BEEF

BEEF Daily
By Amanda Radke

The nuts & bolts of transitioning the family ranch

Give your family the best gift of all this holiday season — the gift of a clearly communicated and implemented transition plan.

Amanda Radke | Nov 15, 2019

The holiday season is fast approaching, which means soon, you'll likely be gathered around the dinner table with parents, grandparents, aunts, uncles, in-laws and children.

However, despite the convenience of having everyone in the same room at the same time, resist the temptation to strike up a conversation at Thanksgiving about the transfer of wealth or how ownership/management control will transition from one generation to the next.

Related: Of boundaries and staying friends with your family in the ranch business

Navigating the sometimes rocky dynamics of multi-generational ranching operations can be tricky. Delicately tip-toeing around people's feelings, biting your tongue when things get heated, thinking through a plan logically without emotions getting in the way and facing the realities of the limitations of the ranching enterprise can be difficult for so many.

I get it. I've been there. I'm in it. And it's not always fun.

Related: Bear Grylls: 4 pillars to apply to your family ranch business

That was the topic of my speech I gave at the Idaho Cattlemen's Association Winter Meeting last week. I apologized for the crowd for not being able to offer an hour-long presentation on things like, "If you do XYZ, you'll business will remain intact, your family will be harmonious and your legacy will be secure for generations to come."

Instead, my story has highs and lows just like everyone else's, and perhaps my speech serves as more of a warning or a wakeup call for folks to get it together, get organized, have the tough conversations and put a clearly communicated plan in place once and for all.

And while I may not have all the answers, I was thankful for the folks at Cooper Norman CPAs & Business Advisors for offering some strategies to best address this topic. Their team presented tangible action items for the ranching audience, which could help them move forward with their estate plan goals .

Here is a roundup of five of their best tips:

1. There are too many excuses why we don't make a plan. Get over it and get started!

Okay, those were my words, but the Cooper Norman team says this: "Just one in three first generation businesses will survive and successfully transition to the second generation. Just one in ten second generation businesses successfully transition into the third generation."

Despite these statistics, too often folks avoid making a transition plan because they don't want to face their own mortality; they don't want to rock the boat with family members; or they aren't ready to give up control of the business.

2. Ask the tough questions.

"How do we ensure the business is ready for the future? How do we ensure the business is sustainable?"

To begin to address these tough questions, the Cooper Norman team said transition planning should begin with discovery conversations where you firmly communicate the leadership, organization and direction of the business.

How are decisions made? Who has authority in the business? What is our process? What role does everyone play in the business? What are our shared goals and visions for the business? Who is interested in staying involved in the business ? Are they the best person for the job? How will I transition assets that is fair to all siblings? How can I make everyone happy if everything isn't "equal" in their eyes? Do you know what the business is really worth? Are you really interested in carrying on the legacy?

3. It's time to develop a written plan.

Once you've asked some of these tough questions, it's time to get things down in writing. This plan includes an assessment of the business, people, finances and legalities of the operation. From there, include goals, objectives, visions, mission statement, core values and future plans.

"Clarity on the core of the business is needed in order for it to move forward," they say. "This is not simply intuitive."
4. Execute the plan.

Implement what is in writing by reviewing the document annually, monitoring for changes and tweaks that are necessary as your business continues to evolve.

"This is a 3-5 year process," they say. "It takes time to iron out the details for a solid estate plan."

5. Transition means change.

Remember, anytime ownership or management changes, it can be incredibly hard for all parties to adjust. Things take time, and it can be incredibly challenge to smoothly transfer and distribute assets in a way that's financially wise and pleases every person in the family.

Quoting transition planning coach and speaker, Jolene Brown, they said, "If the business isn't always put first, at the end of the day, you may have neither family or business."

This holiday season, give your family the best gift of them all — the gift of a clearly communicated plan that irons out the messy details, expresses your wishes and intentions and brings all members of the family together to be able to ask questions, discuss concerns and hopefully move forward without bitterness, resentment or ongoing conflicts.

I know, I know, this is all easier said than done, but consider this — just 3-5% of family-owned businesses have a transition plan in place. Do you feel comfortable allowing the government to decide the fate of your ranch, or is worth the time, labor and money to make those decisions for yourself?

The opinions of Amanda Radke are not necessarily those of beefmagazine.com or Farm Progress.

Source URL: https://www.beefmagazine.com/management/nuts-bolts-transitioning-family-ranch