

Starting Successful Succession

VS

“Estate Evasion”

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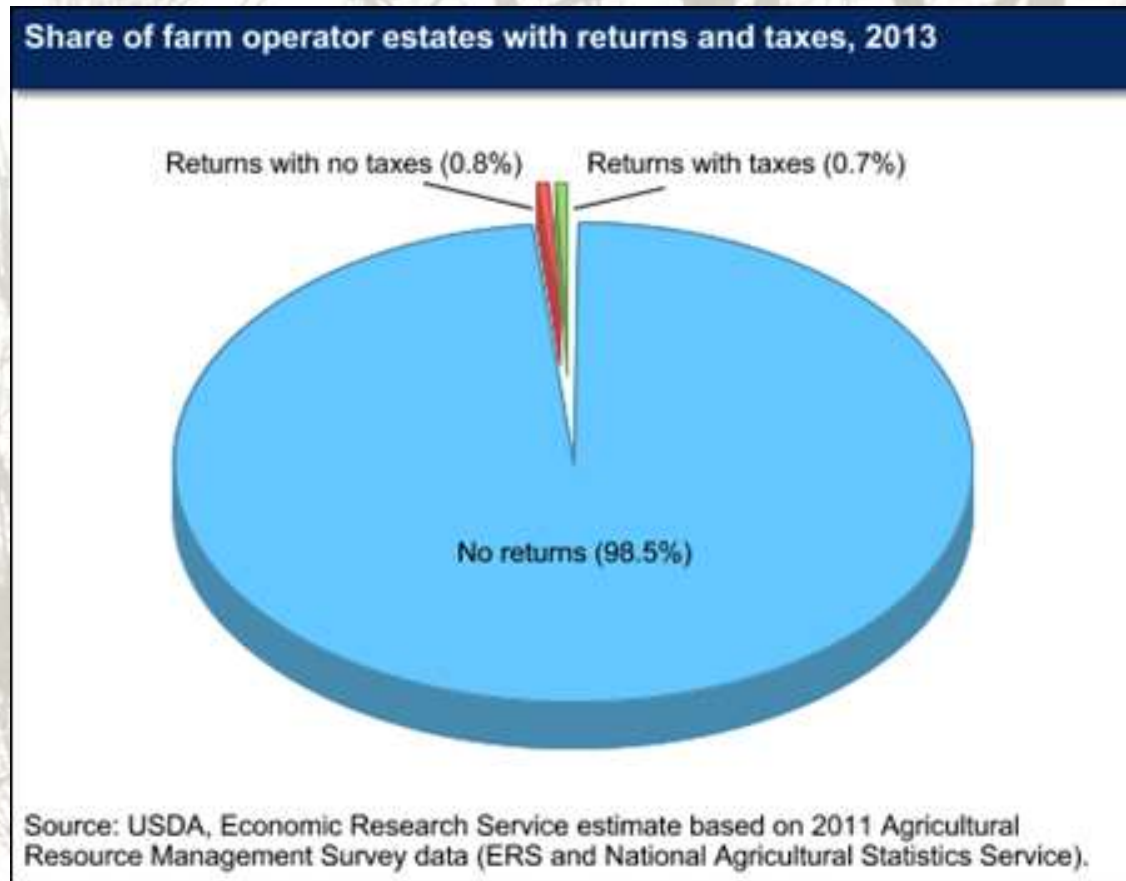


You don't need this...

American Taxpayer Relief Act of 2012

\$5.25 million

free of Federal estate tax!
(\$10.50 million for a
married couple)



You don't need this...



- *I have a will that will take care of my estate.*
- *I'm only 60, I've got plenty of time...*
- *It's too expensive.*

The only sure things in life are....

Death and Taxes!

- **PA, average PFL age = 57 years**
- **VA, 41% of private forest land => 65 years or older**
- **Next 10 – 20 years transfer of 70% of family forestland**

Intention

The most common “plan” among you?

- Leaving it to the kids... (Metcalf)
 - Multiple children – 52%
 - One child – 30%
- Only 32% have involved children in management (Mater)

Metcalf, A.L., et.al., 2008. Pennsylvania’s Private Forest Landowners: Results from a Statewide Survey.

Mater, C. 2005. Family Forests: What Will the Next Generation Do?



Plan?

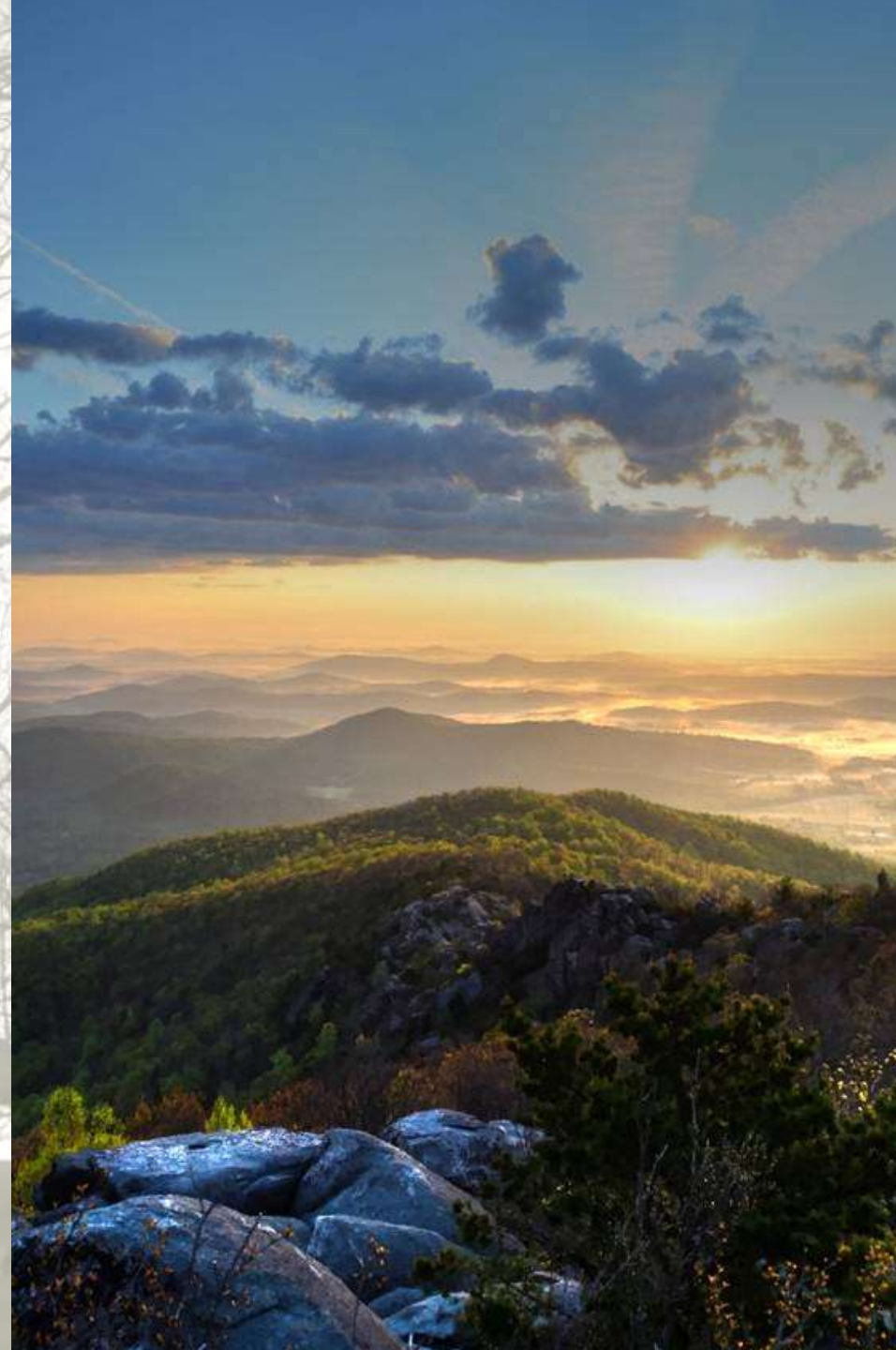


- **What Plan...**
 - Most don't have estate plan &/or successional plan
 - **Challenges**
 - Diminishing forest profitability & increasing land value
- Average Value/Ac. PA Farm Real Estate: (*PA Ag Statistics, 2011-12*)**

2000 = \$2800/ac	2012 = \$5200/ac
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- Family disconnect
 - **Barriers**
 - Confidence, Planning Tools and a Starting point

What will be
your....

Legacy



Working on my Legacy



This is not fun... AND it is important!

For the resource

- Acres & Dollars & Services

For your family

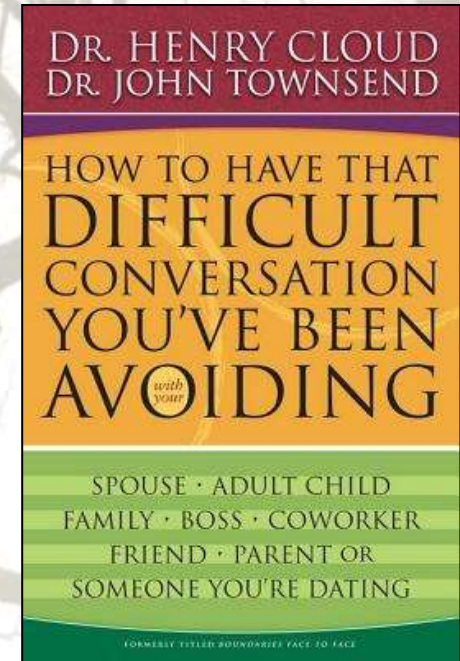
- Your woods as an heirloom?
- Transferring values



What do you want to happen?



- Forest Management Plan
- Start talking
- Start collecting
 - Forest Property
 - Estate Overview



Passion

Preparation

Planning

Worksheet 1 — Forest Property and Estate Overview

Property information

Address/Location:
County:
Acres total:
Last appraised value of property:
Date of last appraisal:
Estimated current value:
Holder of title(s):
Amount owing:
Amount of standing timber:
Year of most recent cruise:
Distance from nearest incorporated city:
Distance from nearest population center (50,000+):
Zoning:
Is there a management plan?
General manager:
Employees:
Contractors:

Neighboring uses

Documents and records on hand

Acreage total

Parcel	Acres	Tax lot	Zoning	Date acquired	Current value	Basis

Forest land (total acres)

Merch. timber	Pre-merch.	Plantations < 10 yr.	Understocked	Other

Harvest history

Year	Stumpage value (\$/MBF)	Volume (MBF)	Value

Worksheet 1 — Forest Property and Estate Overview (continued)

Planting history

Year	Parcel	Acres	# of Seedlings

Roads

Year	Parcel	Length	Cost	Contractor

Rentals

Parcel	Tenant	Rent

Buildings and equipment

Item	Value

Other

Asset	Bank or company	Account number	Amount

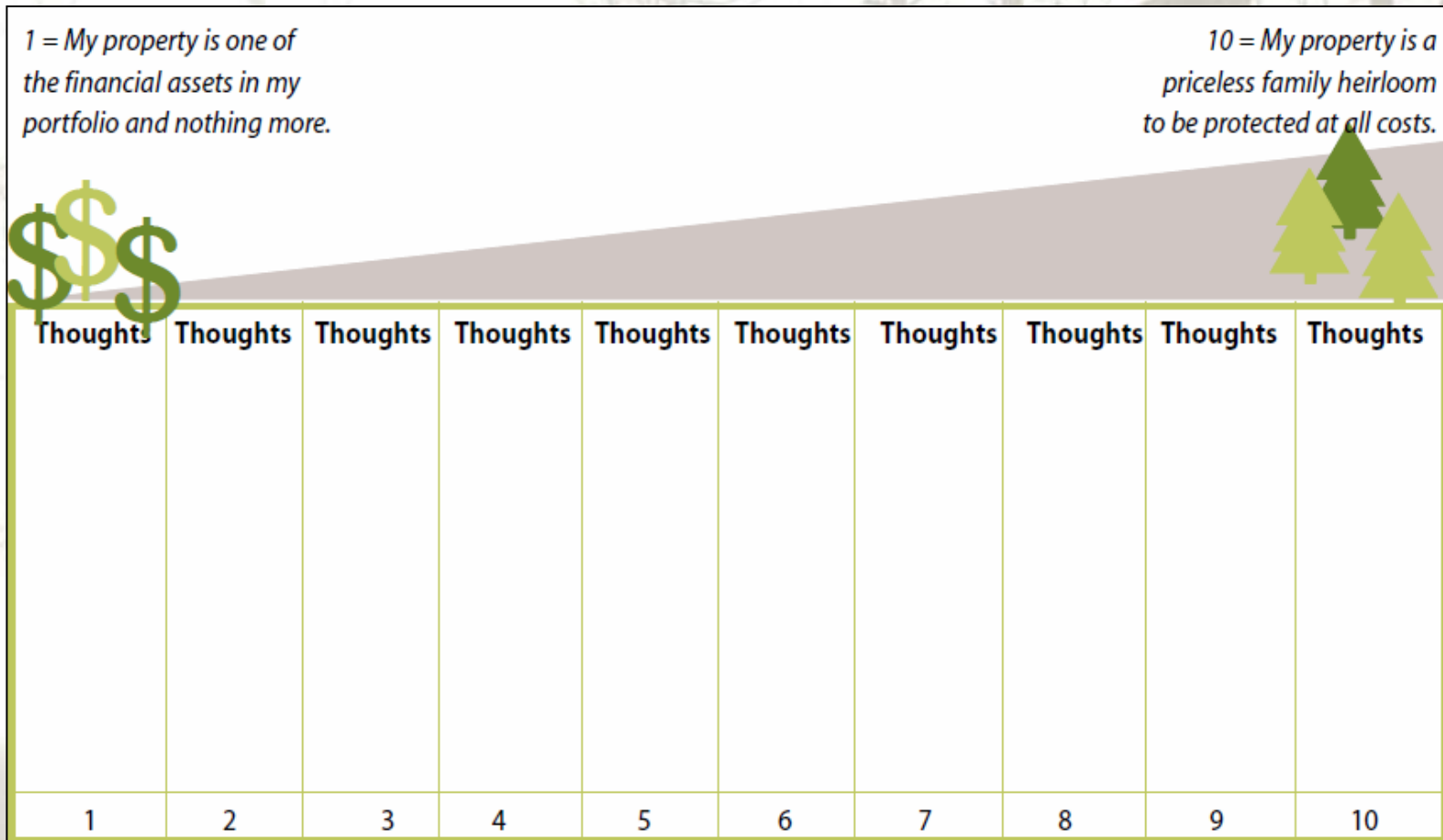
Total estate value

Total	

- Forest Management Plan
- Start talking
- Start collecting
- Keep talking AND Listening!



Heirloom Scale... (keep talking)





A process of discovery

- Long-range goals of each spouse
- What major barriers
- Immediate goals
- Joint long-range goals
- Identify problems to solve

10 Steps

1. Spouses agree and write down goals, for property AND family
2. Discuss with family
3. Create a family business to own & manage the land
4. Regular family meetings (business & passion)
5. Set family employment policies before hiring family members



10 Steps

6. Discuss and write down important decisions
7. Create non-financial reasons for the family to keep the property
8. Get your kids/grandkids to work and play
9. Create a governance structure that will survive your passing
10. Have fun!



Exercise break:

What idea(s) do you have for:

1. broaching this topic with your heirs?
2. increasing engagement with the family property?



Family Meeting Guidelines

- Written agenda, circulate prior
- Neutral site
- Consider using a trained facilitator
- Invite spouses?
 - Business meeting
 - Social hour
- Rule: Treat each other as adults



Family Meeting Guidelines



- Rule: Treat each other as adults
 - Ice-breaker to get to know each other
- Cover travel expenses
- Invite one or more of the successional team
 - Forester, Attorney, CPA
- Share your dreams, invite their dreams.

A Parallel, from business economics

9 mistakes to avoid

1. Attempt succession planning without other strategic plans
 - Forest Management Plan
2. Fail to create a Market for the company
 - Passion in the next generation
3. Procrastinate
 - Two things in life are certain
4. No Goals
 - Identify and adopt long-range goals





5. No Independent Valuation of the firm
 - What is the full value of this property?
Family unity, financial, source of firewood?
6. Sell to an Insider who has little funding
 - Family employment policies
7. Ignore Training
 - Pass along knowledge
8. Keep Succession plans a secret
 - Communicate openly
9. Develop a Succession Plan once
 - Annual family meetings

More from Guth

- “Around 80% of small business owners have no succession plans...”
- “Succession planning, like tax planning, is just good common sense and should be a natural part of good business practices....”
- “As soon as business owners take out life insurance policies to protect their assets for dependents left behind, they need to think of succession planning.”

A program Focusing on Land Transfer to Generation NEXT, a family forest short course

- 12 hours, over two days, a week apart
- Uses “Ties to the Land” material & *flavor*
- Legal and Financial Experts
- Landowner Panel

Three Cautionary Tales (from the workbook DVD):
(View videos with RealPlayer or Windows Media Player)



Not What Dad Wanted



A Tale of Two Sons

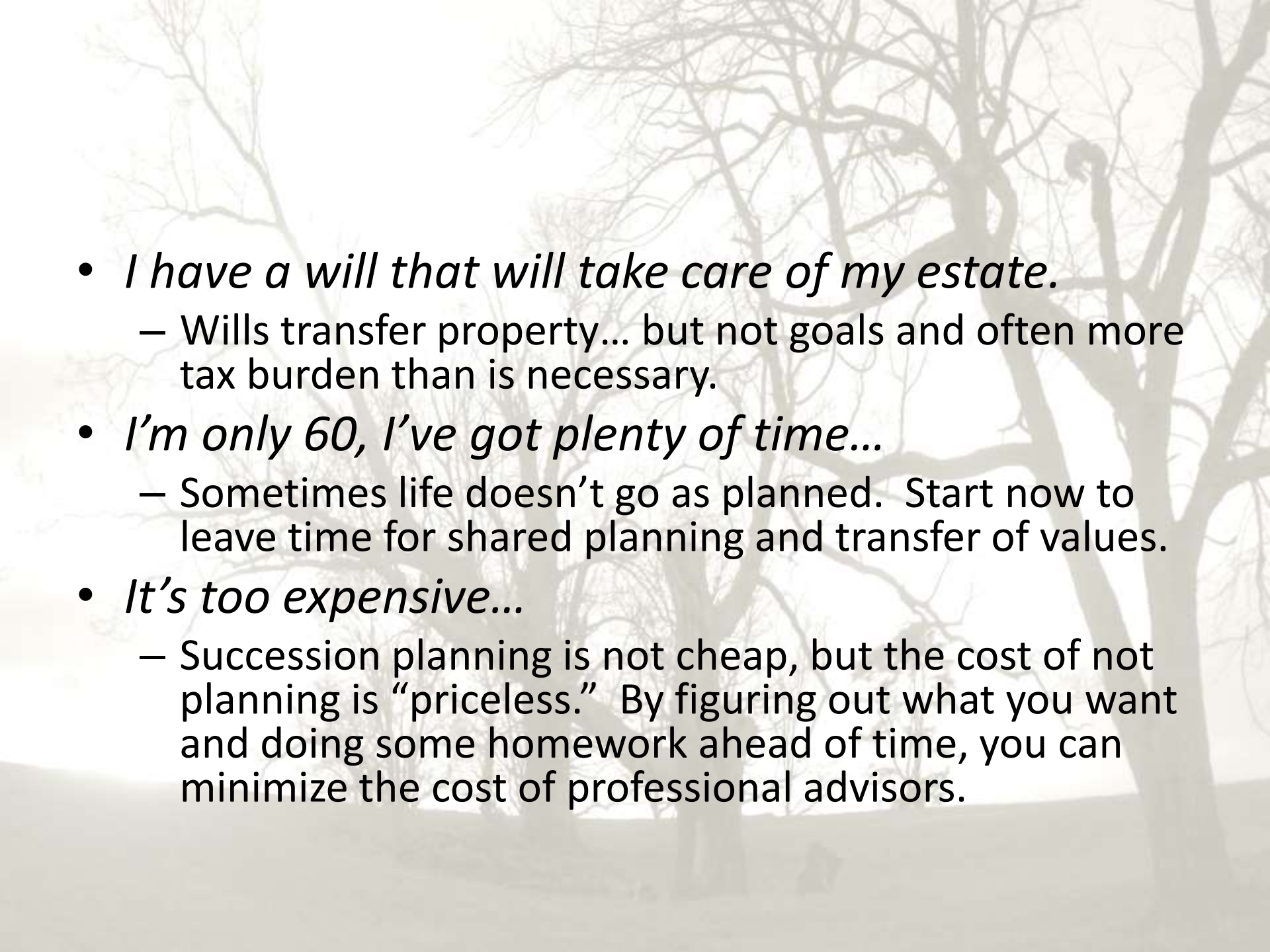


Deathbed Planning

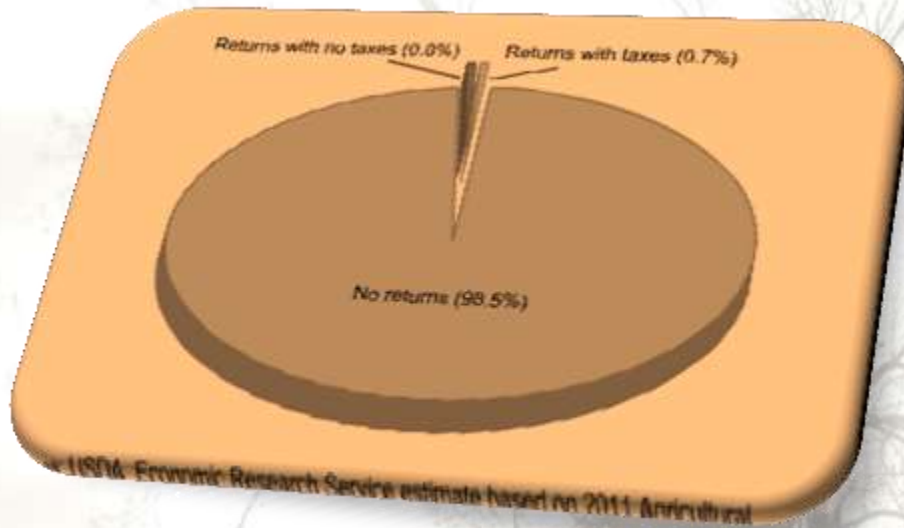
By the numbers

- 6 month follow-up surveys, 77% begun planning
- Estimated average family savings of \$625,000
- Over 29,000 acres of land expected to remain open and family owned



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- *I have a will that will take care of my estate.*
 - Wills transfer property... but not goals and often more tax burden than is necessary.
 - *I'm only 60, I've got plenty of time...*
 - Sometimes life doesn't go as planned. Start now to leave time for shared planning and transfer of values.
 - *It's too expensive...*
 - Succession planning is not cheap, but the cost of not planning is "priceless." By figuring out what you want and doing some homework ahead of time, you can minimize the cost of professional advisors.

Pie slices and Pie plates



When You're So Old

By Bob Mealey



From Ties to the Land: Your Family Forest Heritage

- Oregon State University Forestry Extension
- Oregon Forest Resources Institute
- Austin Family Business Program, Oregon State University
- Clinton J. Benz, Certified Public Accountant
- Con P. Lunch, Attorney at Law







You can do this!