accomplish other important goals like minimizing estate tax burdens, providing retirement income, and providing asset protection. Still, many people do not have an effective estate plan, or *any* estate plan for that matter.

People generally avoid planning their estates because they feel overwhelmed. Problems such as tax burdens and equitable treatment of family members sometimes seem insurmountable, so people simply don't address them. Unfortunately, much like an aching tooth, these problems only get bigger with time, and addressing them sooner is always much better than addressing them later.

The good news is that creating an effective estate plan is not impossible and is often not even that difficult. Most obstacles can be overcome with open communication, creativity, and the help of legal and tax professionals. The important thing to remember is that ignoring estate problems will only make them worse.

Effective estate planning begins with effective communication. The needs, goals, and expectations of the people affected by an estate transfer must be understood before a plan can be created. Remember, communication isn't a one-time event, and affected parties should communicate continually through the planning process to ensure that the proper objectives are being pursued. Finally, once a plan is completed, all adults affected by the transfer should understand how the plan affects them so that unrealistic expectations are not created. The probability of future litigation is substantially reduced with effective communication in the present.

Once everybody communicates their needs and goals, creation of the actual estate plan can begin. This step requires help from legal and tax professionals who will attend to the details and help minimize legal and tax liabilities. The costs associated with this step can sometimes scare people away, but the professional work required to plan an estate can almost always be completed in affordable steps over a period of time. Professional fees are very cheap insurance against taxes and/or legal fees that may be incurred if no plan is ever implemented.

Estate planning is not the mystery some believe it to be. It begins with communication and understanding of the affected parties' goals and needs. Next it requires help from competent legal and tax professional. With this foundation, creative solutions can be created to solve the most vexing of estate transfer problems. Tax liabilities can be reduced, retirement income can be protected, and the expectations of heirs can be managed. Most importantly, an effective estate plan will keep the family in control of the family farm and keep the courts from deciding how it will be divided.

For more information about estate planning issues, please visit the following web resources:

- http://farm-risk-plans.rma.usda.gov/index.aspx?action=riskman.human_risk;
- <https://www.agtransitions.umn.edu>; and,
- <http://www.agrisk.umn.edu/Library/Display.aspx?RecID=4284>.

During 2012, Custom Ag Solutions is working with the Oregon Sheep Growers Association, RightRisk, LLC, and the USDA's Risk Management Agency (RMA) to educate Oregon producers about Federal Crop Insurance Programs and risk management issues. To locate a crop insurance agent or obtain information about risk management and RMA's Federal Crop Insurance Programs, please visit www.RMA.USDA.gov. To receive information by mail, call Custom Ag Solutions at 877-227-8094.