



TRANSITION PLANNING

12 Steps to Keeping the
Family Farming

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1

What Matters Most?

2

Identify Wants, Hopes, Needs & Fears
Review and compare notes

3

Establish Vision/Mission Statements & Goals and objectives

4

Human Resource Evaluation
Consider farm labor resources/skills

5

Who's In Charge?
Discuss current organizational structure
Discuss future organizational structure

6

Where Do We Stand Financially?
Develop balance sheet/accrual income
Evaluate financial performance

7

Do We Have What We Need?
Conduct a resource evaluation
Develop a resource plan

8

Internal/External Factors - SWOT
Evaluate external opportunities & threats
Evaluate internal strengths & weaknesses

9

Evaluating Financial Feasibility
Complete detailed financial projection

10

Developing a Business Plan
Incorporate Vision and Mission Statements with
objectives and goals into a plan for the farm

11

**Estate Planning, Retirement
Planning, Business Entity Buffet**
Identify qualified planning advisors

12

Putting Plan into Action
Develop a transfer plan timeline

STEP #1

WHAT MATTERS MOST

- ⦿ Values
- ⦿ Sacrifices
- ⦿ Desire to maintain Legacy
- ⦿ Core values

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STEP #2

IDENTIFY

WANTS, NEEDS, HOPES AND FEARS

- ⦿ Communication
- ⦿ Explore concerns
- ⦿ Everyone Participates
- ⦿ Facilitation

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STEP #3

ESTABLISH VISION & MISSION STATEMENTS, OBJECTIVES, AND GOALS

- ◉ Vision is critical
- ◉ Guiding Philosophy
- ◉ Goals are specific
- ◉ Deadlines, Measureable, Attainable
- ◉ Conflict is common when partners have differing ideas
- ◉ Identify the vision that leads to the mission that forms objectives for our goals

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STEP #4

HUMAN RESOURCE EVALUATION

- ⦿ People positions
- ⦿ Successor may have different strengths
- ⦿ Communicating desires and skills of the successor
- ⦿ Hired Help

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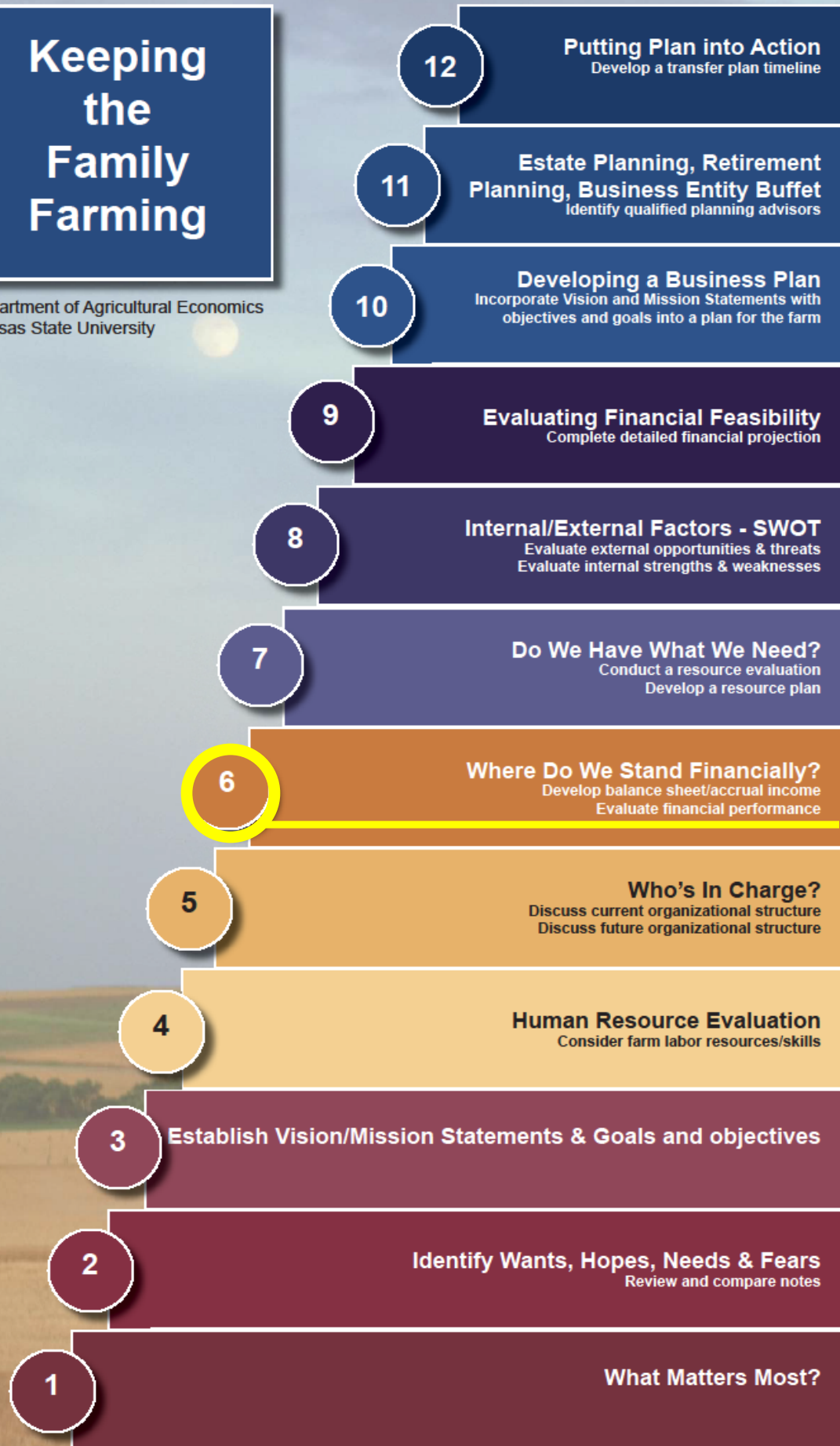
STEP #5

WHO'S IN CHARGE

- ⦿ Retiring generation hates mistakes
- ⦿ Hard to let go of the reins
- ⦿ Tuition
- ⦿ Organizational Chart Now & in the Future

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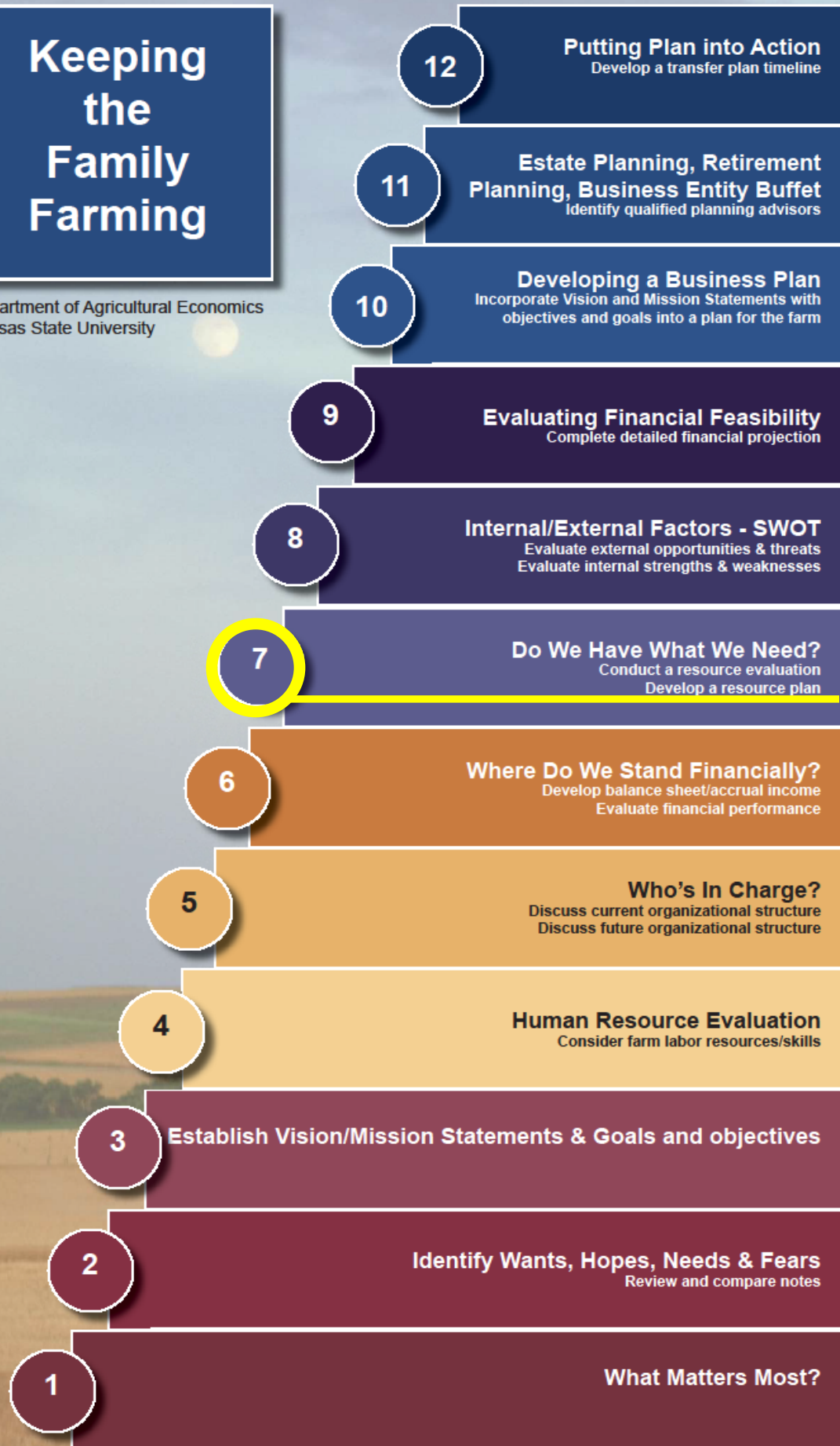
STEP #6

WHERE DO WE STAND FINANCIALLY

- ◉ Is the business currently profitable?
- ◉ Is there room for another partner?
- ◉ Full Disclosure
- ◉ Risk management of potential Hazards
- ◉ The three D's, Death , Disability and Divorce

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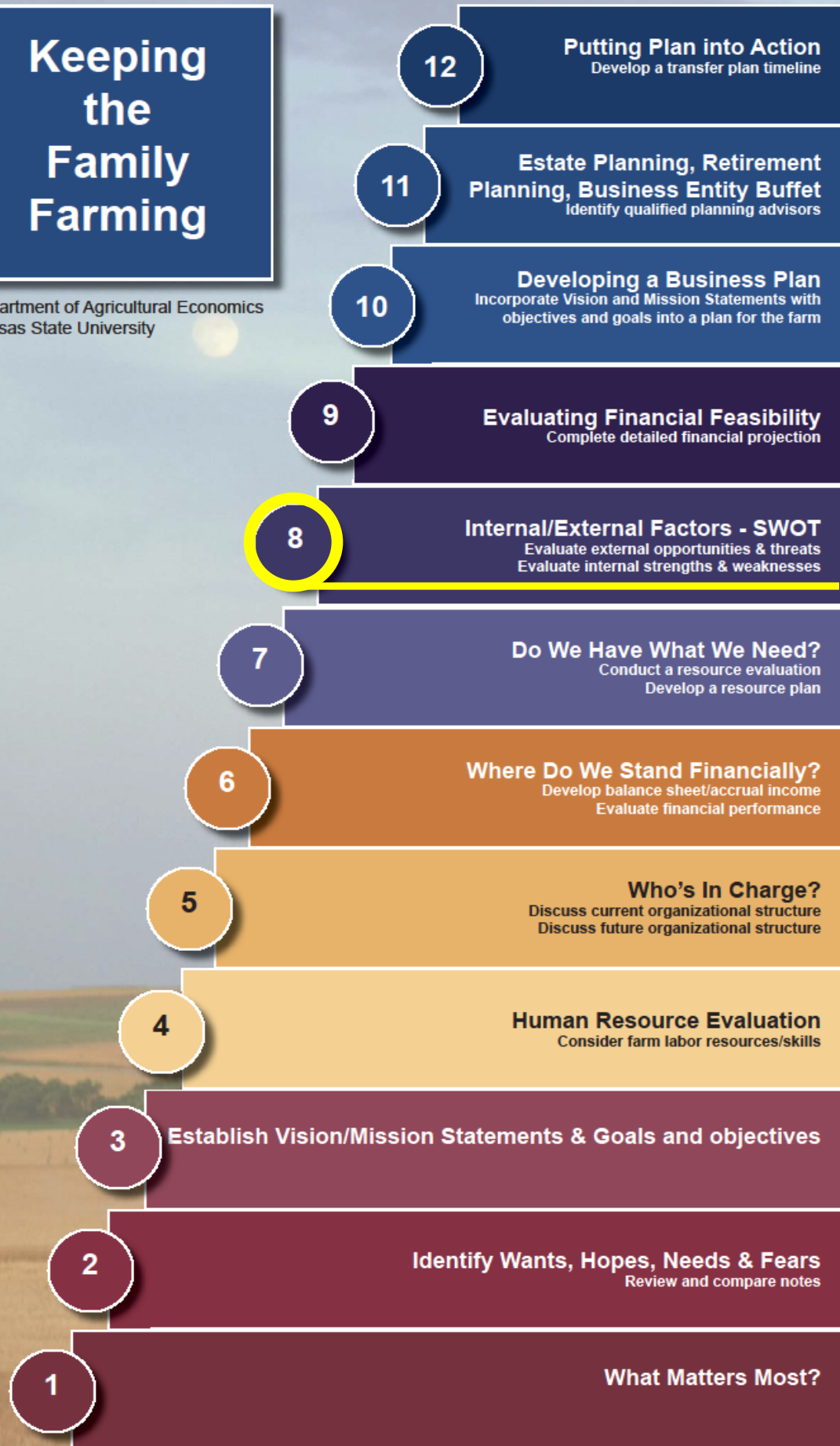
STEP #7

DO WE HAVE WHAT WE NEED

- ⦿ Inventory resources, land, buildings
- ⦿ Can a new business venture be created
- ⦿ Retiring generation may have to retire to create room for succession
- ⦿ Investments may be required to add income

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STEP #8

SWOT ANALYSIS OF INTERNAL/EXTERNAL FACTORS

- ◉ Strengths
- ◉ Weaknesses
- ◉ Opportunities
- ◉ Threats
- ◉ When building a farm game plan analyze your opponent

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STEP #9

EVALUATING FINANCIAL FEASIBILITY

- ⦿ Financial Statements
- ⦿ Budgeting each enterprise
- ⦿ Cash flow planning
- ⦿ Finpack - Financial Roadmap

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STEP #10

DEVELOPING A BUSINESS PLAN

- ◉ Effectively communicates plan to lenders, partners and family
- ◉ Documents viability
- ◉ Demonstrates Purpose
- ◉ AgPlan www.agplan.umn.edu

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STEP #11

ESTATE PLANNING, RETIREMENT PLANNING & BUSINESS ENTITY BUFFET

- ◉ Estate planning must be addressed
- ◉ Minimizing taxes
- ◉ Knowing what the Future may Hold
- ◉ Security for all parties
- ◉ Minimizing Conflict between heirs on & off the Farm
- ◉ Entity Choices

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STEP #12

PUTTING THE PLAN INTO ACTION

- ◉ Timeline
- ◉ Promises must be Kept
- ◉ Respect for retiring generation
- ◉ Allow management to be passed on to next generation

SUMMARY

Transitions will happen, one way or another. If accomplished with effective communication and formal business planning, the result can be an operation that is highly competitive and will enable another generation to come on board.

