

FS-6302-GO

1994

[To Order](#)College of Agricultural,
Food, and Environmental Sciences

Questions to Ask Before You Start Transferring the Farm Business

Transferring the Farm Series: #1

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Transferring the farm business to the next generation is a complex and serious business. If not done properly it can cause serious financial and family relationship problems. Answer these questions honestly before you start the transfer process.

Yes No

1. ___ ___ Is the farm generating enough income to support an additional family?
2. ___ ___ If not, are there viable off-farm or farm income-expansion possibilities available to support the entering family?
3. ___ ___ Is there a way to transfer the farm and keep everyone in the family happy? That includes exiting and entering families and non- farm heirs and in-laws.
4. ___ ___ Can the parents afford to give some financial subsidy to the entering family and yet maintain an adequate retirement income?
5. ___ ___ Is the exiting manager willing to transfer management skills and control to the entering manager?
6. ___ ___ Have the parties involved in the transfer had a positive, respectful, and considerate attitude toward one another in the years before entering a transfer agreement?
7. ___ ___ Does the entering manager have the desire and willingness to learn farm management skills?
8. ___ ___ Can involved parties communicate openly and freely with one another?
9. ___ ___ Are all parties willing to develop a written plan of transfer and business agreement prior to starting the transfer process?
10. ___ ___ Are housing facilities available that will provide acceptable yet independent lives for all involved persons?

11. ___ Are all participants, including spouses, willing to be involved in decision making regarding work, hours, vacations, finances, and family expectations?
12. ___ Are all parties willing to start with a trial period of working together through a wage agreement or farming independently while sharing resources for a year or two before starting a formal arrangement?
13. ___ Are the parents willing to provide security to entering parties by agreeing to a buy/sell agreement, allowing the entering parties the right to purchase assets in the future? The agreement should be binding on the heirs.
14. ___ Are the parents willing to sell, lease, gift, or otherwise transfer assets to the entering parties at perhaps less than going market values?
15. ___ Are the parents willing to eventually move to town or to a residence off the farm to allow the new manager to be nearer the center of farm operations?
16. ___ Can and will the parents put together a tax plan that will be acceptable to both parties as they transfer assets?
17. ___ Are the parents insurable and will they permit the younger generation to carry life insurance on them for financial protection in case of premature death?
18. ___ Are parents willing to provide protection from premature payout to off-farm heirs by establishing installment terms for sale of assets in their will or living trust?
19. ___ Are parents willing to pledge that they will not be domineering and will not try to control every aspect of the entering children's business and personal lives?
20. ___ Are entering children willing to pay parents adequately for work done after retirement?
21. ___ Are entering parties willing to sacrifice standard of living and go the "extra mile" with work to get started farming?
22. ___ Are entering parties appreciative of the farming opportunity given to them by their parents and are they willing to "give and take" to make the transfer process successful?
23. ___ Do entrants wish to farm because they have prepared for it educationally and feel it is their chosen field? (This is in contrast to those who enter because they can't find anything else to do or nothing else worked out.)

If you can answer "Yes" to all of these questions, you have a good chance for a successful transfer of the farm.

If you answered "No" to any question, you may wish evaluate the situation before you proceed.

Caution: *This publication is offered as educational information. It does not offer legal advice. If you have questions on this information, contact an attorney.*

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