Estate planning: Family conversations

Source: Steve Isaacs, UK agricultural economist

Family conservations about inheritance, money and business leadership are never easy and can sometimes be downright awkward. But these are extremely important conversations that you need to have with your children or heirs to make sure your wishes for your farm and business are followed.

Don’t wait on your children to bring up this conversation. This is one of the times that you need to take the reins and initiate the conversation, and it should be in person. To help the conversation get flowing, you may want to start at the end and discuss your wishes for your funeral and then move into division of your assets. You may also ask your financial planner or lender to be in attendance, and they can help you start the conversation.

Before you have this conversation, think of each of your children, their personalities and their interests. Ask yourself questions like:

* Are they all interested in the family farm?
* Are they currently part of the farm’s operations?
* Is one better with business matters than others?
* Will they follow your wishes for family farm preservation?

You never want to create an unnecessary burden or obligation on children who may have no interest in the farm. Your heir(s) should see the estate as an opportunity to continue the family business, not an obligation. At this point, you may need to start sharing information about your farm and its profitability with your heir(s), if you have not already done so. Moving forward, they will need to know where the farm financially stands.

These conversations can put you in a tough position. Land values are high, and some of your heirs may feel like they are getting shortchanged, even if they have no interest in farming or running a business. Be realistic and clear about your wishes but also empathetic to your children/heirs. Remember they need to be treated fairly and not necessarily equally. Perhaps those who do not want to farm may be given non-farm assets, life insurance proceeds or off-farm investments. Realize that you may not be able to achieve equality in some situations.

Always put your wishes in writing, and have an attorney prepare a will or an estate plan. Dying without these documents could put your successful farm transition in jeopardy. While a will may seem like a final step, it should not be. Revisit it every few years. People change, circumstances change, and sometimes a child that has no interest in farming five or 10 years ago may suddenly express an interest.

While these conversations are not easy, clearly stating your wishes to your family members can help prevent family disputes after you are gone. For more information on estate planning, contact the (COUNTY NAME) office of the University of Kentucky Cooperative Extension Service.

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