



**The Mechanics of Building a Farm Legacy**  
 Making sure your farm (and family) survive a generational transition  
 2022 Women Managing the Farm Conference  
 Dr. Shannon L. Ferrell, Professor, Oklahoma State University

# The brains of the operation

**Dr. Rodney Jones**  
 Oklahoma Farm Credit  
 Professorship Agricultural Finance

**Dr. Eric DeVuyst**  
 Professor and Neustadt Chair  
 Agricultural Economics

**J.C. Hobbs**  
 Associate Extension Specialist  
 Agricultural Taxation

**Garrett Reed**  
 Graduate Research Assistant

**Allison Wilton**  
 Undergraduate Research Assistant



<https://www.kansasagstress.org/>



<http://extension.okstate.edu/farmstress>



## Topics



### Communicating During Stressful Times

Dr. Nathan Kandy describes the ways stress impacts communication between romantic partners, along with simple strategies to work through stress together as partners and family relationships.



### Down on the Farm: When Disaster Hits

Dr. Karri Gellus explores common challenges and responses that communities and individuals face after disasters, and describes how individuals can help others promote safety, functioning, and action as they work towards recovery.



### Introduction to Mental Health

Dr. Matt Brozi gives an overview of the state of mental health in Oklahoma and especially in rural areas of the state. Dr. Brozi will also describe some of the ways to provide support for individuals who struggle with mental health disorders as well as communities who experience increased risk for mental health challenges.



### Managing Farm Stress

Mr. Jordan Shuler introduces a way of understanding the stress that farmers experience in the state of Oklahoma and offers a handful of suggestions for how farmers or those who interact with farm families can manage the stress of farm life.



### Managing Stress Through Mindfulness

Mr. Jordan Shuler presents the concepts of mindfulness along with several strategies to help those who experience the stress of farm life. He will also help distinguish helpful and less helpful ways of managing stress.



### Suicide Awareness & Prevention in the Farming Community

Dr. Amanda Szarynski provides a detailed description of the warning signs of people who are at higher risk of suicide and walks the viewer through some of the most useful and impactful responses to support loved ones at risk of suicide.



## Mark 6:4

Jesus said to them, "A prophet is not without honor except in his hometown and among his own relatives and in his own household."

## Ferrell's corollary:

You cannot regard someone as an expert if you have changed their diaper.



## Why should I care?

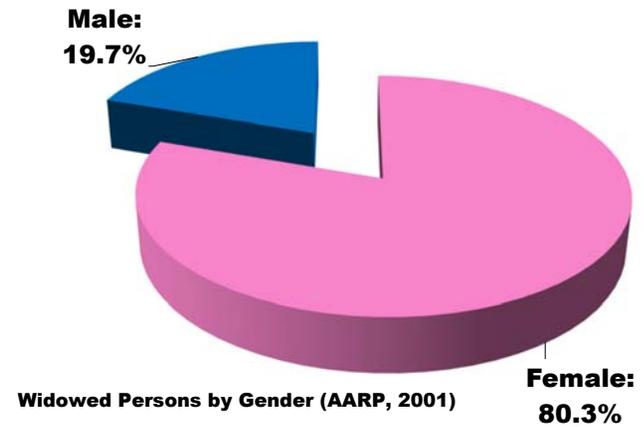
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<b>Founding Generation</b>	<b>30%</b>
<b>Second Generation</b>	<b>12%</b>
<b>Third Generation</b>	<b>3%</b>
<b>Fourth Generation</b>	





## Why should I care?



## Why should I care?

# 3x to 4x

Poverty rate of widows compared to same-age married women



## Challenges in farm transition



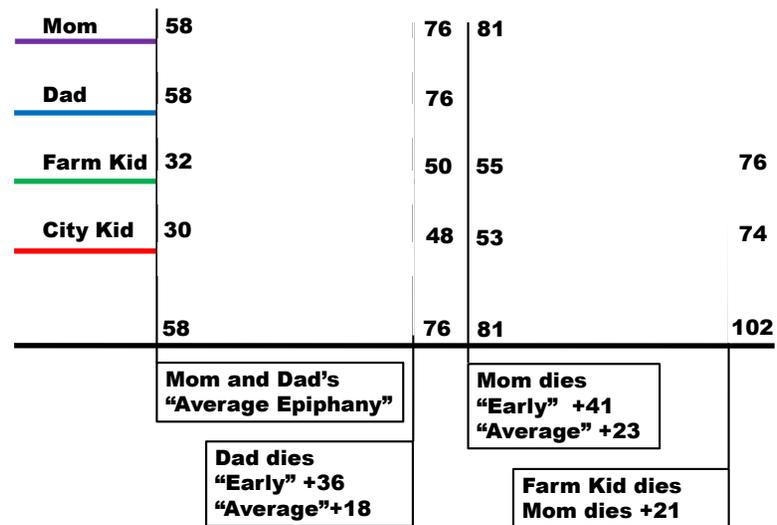
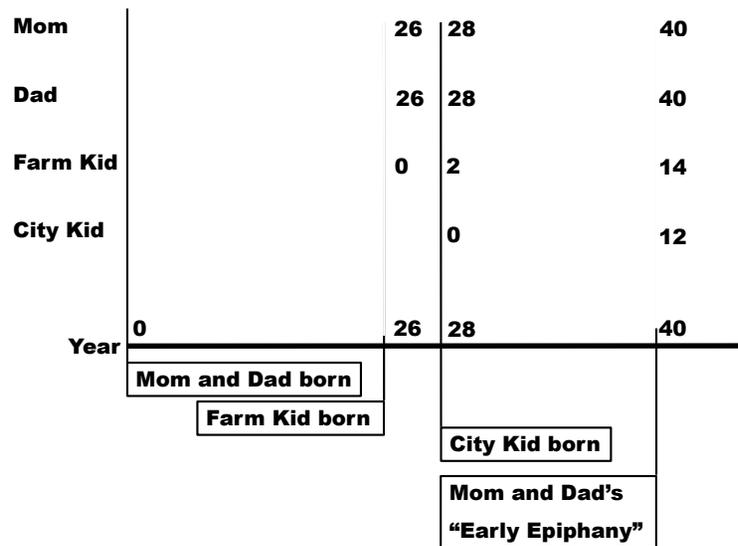
## Challenges in farm transition

45                      95                      97                      70



Source: Visual Capitalist





### The strategies

1. Farm Kid & City Kid get undivided interest in all farm assets (City Kid buyout).
2. Farm Kid gets all operating assets, City Kid gets financial instrument of equal value, both share ownership of farmland.
3. Same as (3) but City Kid gets instrument equal to 1/2 value of operating assets.



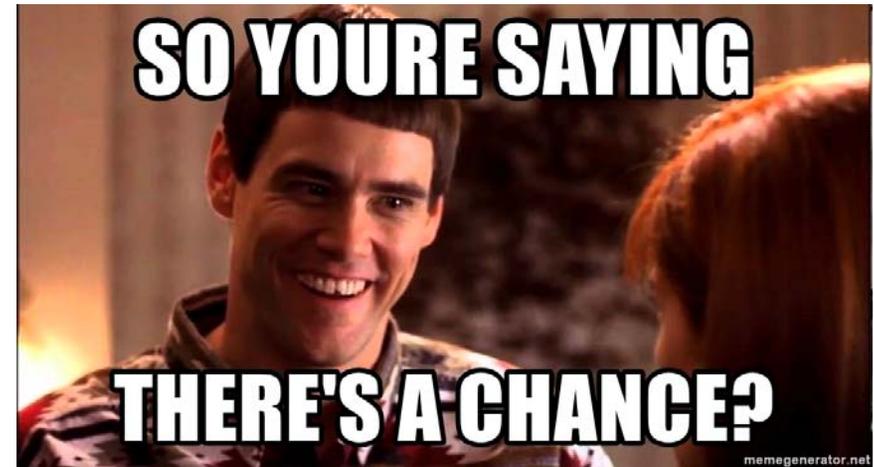
### The strategies

4. Lifetime farm business transfer:
  - Farm kid buys units in operating entity over 20-year horizon, using distributions from farm/salary
  - Mom and Dad gift any deficiencies (credited against estate distribution)



**What are the chances this actually works?  
(KFMA farm model, NFI = \$100,000)**

Strategy	Who pays	Probability of success
1a	Farm Kid	0%
1b	Farm Kid	0%
2a	Ma & Pa	89%
2b	Ma & Pa	97%
3a	Ma & Pa	97%
3b	Ma & Pa	97%
4	Farm Kid	99%



**Takeaways**

- **The runaway #1 strategy choice (used by >64% of farms) is the one zero chance of actually working.**
- **Nobody thinks about \*WHO'S\* paying for the planning (or lack thereof).**
- **Time can be your enemy or your ally – it just depends on when you start.**



**The value of transition planning**

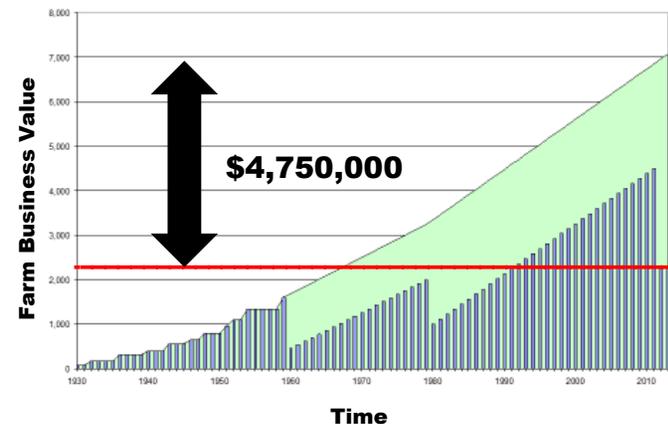


Illustration courtesy Dick Wittman, Wittman Consulting

# SO WHAT?



## Who needs a transition plan?

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- **EVERYONE!**
- **Especially vulnerable:**
  - Young families
  - Families and **farms** with limited asset liquidity
  - “Complex” families



## Five steps to a successful transition

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1. **Determine where you are now**
2. **Communicate with stakeholders**
3. **Develop a business succession plan**
4. **Develop a plan for your estate / gifts**
5. **Deploy your plans / evaluate / revise**



## Five steps to a successful transition

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1. **START**
2. **TALK**
3. **MOVE**
4. **PLAN**
5. **REPEAT**



**Five steps to  
a successful transition**

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**START**



**Step 1:  
Determine where you are now**

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- Personal & real property
- Business relationships
- People
- Goals
- Values
- Culture
- History
- Vision



**Five steps to  
a successful transition**

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**TALK**



**Step 2:  
Communicate with stakeholders**



## Step 2: Communicate with stakeholders

- Who: ALL stakeholders
- What: a talk about the farm
- When: NOT a holiday
- Where:
  - A comfortable place
  - NOT anyone's home
  - Free of distractions
- Why: so we can discuss ideas for future of the farm and ranch



## Who's at the table?



**YOU GOTTA FIGHT FOR YOUR RIGHT**



**TO RESPECTFULLY DISCUSS  
FARM TRANSITION PLANNING WITH YOUR FAMILY**



## What are you saying?

7%: the words you use

**93%:**

**Tone**

**Body language**

**Non-verbal cues**



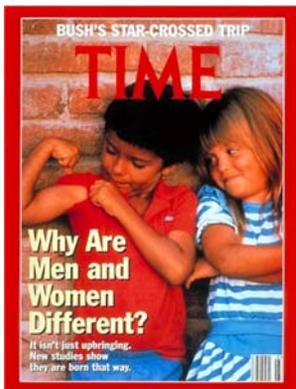
## Gender communications



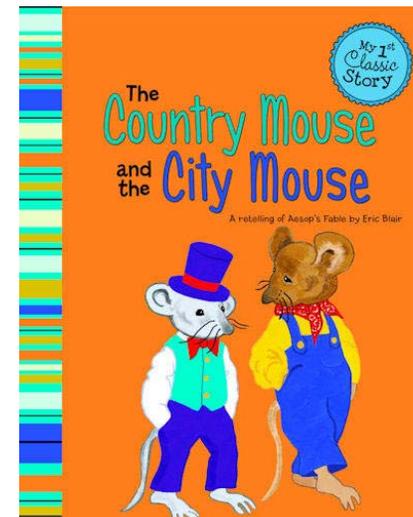
- Men
  - Tend to compartmentalize
  - Self-worth tied to business
    - Keep a scoreboard in dollars
    - Retirement may be dirty word (or a tough balancing act)
  - Biggest positive or negative trigger: RESPECT



## Gender communications



- Women
  - Think connectively
  - Seek security
  - Express emotion in their language: “I feel...” or “I think...”
  - Biggest positive or negative trigger: APPRECIATION / AFFECTION



# Entitlement vs. Opportunity



# EQUAL ≠ EQUITABLE



829± ACRES \* KINGFISHER COUNTY, OKARCHE OK  
TRACTORS \* TRAILERS \* TILLAGE \* VEHICLES \* CATTLE  
HAY EQUIP \* HOUSEHOLD  
**ANNUSCHAT FARMS, LLC AUCTION**  
Friday April 23rd 10AM



**\$3,236,000**

AUCTION LOCATION: 28271 N. 2850 RD OKARCHE, OK  
DIRECTIONS: From Okarche, OK, Go north on Hwy 81 2  
miles to CR 870 (Duffy Rd), then 2 miles east on blacktop to  
2850 Rd, then 1/2 mile north.  
ALL TRACTS WILL BE SOLD FROM TRACT 1



EQUIPMENT WILL SELL  
IMMEDIATELY FOLLOWING THE  
REAL ESTATE LARGE  
EQUIPMENT WILL SELL  
APPROXIMATELY 11:00AM

okarchewarrior.com

## He bought the farm

Larry Annuschat saves the homeplace in a family legacy

April 24, 2021 2242



Ben and Larry Annuschat and Shelby Guarnera wait for the start of the real estate auction Friday at Annuschat Farms. (Photo by Robert Medley)

At the last minute, the farm stayed in the family, the main part of it at least.

It was not the complete end of an agriculture era Friday at the Annuschat Farms east of Okarche.

**Relationships**  
**Expectations**  
**Choice**  
**Transparency**



**Five steps to  
a successful transition**

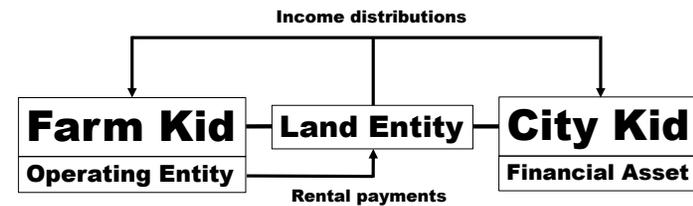
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**MOVE**

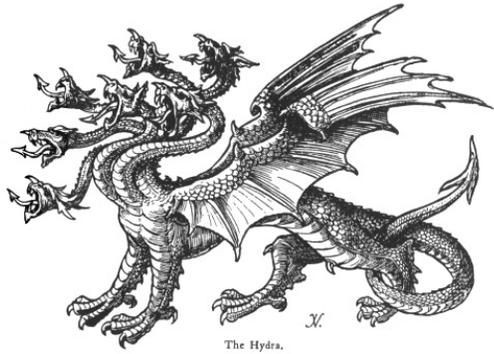


**Step 3:  
Develop business succession plan**

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## Management & decision-making



## How liquid are your assets?



## To pre-nup or not to pre-nup



Bill Sell  
@billionare81

The new Shoup catalog is a snapshot of today's farm. Some really old dude that refuses to quit farming and his 60+yo son that is still waiting to take over the farm. Old dude: he's putting those steps on wrong. Slightly less old dude: when is he gonna die?



## What if there's not a family successor?

- What do you do?
  - Liquidate assets?
  - Hire operator?
  - Seek outside successor?
- Selecting a successor
  - Evaluating skills
  - Partnership? Lease? Sale?
  - Formalizing relationship



## Five steps to a successful transition

# PLAN



## “Fun” (and we’re using that term pretty loosely, folks) facts

- **The long-term human mortality rate is 100%**
- **Implementation of an estate is NOT an “if” question, it is a “when” question.**
- **“When” is absolutely unknowable**



## YOU (yeah, YOU) NEED THIS STUFF!

### Slam dunk without-a-doubt

- Guardian nomination for minor children
- Beneficiary designations
- Durable powers of attorney
  - Business
  - Healthcare
- Advanced directive for health care
- Long-term care insurance (or at least planning)
- Will

### And you really need to think about

- Trust
- Life insurance
- Long-term care insurance

## Three principles

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- You won't know exactly what you have or how much it's worth when you pass.
- No one will remember what you said— they only remember what is written.
- AT LEAST ONE PERSON will lose their minds with sorrow, fear, confusion, and/or greed.



## Maybe communicate before it's too late



## Controversial “hot take” by Ferrell

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***Rigor mortis* makes you  
an inflexible farm manager**



## The “hit by a \_\_\_\_\_” plan

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## The current estate tax landscape

- **Federal:**
  - \$12.06 million personal exemption
  - \$24.12 million combined exemption
  - Spousal portability retained
  - Stepped-up basis retained
  - \$16,000 / \$30,000 annual gift limit
- **Sunsets and ABCs**



## Five steps to a successful transition

# REPEAT



### Step 5: Deploy your plans / evaluate / revise



### Leonid and lawyers



## Don't go it alone



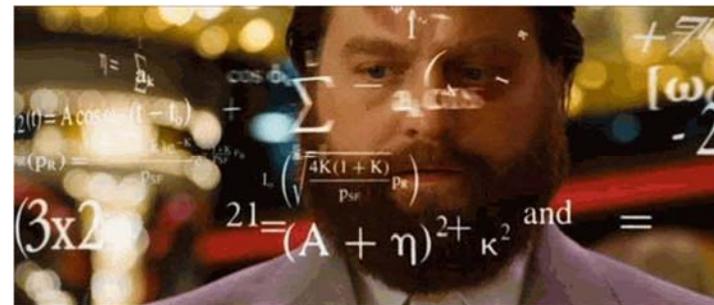
## The transition team: The Accountant



## The transition team: The Attorney



## The transition team: The Production Consultant



**The transition team:  
The Investment Advisor**



**The transition team:  
The HR Advisor**



**The transition team:  
The Referee**



**“No battle plan  
survives contact  
with the enemy.”  
-Colin Powell**



## Pop quiz, hotshot!

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- In a survey running across several hundred workshop participants from all segments of farm families, which of the following was consistently the highest-ranked priority in a farm transition?
  - Equal distribution of assets (value)
  - Preservation of farm asset base
  - Financial viability of operation after transition
  - **Preservation of family relationships**



## Five steps to a successful transition

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# REPEAT



## Five steps to a successful transition

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# REAP





**You *can* reap what you sow.**

**For more information**

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**<https://extension.okstate.edu/>**

**and search “farm transitions”**

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