

# Key Players in Succession: Who Should Be Involved?



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## Partnering Organizations



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REGIONAL CENTER  
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**NC STATE**  
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## Purpose:

Succession planning encompasses many emotional and financial aspects of a family and a business, making decisions and moving forward more difficult. This research-based curriculum with comprehensive handouts integrated will give participants the confidence they need to learn strategies for moving succession forward with their property or business. Both soft and hard skills are covered in the materials and will empower owners to develop and implement their succession plan.

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&



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Enter presenter information on this slide

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## PROTECTING YOUR INFORMATION

- No personal stories.
- General questions are welcome.
- Personal questions should be asked outside of the group setting.

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## Important notes before we begin:

These materials are intended to present general information on succession planning.

The information may not be applicable to every state or territory.

These materials do not provide legal advice. Specific advice should be obtained from an attorney or another professional well versed in the facts and circumstances related to the individual seeking advice and the jurisdiction where the property is located.

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## Defining Succession Planning & Estate Planning

When we say:	We are referring to:
Succession Planning	The plan for transfer of management (decision-making abilities and authority) and/or ownership (shares, farm or forest assets, etc.) during the life of the owner(s)
Estate Planning	The plan for transfer of personal assets and property that will transition after the owner's life to designated beneficiaries

\*Disclaimer: The terms *Succession Planning* and *Estate Planning* are defined differently depending on state/region. However, for use of this training, the definitions above are implemented.

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## Defining Generations and Roles in Succession

When we say:	We are referring to:
Successor	The junior generation in the land/business, next individual(s) who will manage and/or own the land/business
Incumbent	The senior generation in the land/business, current owner/manager of the land/business

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## Defining Businesses and Land

When we say:	We are referring to:
Businesses	Entities that could be farms, an LLC, sole proprietorship, land in a trust, corporation, company, and/or partnerships
Land	Any type of land, including but not limited to forests, bare land, vacant land, farmland, pasture, and land with buildings/barns

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## TOPICS TO EXPLORE

<b>MODULE #2: KEY PLAYERS IN SUCCESSION: WHO SHOULD BE INVOLVED?</b>	Who is involved in your farm business or land?
	Who gets a vote? Involvement in the farm
	Who makes decisions in the farm?
	What advisors could you need for the transfer of your farm business or land?
	Selecting Advisors and Questions to Ask

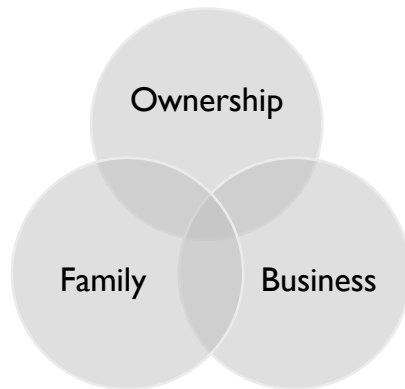
Purpose of Module #2

To better understand who should be involved, who makes decisions, and who you should ask for help for your family and/or farm during the succession process.

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**Who is involved in your farm business or land?**

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Source: Renato Tagiuri and John Davis

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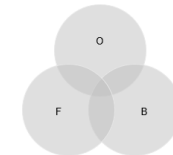
Please take some time to complete the handout.

1. Map your own farm or land as it is **NOW**.
2. Next, choose several years (ideally 5-10) in the future and map who you think will be involved in your farm or land in the **FUTURE**.

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Who Will Fill My Shoes: Succession Planning for Landowners and Businesses  
MODULE 2. THREE-CIRCLE FAMILY BUSINESS MODEL

The Three-Circle Family Business Model shows the complex systems that members of family businesses can be in and how those systems of ownership, family and business overlap.  
Can you "map" your family on XT? Son is family member, owner, and manager; daughter is family member and owner; Cousin is family member and employee, etc.



Let's look to the future! Can you see the different members of your family business in the circle \_\_\_\_ years from now?

## HANDOUT: OVERVIEW OF YOUR MANAGEMENT STRUCTURE

### Overview of Your Management Structure: Annual or Recurring Events

This form focuses on who currently does what on your land and the professionals you work with, the timing of management activities, and any permits in place on your land.

You should consider your current management structure and plan for any changes in the future.

FOCUS ON ANNUAL OR RECURRING ACTIVITIES				
<b>Annual or Recurring Activities</b>				
Activity	Month / Date	Who does it?	Notes	
ex. maintain roads	June	grading company	done yearly last year	
<b>Permits, Leases, Agreements</b>				
Type	With who?	Why is it necessary?	Notes	
ex. road easement	neighbor	access to ridge		
<b>Management of Property</b>				
Job / Service	Who does it now?	Who will do it in the future?	What skills?	Are they prepared?
ex. Forestry consultant	ACME Timber	Unknown	Forestry management	No, need to make them

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## Who gets a vote? Involvement in the farm

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## WHO IS INVOLVED IN THE LAND/BUSINESS?

- Owner/Owners: incumbents
- Actively participating heirs/successors: active in management of the land/business
- Non-active heirs: successors
- Tangentially related family members: family but will not inherit or manage. \*Note: This group can be different for each family.
- Unrelated business members: employees, tenants, etc.

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## WHO HAS THE POWER TO MAKE DECISIONS?

Owner/Owners (incumbents)

- Typically hold [almost] all the financial power (assets and control)
- Should be the ones who initiate succession discussions, realizing that new management and/or ownership is needed and inviting in the next generation

Successors (both on-farm and off-farm)

- Typically hold the power of continuity (can decide the future of the farm and its potential)

Farm employees and non-immediate family members

- May (not always) feel as though they are entitled to a say in the process, but really don't possess power in the process

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## HOW TO DETERMINE WHO IS INVOLVED

Relation to the Land/Farm	Levels of Involvement	Do they get a vote?
Owner (Incumbent)	<ul style="list-style-type: none"> <li>• Ideal position to initiate succession discussions</li> <li>• Involved in every aspect of the process</li> </ul>	Yes! This group gets a vote on everything (as they hold all of the assets and control).
On-farm heirs (successors)	<ul style="list-style-type: none"> <li>• Involved in most aspects of the process</li> <li>• Input should be considered closely to assure that succession is achieved</li> </ul>	Yes! This group should get a vote on most aspects (as they are the next gen taking over).

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## HOW TO DETERMINE WHO IS INVOLVED

Relation to the Land/Farm	Levels of Involvement	Do they get a vote?
Off-farm heirs (potential successors)	<ul style="list-style-type: none"> <li>• Involved in ownership-related topics if they will inherit some assets (land, shares of a corporation/company, etc.)</li> <li>• Fair vs. equal discussions could be difficult if on-farm and off-farm heirs will inherit asymmetrically.</li> <li>• May feel like they should have more of a vote than is practical</li> </ul>	Sometimes. If off-farm heirs will eventually be owners, then they can vote on some aspects of the farm that could affect them.
Tangentially related family members (family but will not inherit or manage)	<ul style="list-style-type: none"> <li>• Have interest in seeing the farm succeed but will not be financially involved</li> <li>• Interested in the family legacy component of succession</li> <li>• May feel as though they have a say</li> </ul>	No, although they would likely appreciate being informed.
Unrelated business members (employees, tenants, etc.)	<ul style="list-style-type: none"> <li>• Have a financial interest in seeing the succession process succeed (employment, contracts, or land access may hinge on the farm continuing to the next generation)</li> </ul>	No, although they would likely appreciate being informed.

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## HANDOUT: HOW TO DETERMINE WHO IS INVOLVED

Take 5 minutes to complete  
the handout.

### Module 2. How to Determine Who Is Involved Handout

First, consider who is involved from each category of "relation to the land/farm", then note whether they get a vote, and whether they should get a vote.

Relation to the Land/Farm	Who is currently in that category?	Do they currently get a vote?	Should they get a vote? (Why or why not?)
Owner (Incumbent)			
On-farm heirs (successors)			
Off-farm heirs (potential successors)			
Tangentially related family members (family but will not inherit or manage)			
Unrelated business members (employees, tenants, etc.)			

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**What advisors could you  
need for the transfer of your  
business or land?**

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## WHY DO YOU NEED ADVISOR(S)?



- Issues and processes in a plan are very complex
- Team (of advisors) approach coordinates advice and discussions
  - Advantageous for the team (of advisors) to get know each other and address a common problem
- Can save the family/business significant time and financial resources in the long run
  - Coordinated advice and multiple perspectives
- Advisors have seen many scenarios and can help to navigate the common pitfalls in succession

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## POTENTIAL KEY PROFESSIONAL TEAM MEMBERS



- Attorney: Legal advice
- Certified Public Accountant: Key financial advice on business performance and financial status
- Certified Financial Planner: Advice on retirement investments
- Insurance Agent: Advice on life and business insurance and risk management
- Lender: Input on financial health and appropriate debt structure
- Mediators
- Extension Educators, Management Consultants & Respected Peers: Facilitators – should be unbiased

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## POTENTIAL PERSONAL ADVISORS



- Executor or Personal Representative
  - Makes sure wishes are carried out and manages the estate
- Trustee
- Guardians

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## HANDOUT: YOUR TEAM OF ADVISORS

### Your Team of Advisors

This form records important information about your advising team. Include their contact information and why they are a valuable addition to your team (long-term family advisor, highly qualified, knowledgeable, etc.).

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## Selecting Advisors & Questions to Ask

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## SELECTING ADVISORS

Selecting advisors is an important step in the planning process

- Organized process
- Consider it like hiring an employee for the business
- Develop a job description for each member
- Interview potential members

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## SELECTING ADVISORS

Selecting advisors is an important step in the planning process

- Ask your friends or other farms who they have used
- Ask you other professionals for recommendations
- May consider a referral service
- Collect at least 3 names for each professional to begin the selection process

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## EXAMPLE QUESTIONS TO ASK

- What is your experience with similar situations?
- Can you provide references from other farms you have worked with? (confidentiality may be an issue)
- How long have you been working in this field?
- What professional credentials do you hold?
- How long would it take for them to complete the process?

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## EXAMPLE QUESTIONS TO ASK

- Do you have any sample/example plans used with other clients we can review?
- Can you please provide a clear breakdown of their fee structure?
- Are you comfortable working with the person? Would your family be comfortable working with this person after you are gone?

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## Questions

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**Please share  
your thoughts.**

