

# The Quest for the Century Old Business

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*Securities and Advisory Services offered through LPL Financial, a Registered  
Investment Advisor. Member FINRA/SIPC*

**No, you may not use the  
computer.**



**I iz on a webinar.**



# Successful Transition of Farm/Ranch

- Family Plan
- Financial Plan



**SOMETIMES LATER  
BECOMES NEVER.  
DO IT NOW.**

**SUCCESS.com**



# Interactive Webinar

- We will answer questions as the presentation goes along.



**BEFORE YOU MARRY A PERSON**

**YOU SHOULD FIRST WORK COWS WITH  
THEM TO SEE WHO THEY REALLY ARE**



You were so close to getting  
in until your behavior while  
working cows.





I know you have been lying awake at night wondering why baby diapers have brand names such as "Luvs", "Huggies," and "Pampers", while undergarments for old people are called "Depends".

Well here is the low down on the whole thing.

When babies crap in their pants, people are still gonna Luv'em, Hug'em and Pamper'em.

When old people crap in their pants, it "Depends" on who's in the will!  
Glad I got that straightened out so you can rest your mind.





# Fears/Obstacles

- Change is scary
- The unknown
- Where to start?
- FAMILY CONFLICT
- Pretending the “What If’s” don’t exist
- I’m too embarrassed to discuss this
- The kids can figure it out
- What if someone gets angry with me?
- Admitting I can’t do as much as I “usta”
- The business is my retirement
- Is “Fair” fair or is “equal” fair?

# What do you have at stake?

- No Excuses! Stop kicking the can down the road!

# On Expectations:

Honesty is a very expensive gift. Do not expect it from cheap people.



*Warren Buffett*



# Family Plan

- Transition of managerial responsibilities to Jr. generation with oversight from the Sr. generation
  - You have to know your operations and your financials
- Setting up family members in positions for success
  - Is “family” qualified for managerial responsibility?
    - Or should that position be filled from non-family?



# Family Plan

- Clear Expectations
- Relationships
- Emotions
- Spouses
- Productive Discussions
- Working Relationships

# Family Plan

- What capacity is Mom, Dad, kids, grandparents working?
- Standard Operating Procedure
  - If Mom dies, do we know where the checkbook is, the online accounts with user name and passwords to pay bills.... Do we have a backup for everything she does?
  - Who calls the feed guy, vet, who sets up working dates, who makes decisions?
- Advisory Board
- Family Counseling





# Realities of today

- Lack of time
- Insufficient knowledge
- Confusion
- Too much information



# Financial Plan

- Estate
- Tax Planning
- Retirement (*Financial Independence*)
- Accumulation/Investment
- Risk Management
- Cash Flow (Margin)

# Cash Flow

- If your business doesn't have margin
  - New Business Plan
  - Sell out
- Control the controllables

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# Cash Flow

- Many households find it difficult to control family living expenses when they spend large amounts for agricultural supplies while the household expenses are comparatively small.

# Risk Management

- Passing off risk that could kill an operation
  - Life Insurance
  - Long Term Care Insurance
  - Disability Insurance
  - LRP, Crop Insurance
  - Drought Insurance
  - Liability Coverage
  - Entity Structure

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# Accumulation/Investment

- Buying more ground
- Buying more livestock
- Equipment
- Child Care
- Housing
- Personal Vehicles
- Emergency Savings (Personal and Business)

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# “Retirement”

- Financial Independence
- Budgeting a “retirement” line item
  - Paradigm Shift
- Developing buckets of money - nothing to do w/ commodity agriculture
- Social Security
- What does current generation need for retirement income?
  - Is that affordable for next generation?

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# Taxes

- Estate
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- Income Taxes (including FICA)
  - Managing taxes, NOT elimination
- Tax efficiency (liquidity, tax advantaged money buckets)
  - Capital Gain cutoff
  - Cost Basis
- Avoiding Death Tax

*Ty McDonald and LPL Financial do not provide legal advice or tax services. Please consult your legal advisor or tax advisor regarding your specific situation*

# Estate Planning

- Estate
- Tax Planning
- Retirement
- Accumulation/Investment
- Risk Management
- Cash Flow (Margin)

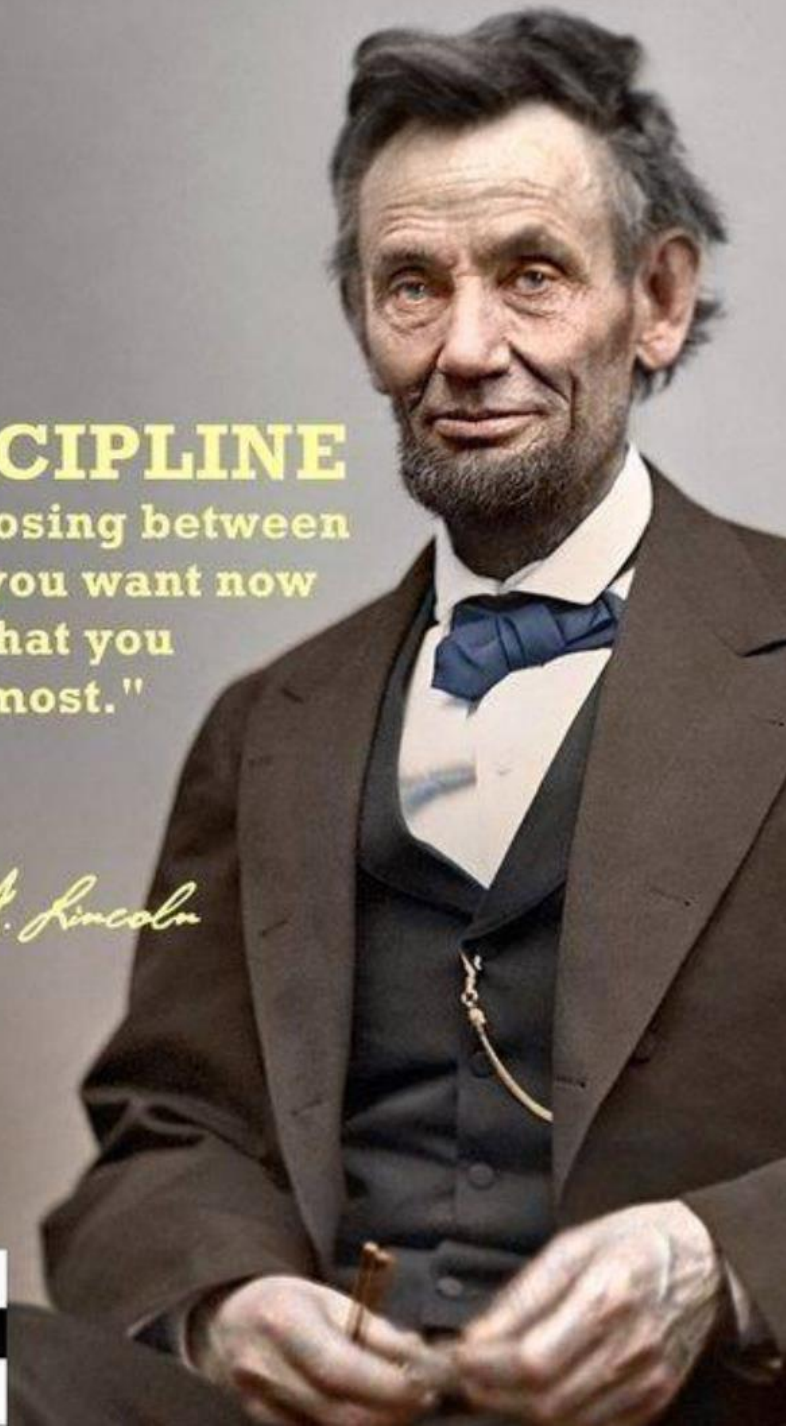
- LAST STEP
  - If you don't have everything else square, you will never have assets to pass on
- Simply, an efficient transfer of assets to heirs
- Fair (most of the time not equal)
  - Equally divide the farm/ranch assets to on farm and "off farm" heirs?
    - Farm/Ranch will cease to exist




**"DISCIPLINE**  
is choosing between  
what you want now  
and what you  
want most."

*--Ab. Lincoln*


GOOD  
LIFE  
WORDS



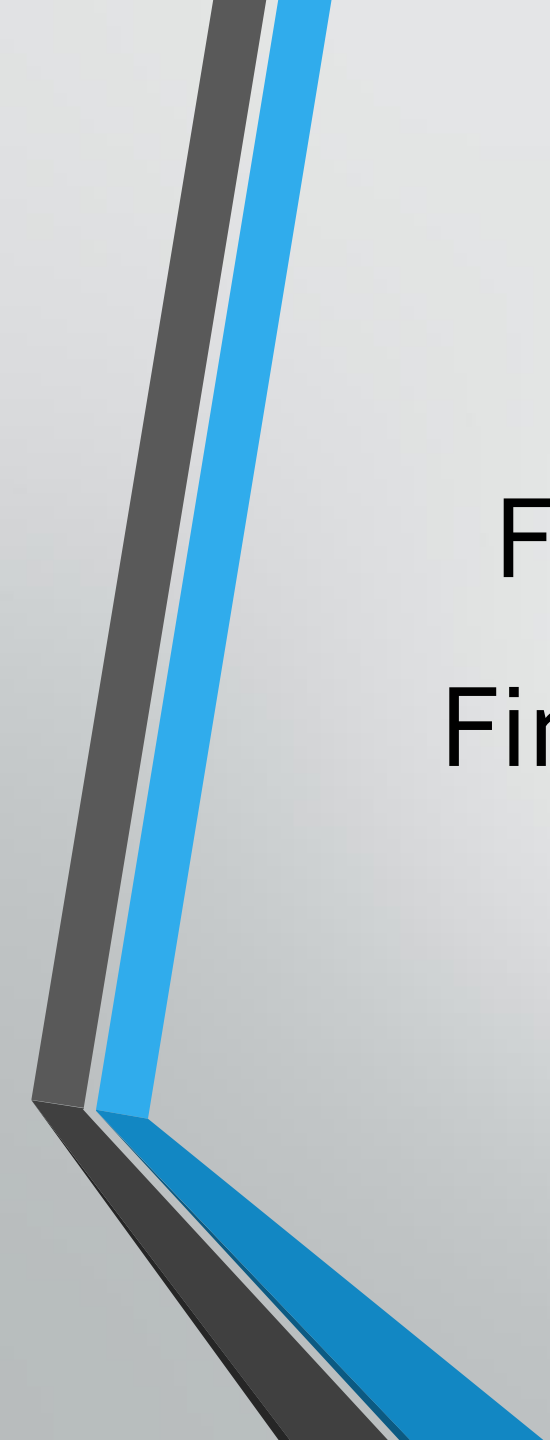


Proper  
Preparation  
Prevents  
Piss  
Poor  
Performance





You either believe in Professionals..... or  
you don't.



Find your Family Plan Quarterback!  
Find your Financial Plan Quarterback!

# Topics

- Long Term Care
- Investment outside Farm/Ranch
- Stocks/ Bonds
- Social Security / Medicare
- Life Insurance
- Health Insurance
- HSA, FSA, etc.
- Disability Insurance
- 3 types of money
- Irrigation example
- Perm vs. term insurance
- Mutual Fund vs individual stock (elevator)
- Rule of 72
- PreTax or After Tax?
- Cost of Missing the Market
- Annuities
- Widow's Penalty
- Wills vs Trusts