



## Land As Your Legacy<sup>®</sup>

A transition planning program for  
farmers and ranchers

# Why transition planning may be right for you

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# Some things you need to know

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# Nationwide's board currently seats nine active farmers

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Tim  
Corcoran



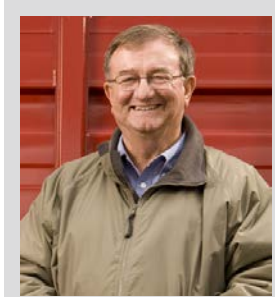
Jack  
Alphin



Irv  
Bell



Ken  
Davis



Dan  
Kelley



Terry  
McClure



Brent  
Porteus



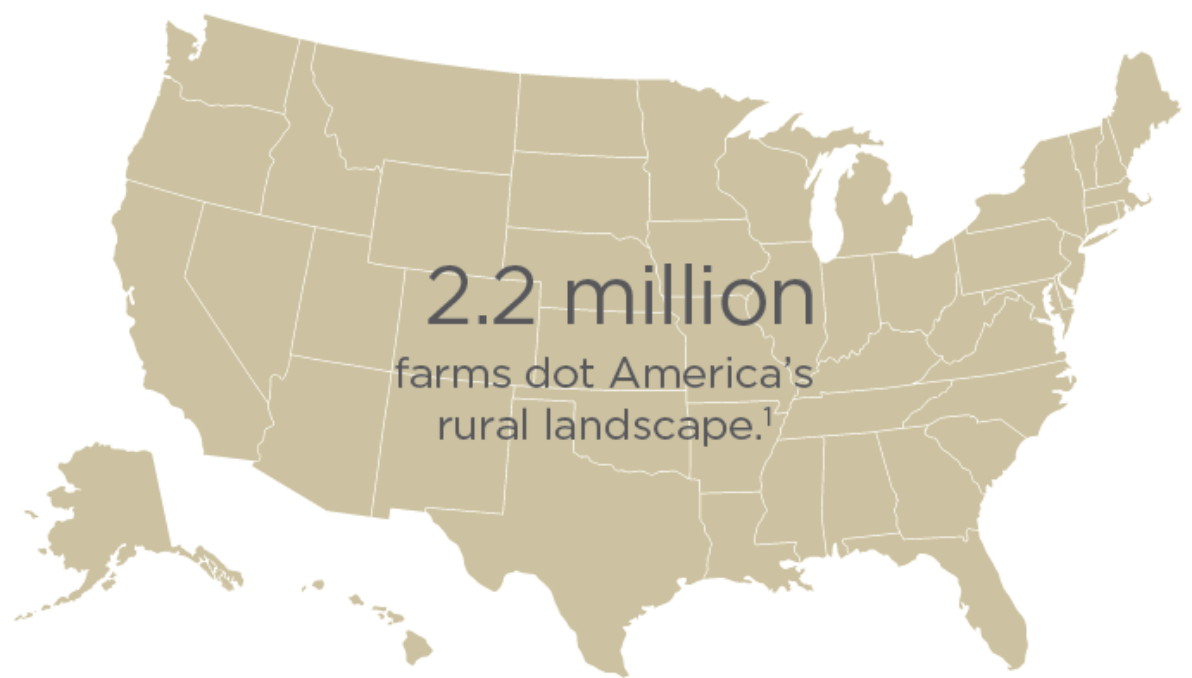
Mike  
Toelle



Jeff  
Zellers



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About 97%  
of U.S. farms are  
operated by families.<sup>2</sup>

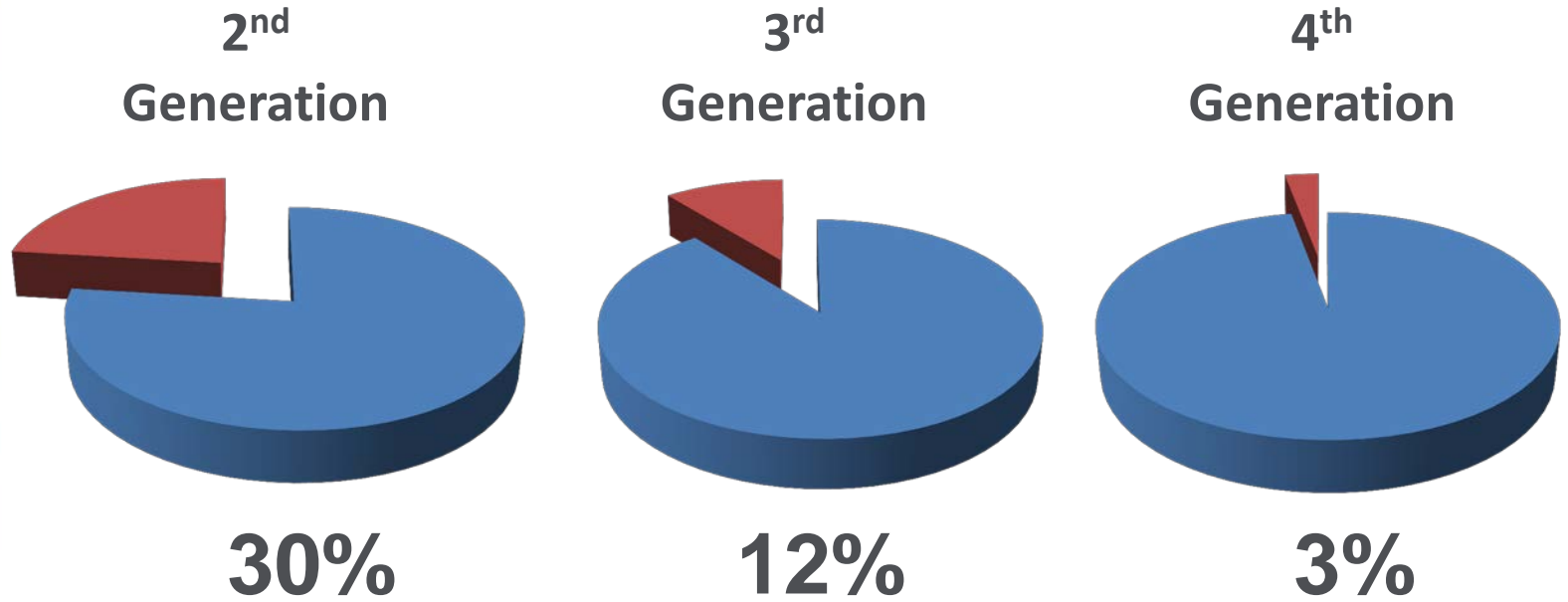
Only 11%  
of family farms have  
transition plans in place.<sup>1</sup>

33% growth  
(\$97.4 billion in agricultural  
sales) since 2007.<sup>3</sup>

1 *Keeping farm in family requires strategy*, Larry Copeland, USA TODAY, July, 9 2012.  
2 *Fast Facts About Agriculture*, *The Voice of Agriculture*®, *American Farm Bureau Federation*®, [fb.org/index.php/index.php?action=newsroom.fastfact](http://fb.org/index.php/index.php?action=newsroom.fastfact)  
3 2012 Census of Agriculture, Preliminary Report Highlights, [www.agcensus.usda.gov/Publications/2012/Preliminary\\_Report/Highlights.pdf](http://www.agcensus.usda.gov/Publications/2012/Preliminary_Report/Highlights.pdf)



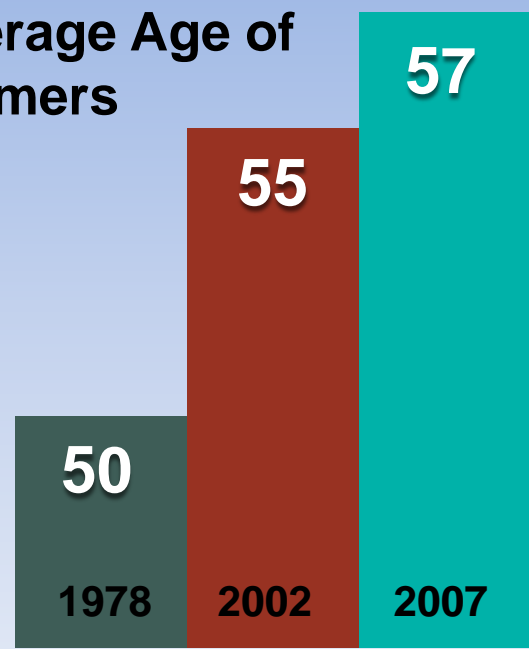
Despite the many perceived advantages of family-run businesses about only 30% of family businesses will survive into a second generation.\*



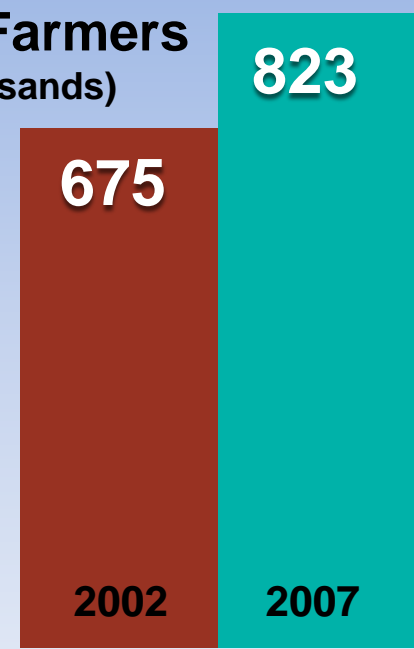
\* *Family Business in Transition*, Succession Planning, Family Business Institute  
<http://www.familybusinessinstitute.com/index.php/Succession-Planning/>



### Average Age of Farmers



### Number of 65+ U.S. Farmers (in thousands)



From 2002 to 2007 the U.S. saw an increase of 227,733 farm operators. That amounts to 7% growth.

In that same time, the amount of 65+ farmers increased by 22%.

\* 2007 Census of Agriculture, United States Department of Agriculture  
[www.agcensus.usda.gov/Publications/2007/Online\\_Highlights/Fact\\_Sheets/Demographics/farmer\\_age.pdf](http://www.agcensus.usda.gov/Publications/2007/Online_Highlights/Fact_Sheets/Demographics/farmer_age.pdf)



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In written form  
The farm transition planning process

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- 1 Protect yourself and your spouse financially
- 2 Successfully transition your farm operations to the next generation
- 3 Maintain family harmony

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Is it right for you

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## A successful transition plan can help you:

- Preserve your legacy
- Provide an orderly transition of ownership and management
- Preserve the value created by your operation
- Provide for financial basics
- Turn illiquid assets into cash for taxes and expenses



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## Why have a plan

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- It's a personal stewardship issue
- It's a family farm issue
- It's becoming a national issue

# What is transition planning

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## Five elements of transition planning

- Succession planning – transferring the business to the next generation
- Business planning – profitability over time
- Risk management – ensuring money and structuring responsibility
- Financial independence planning – meeting education or retirement goal ensuring diversification
- Estate planning – distribution of assets and tax payments



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## How to get a transition plan in place

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1. Establish your goals and objectives
2. Assemble the team: Quarterback!
3. Organize and review your current situation
4. Decide where you want to go
5. Consider the options and carry out your plan
6. Periodically review and modify



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## The common obstacles

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1. Failure to commit to transition planning from a psychological, emotional or family perspective
2. People first, people foremost, people always!
3. Piecemeal planning
4. Action taken with letting the farm or ranch “speak”

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## The common scenarios

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No Children

Some Children

All Children

### Potential issues

- Spirit of farming vs heirs
- Equal vs. fair: “let the farm speak”
- Business/income viability

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# The common mistakes

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1. Failure to go through the planning process. (piecemeal planning)
2. No quarterback to drive planning process (interdisciplinary knowledge)
3. No family meeting or written transition plan
4. Failure to identify leader and other roles after death of primary operator
5. Estate documents/business entities done without consulting the farm! (Let It Speak)
6. Inadequate liquid resources to pay for succession costs and prevent fractured ownership
7. Failure to work out in advance lease/cash rent or buy/sell relationships
8. Failure to provide for transfer taxes and costs in an efficient manner
9. Improper titling and beneficiary designations
10. Inadequate or wrongly owned life insurance

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## The common strategies

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- Quarterback drives planning process
- Written succession plan that is properly funded
- Family meetings
- Consultation with accountant and attorney
- All documents line up with goals and objectives: PEOPLE
- Intra-family buy/sell arrangements funded.
- Cash rent/lease
- Establishing a proper business entity or entities
- Conservation easements

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# Pieces of a transition plan

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## Some common elements include

- Intra-family buy/sell agreements tax efficiently funded
- (Land is king alive; tax-free cash is king in transition)
- Business entity documents
- Durable power of attorney
- Pour over will with living family trust and personal property listing
- Health care power of attorney
- Living will
- Life insurance
- Trust(s)





## The next steps

- **Put the team together**
  - Planning quarterback
  - Business/estate law firm or lawyer
  - Accountant
  - Others
  
- **Begin the planning process**
  - Succession checklist
  - Fact finder

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Thank you