

Agribusiness solutions

Keep the farm, and family, intact

How to avoid conflict in the planning of your family business



As you know, managing a successful farm or ranch takes time, strategy and sometimes a little luck.

As an owner, you don't just plan for next week or next month. You must plan years into the future despite many variables.

Unless you are not planning to die, you'll need to apply the same kind of careful planning to your financial future, including the day you pass the farm or ranch on to the next generation. Without planning, you increase your chances of becoming one of the following statistics.



70% of **first-generation** operations do not successfully transition to the next generation.¹



90% of **second-generation** operations do not make it to the third generation.¹



96% of **third-generation** operations do not survive to a fourth generation.¹

Take small steps now that will help you:

- Provide estate liquidity for fair distribution
- Help cover debt
- Create supplemental retirement income
- Meet your goals to give back in the community
- Keep family peace

Keep the family on the farm, and conflict out

You've spent a lifetime building your operation. Keeping your legacy alive, and the business in the family, is important to you and those you leave behind. Consider these ways to avoid family conflict and lost opportunities.

Decide what fair inheritance looks like

While the inheritance you leave each of your kids may not be identical and equal, it can still be fair and equitable, which keeps peace in the family. You might feel like you are trying to divide the indivisible because the non-liquid operation is your biggest asset. First, decide what legacy you want to leave, and what fair looks like (because only you can). Then you'll be able to assess the options and find a solution.

For example, creating an equal share of the operation for each kid is tough. It sounds fair, but leaves the big decisions to the kids and puts the future of the farm at risk if those who want to take over can't afford to buy out those who don't. It can be complicated — emotionally and financially.

On the other hand, leaving the business whole for one or more kids and passing on non-liquid assets for others is tough, too. Often times, operations are asset rich and cash poor and the smaller value of non-business assets doesn't allow you to be as fair as you'd like.

Consider life insurance to equalize your estate

If you can't leave an inheritance you think is fair without risks to the future success of the operation, life insurance can be a critical tool. It will allow you to keep the operation intact while maintaining peace in the family, which is the ultimate goal.

For example, your life insurance benefits could provide a more fair inheritance for kids who aren't taking over. Or, you can name them as beneficiaries of the policy. Similarly, the kids who are taking over can purchase a policy and use the benefits to fund the purchase of the farm. If estate taxes are a concern, gifting techniques can provide solutions. Your team of advisors can help sort through the complicated details and find a solution that supports your specific goals and needs.

Keep lines of communication open

One of the keys to making any arrangement work is discussing your plans with your children in advance. Explain the reasoning behind the choices you've made, and the enormous care you've taken to be fair. While the discussions may be tough, they'd be harder if you weren't there.

 For more information | Contact your financial professional today. Visit principal.com.



Insurance issued by Principal National Life Insurance Co. (except in NY) and Principal Life Insurance Co. Principal National and Principal Life are members of the Principal Financial Group®, Des Moines, IA 50392-0002.

The subject matter in this communication is provided with the understanding that Principal® is not rendering legal, accounting, or tax advice. You should consult with appropriate counsel or other advisors on all matters pertaining to legal, tax, or accounting obligations and requirements.

Principal, Principal and symbol design and Principal Financial Group are trademarks and service marks of Principal Financial Services, Inc., a member of the Principal Financial Group.

Not FDIC or NCUA insured

**May lose value • Not a deposit • No bank or credit union guarantee
Not insured by any Federal government agency**

¹ Ag Web, "A Successful Transition to the Next Generation," Kevin Spafford, Farm Journal Columnist, June 30, 2012.