

# Succession Planning Workbook

## STEP 1: Fill out your information.

First Name:

Last Name:

Age:

Phone Number:

Email:

I am the...

Farm Owner

Successor

Potential Successor

Someone Else

The farm successor is...

Family

Non-Family

Not Identified Yet

Partner First Name

Partner Last Name

Age:

Phone Number:

Email:

# Step 2: Looking to the Future

Plan for the future by obtaining a good picture of the future you want

When you have a substantial block of uninterrupted time, sit to think or chat with your partner. Ensure you're (both) in the right frame of mind to think long-term.

Work through Part A and B together and make notes. You can either make point-form notes directly into this form as you talk together or write them down by hand and record them here later.

## Part A: Succession Planning Discussion Notes

In point form, write down the main take-aways from your conversation about a succession plan for your farm. These topic headings might help you organize your notes. Or feel free to use your own. Just make sure you answer the last question.

You can come back and add information to this if you have subsequent conversations

**What kind of retirement would make us happy?**

**If not farming, how will we spend our time?**

**Did we want to retire close by or venture farther where the family can visit and relax?**

**What will life be like without the farm? What will we miss? What will we be happy to never do again?**

**What worries you most about life after the farm? What is most exciting for you?**

**How might our thoughts and ideas impact the succession plan?**

**Other things we discussed:**

# Part B: Discussion Notes

Now it's time to think in more detail about your retirement. Work through these questions together and then record your work in the space provided.

## **What does retirement mean to us?**

Think about the big picture at this point. So you feel like retirement is about enjoying what you have? Trying new things? Is it about checking all those things off your list you always wanted to do? Or is it about waking up each day without a schedule to keep?

## **What will retirement involve for us?**

Look at the following categories and jot in your shared ideas about what you want to do and accomplish:

Family

Community involvement

Another career

Education

Special interests/hobbies

Travel

The farm

Where will we live?

<b>Income</b>			<b>Expenses</b>				
<b>Income source</b>	<b>Current annual</b>	<b>Expected annual</b>	<b>Expense item</b>	<b>Current annual</b>	<b>Expected annual</b>		
<b>Income</b>			<b>Housing</b>				
Wages			Gas/Oil				
Canadian Pension Plan			Electricity				
Old Age Security			Water				
Other Pension Plans			Property taxes				
Set farm income			Mortgage payments )				
Other business income			Home insurance				
Rental/Lease Income			Rent				
Stock Dividends			Telecommunications				
Other Savings			Maintenance/repair				
Annuities			Other				
Investments			Other				
Survivor benefits							
Alimony			<b>Food/Clothing/Transportation</b>				
Add another income source			Food and supplies				
Add another income source			Clothing				
			Drycleaning				
<b>Total gross income</b>			Vehicle loan/lease				
			Vehicle Insurance				
<b>Estimated taxes</b>			Gas				
Federal			Vehicle Maintenance				
Provincial			Vehicle Registration				

# The Conversation with your Business Partner

After the initial conversation on succession planning with your business partner, make your notes here so you have a record you can refer to later.

In point form, write down the main points from your conversation. These topic headings might help you organize your notes. Or feel free to use your own. Just make sure you answer the last question.

**What challenges are we expecting as we go through the succession planning process?**

**What scares us about succession planning?**

**What excites us about succession planning?**

**Do we have ideas on potential successors?**

**Other things we discussed:**

# Beginning the conversation with family members

Make a list of the family members you need to chat with and have an individual conversation with each person or pair.

After you have those individual conversations with each of your family members, record your main take-aways from each conversation here

**Who did you talk to?**

**What were the highlights of the conversation(s)?**

# Advisor Evaluation Worksheet

Advisor Name:	Strongly disagree	Disagree	Unsure	Agree	Strongly agree
<b>I make better decisions when I have their input.</b>					
<b>We have a strong, trusting, open relationship.</b>					
<b>I value their opinions, experience and advice.</b>					
<b>I feel like I get my money's worth.</b>					
<b>They are adaptable, rolling with the punches when things change.</b>					
<b>They usually have high quality answers to my questions.</b>					
<b>They proactively offer advice that strengthens my business.</b>					
<b>They provide forthright, independent answers and insight, rather than simply telling me what I want to hear.</b>					
<b>They are easy to understand when discussing my business.</b>					
<b>They understand my business and my needs.</b>					



# Advisor Evaluation Worksheet

<b>Advisor Name:</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Unsure</b>	<b>Agree</b>	<b>Strongly agree</b>
<b>I make better decisions when I have their input.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>We have a strong, trusting, open relationship.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>I value their opinions, experience and advice.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>I feel like I get my money's worth.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>They are adaptable, rolling with the punches when things change.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>They usually have high quality answers to my questions.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>They proactively offer advice that strengthens my business.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>They provide forthright, independent answers and insight, rather than simply telling me what I want to hear.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>They are easy to understand when discussing my business.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>They understand my business and my needs.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

# Advisor Evaluation Worksheet

<b>Advisor Name:</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Unsure</b>	<b>Agree</b>	<b>Strongly agree</b>
<b>I make better decisions when I have their input.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>We have a strong, trusting, open relationship.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>I value their opinions, experience and advice.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>I feel like I get my money's worth.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>They are adaptable, rolling with the punches when things change.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>They usually have high quality answers to my questions.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>They proactively offer advice that strengthens my business.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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<b>They understand my business and my needs.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

# Step 3: Identifying Successor(s)

Let's get you thinking about how to identify potential successors

Based on the content you've read so far, identify potential successors for your farm business in the farm below. List those who have expressed an interest, those who are logical choices from a family relationship perspective and those who, while not family, might be good candidates. It's better to list as many as possible, even if you're unsure that they want the farm.

## Potential Successors & Our Relationship

Based on all of the information so far, who will be choosing the successor for your farm? The owner(s) alone? Family? A formal committee?

Take the information here into account, as well as all the decisions you've made about how you'll choose a successor and get the process started. Identify the specific skills and competencies your successor will need.

# Managing Your Children's Expectations: Find The Right Balance

Have individual conversations with your children, whether they are your successors or not. If the farm is staying in the family, start with successor children. Have an in-person conversation to let them know where your head is on the question of providing some value to each of the kids. This short conversation will help ease any misplaced expectations and will also help manage expectations so no one is surprised when you make your decision.

Nothing will take the place of crunching numbers when you're trying to determine a fair distribution of wealth and assets among successor and non-farming children. Use the following worksheet to jot down some numbers and thoughts relative to your children. Then we can take a closer look at them and ask some additional relevant questions.

**How important is it that your successor child receive the farm intact?**

**What contributions has the successor child made to the business relative to the remuneration and other benefits he or she has enjoyed?**

**What are the standard of living and prospects of your non-farming children?**

**What benefits have all the children received to date (eg. loans, university tuition, etc.)**

# What about non-successor children?

There are often children in farm families who are either not interested in owning the family farm, who are not chosen as successors, or who are not interested in being involved in the farm. Owners need to figure out how to divide things fairly amongst the children when planning for farm succession.

Complete the sweaty equity calculator in the pages below (or download from the site: Step 3 "What about non-successor children?")

Use this tool to determine the value of the work of those contributing to the farm, to help determine fair treatment of farming and non-farming children.

## Instructions for Completing Compensation Worksheet

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This worksheet provides a format for identifying all cash and non-cash taxable and non-taxable components of compensation. It helps assess true overhead cost/family unit and helps in planning compensation components. Two example scenarios are provided to illustrate possible combinations of compensation:

**Owner/Manager-** This example depicts a typical owner operator taking a base salary or draw of \$2,000 per month. In addition to a taxable wage base, they receive housing, utilities, a meal allowance (paid to spouse), half a beef a year, medical insurance, reimbursement of uncovered medical expense, a commuting pickup, gas, liability insurance, and limited maintenance on personal autos. They also got paid a bonus at year end of 10% of base salary, and qualifies for a 7% contribution to their retirement plan after meeting the three year minimum vesting period.

Assuming they works 270 days per year and 2,500 total hours, their total compensation value, including bonus and retirement contribution is \$25.12/hour. Note on lines 4-7, compensation components that are non-taxable (see line 12 for total). Lines 13-15 allow the user to determine the tax savings realized from receiving certain benefits in a non-taxable form. The tax table on the bottom of the page allows the user to enter minimum and maximum tax rates appropriate for your place of residence. Using these tax rates for a high and low range, line 13 shows the "Pre-tax wage equivalent it would take to have enough after tax income to replace the same level of non-taxable benefits. Line 14 shows the tax savings from receiving benefits in a non-taxable manner. Lines 15 and 16 show the total dollars and dollars per hour of "Pre-Tax Wage Equivalent" They would have to earn off the farm working on straight salary to match their current compensation package.

Key questions to ask after this exercise:

1. Are they contributing \$62,811 of value to the farm in management and labor?
2. Are they engaging in management activities that are sufficient for the farm?
3. Could they move off the farm with their current skill base and experience and command a \$78,000-115,000 salary and benefits package?

**Hired Labour -** This example depicts a typical mid-management, full-time employee. It could be a livestock herdsman, assistant crop operations specialist, or new family member joining the farm as part of a succession planning process. This case illustrates how non-cash benefits are often structured to fit the needs of the employee, and, as in the previous case, attempts to provide a considerable portion of compensation in a non-taxable form. This person rides colts on the side to generate additional off-farm income; the farm provides board for two horses with a mutually agreed upon value.

Assuming they works 270 days and 2,500 hours per year total compensation is valued at \$48,331 (\$19.33/hour). They would have to have a job off the farm that paid \$55,000-78,000 in salary off the farm to match the total compensation paid in this example.

Key questions to ask after this exercise:

1. Are they contributing \$48,331 of value to the farm in management and labor?
2. Are they engaging in management activities that are sufficient for the farm?
3. Could they move off the farm with their current skill base and experience and command a \$57,000-78,000 salary and benefits package?
4. Does the employee realize what their real pay value is and what it would take to match their \$19/hour compensation?
5. If the farm were to add full or part-time help to replace or perform duties presently performed by this employee, what would the market rate be to hire someone on a straight wage/hour?

Note in both cases, the farm is paying the employee's share as well as the employer's share of CPP and employment insurance. When employing this practice, the value of CPP and employment insurance paid on the employee's Wage base is included in earnings as "Other Taxable Benefits". Also, it may not be an apples to apples comparison to contrast off-farm vs farm compensation per day or hour, as employment off the farm generally involves less total work days or hours per year than farm employment.

### **Instructions:**

1. Enter details for each line concerning cash and non-cash payments.
2. Estimate number of hours and/or days worked to facilitate per hour and/or per day compensation.
3. Enter minimum and maximum tax rate levels for your region.
3. Don't forget to enter bonus, retirement benefits, and all other non-taxable benefits.

			<b>Name:</b>			
			<b>Year:</b>			
	<b>Period</b>	<b>Rate/Month</b>		<b># of Months</b>	<b>Yearly Total</b>	<b>Notes</b>
<b>Salary</b>	<b>Nov-Feb</b>					
		<b>Rate/Hr</b>	<b>Hrs/Month</b>			
<b>Wages</b>	<b>Mar-Oct</b>					
	<b>Cash Salary &amp; Wages Subtotal:</b>			<b>\$</b>		
<b>Social Security Benefit (% Rate):</b>			<b>Rate/Month</b>			
<b>Housing</b>				12		
<b>Utilities - Power, Water, etc.</b>				12		
<b>Internet, Phone, etc.</b>				12		
<b>Meal Allowance, Groceries</b>				12		
<b>Beef, Farm Produce</b>			<i>Ex: 1/2 beef - 350lb @\$2.50/lb</i>			
<b>Boarding 2 Horses + Feed</b>				12		
<b>Insurance - Medical</b>				12		
<b>Other -</b>						
<b>Other -</b>						
<b>Transportation - Pick-Up Truck, etc.</b>						
<b>Other - Auto Insurance, fuel, maint.</b>						
<b>Other - Spouse and children</b>						
	<b>Total Wage and Benefits Value:</b>			<b>\$</b>		
<b>Bonus - Based on Yearend Results</b>						
<b>Retirement Contribution (% Rate)</b>						
	<b>Total Compensation:</b>					
<b>Total Paid Hours Worked Per Year</b>						
				<b>(excl. bonus/ret.)</b>	<b>(incl bonus/ret)</b>	
<b>Total Compensation per Hour</b>						
<b>Total Value of Non-Taxable Benefits</b> (Items 4-7)						
<b>Non-Taxable Benefit Analysis @ Tax Rate:</b>						
<b>Pre-Tax Wage Equivalent</b> (Line 12/(1-TaxRate))						
<b>Total Tax Savings</b> (Line 13-Line 12)						
<b>Tot. Pre-Tax Wage Equivalent-</b> (Line 9c + Line 14)						
<b>" " " " " - Per Hour</b>						
<b>Tax Table Summary</b>			<b>High Rate</b>	<b>Low Rate</b>		
Cdn Federal Tax			33.00%	15.00%		
Provincial NS Tax			21.00%	8.79%		
CPP			5.45%	5.45%		
Employment Insurance			2.21%	2.21%		
Total Tax Rate			61.66%	31.45%		

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			Name:		
			Year:		
	<u>Period</u>	<u>Rate/Month</u>		<u># Months</u>	<u>Yearly Total</u>
Salary	Nov-Feb				
		<u>Rate/Hr</u>	<u>Hrs/Month</u>		
Wages	Mar-Oct				
<b>Cash Salary &amp; Wages Subtotal:</b>				\$	
<b>Social Security Benefit - % Rate:</b>			<u>Rate/Month</u>		
<b>Housing</b>				12	
<b>Utilities - Power, Water, etc.</b>				12	
<b>Internet, Phone, etc.</b>				12	
<b>Meal Allowance, Groceries</b>				12	
<b>Beef, Farm Produce</b>		<i>Ex: 1/2 beef - 350lb @\$2.50/lb</i>			
<b>Other -</b>				12	
<b>Insurance - Medical</b>				12	
<b>Other -</b>					
<b>Other -</b>					
<b>Transportation - Pick-Up Truck, etc.</b>					
<b>Other - Auto Insurance, fuel, maint.</b>					
<b>Other - Spouse &amp; children</b>					
<b>Total Wage and Benefits Value:</b>				\$	
<b>Bonus- Based on Yearend Results</b>					
<b>Retirement Contribution (% Rate)</b>					
<b>Total Compensation:</b>					
<b>Total Hours Worked Per Year</b>					
			<u>(excl bonus &amp; ret.)</u>	<u>(incl bonus/ret)</u>	
<b>Total Compensation per Hour</b>					
<b>Total Value of Non-Taxable Benefits (Items 4-7)</b>					
<b>Non-Taxable Benefit Analysis @ Tax Rate: *</b>					
<b>Pre-Tax Wage Equivalent (Line 12/(1-TaxRate))</b>					
<b>Total Tax Savings (Line 13-Line 12)</b>					
<b>Tot. Pre-Tax Wage Equivalent-(Line 9c+ Line 14)</b>					
<b>" " " " " - Per Hour</b>					
<b>* Tax Table Summary</b>			<b>High Rate</b>	<b>Low Rate</b>	
Cdn Federal Tax			33.00%	15.00%	
Provincial NS Tax			21.00%	8.79%	
CPP			5.45%	5.45%	
Employment Insurance			2.21%	2.21%	
Total Tax Rate			61.66%	31.45%	



# Step 4: Preparing the Next Generation of Owners

## Working together for a bright future

Our own values help us make decisions about our farms – how we want to operate, whether we prioritize volume or quality, what role we want our employees to play. The owner and successor will share some values likely, but they will also value some different things. Since values guide our decisions, agreeing on goals for the farm requires owners and successors discuss values first.

The owner and the successor(s) need to separately fill out the Rating Family Values worksheet, developed by Pennsylvania Farmlink (2013). Using Pennsylvania Farmlink's Rating Your Comfort Level worksheet, owners and successors should fill out the form individually and discuss results. Pay particular attention to the discrepancies you find between your scores.

Once you have each completed the worksheets, compare your answers. If there are any conflicting values, discuss them so you each understand the other's point of view.

Then fill in the following form so you have a record of each of your answers and any insights/remarks that come from your discussion.

# Family Values & Comfort Level Worksheet

Item (Rate 1 - 3)	Owner 1 rating	Successor 1 rating	Insights/ remarks
<b>I want the farm to remain in our family's possession.</b>			
<b>I want the farm to continue to be farmed after I/we retire.</b>			
<b>I would like to remain physically involved in the farm after I/we retire.</b>			
<b>I want our children to have the opportunity to continue management of the family farm.</b>			
<b>I would like the division of farm property to be equal in dollar value among our children.</b>			
<b>I want the division of property among our children to be fair (not necessarily equal).</b>			
<b>I want to give financial help to our children who choose a farm career.</b>			
<b>I want to have the financial resources to do new things after farming.</b>			
<b>It is important that our children agree with our plans for the farm's future.</b>			
<b>I would like to maintain some measure of financial control over the farm while I am alive.</b>			
<b>I would like to be involved in the decision-making of the farm throughout my life.</b>			
<b>I want to receive what the farm is worth when it is transferred.</b>			

<b>I want our children to play a part in the decision-making for the farm's future.</b>			
<b>I would like everyone in the family to be satisfied with the plan for the future of the farm.</b>			
<b>It is important to me that our children's requests regarding the farm transfer be honored.</b>			
<b>Expanding the size of the current operation</b>			
<b>Reducing the size of the current operation</b>			
<b>Taking on added debt to expand</b>			
<b>Adding new enterprises</b>			
<b>Eliminating one or more enterprises</b>			
<b>Making dramatic changes to the operation</b>			
<b>Taking more time away from the operation</b>			
<b>Increasing the amount of management you provide to the operation</b>			
<b>Increasing your managerial responsibilities</b>			
<b>Relinquishing managerial responsibilities</b>			

Assignment: Set your goals and objectives for the farm

(a) Brainstorm for big ideas.

Spend some time brainstorming ideas for the farm. Don't discuss them at this stage – just shout out what comes to mind and write them down without discussion. This way, you get a great momentum of ideas and some really great ideas and innovations can come forward. Think big! These statements might help start the brainstorm:

In 5 years, the farm will be\_\_\_\_\_.

I will consider the farm close to perfect when \_\_\_\_\_.

(b) Establish long-term goals for the next five to ten years from your brainstormed ideas.

Take a close look at all those wild and wonderful ideas and start to massage the ideas into possible goals for the farm for the next five to ten years. You might combine a few ideas into one large goal or one idea might lead to a conversation that establishes another goal.

Write down the shortlist of goals. Most experts suggest three to five goals is most manageable.

(c) Prioritize and fine-tune goals.

Discuss the goals and decide which are most important. Owners and successors may have different ideas about priorities so it's important to talk it out. It will take some give-and-take and some strong communication skills to discuss your perspectives but do your best to agree on the priority order for your goals.

(d) Look at each individual goal and set three-to-five SMART objectives for each goal.

The list of possible objectives is conceivably endless so there is rarely a 'right' objective. You should focus on putting first things first. Develop objectives that, if fulfilled, will help achieve the greater goal. The objectives you choose will depend on your circumstances, which have the best chance of success, which are simplest to implement, and which you are best prepared to support currently.

(e) Establish the way you will measure your success with your objectives.

(f) Record your work on goals and objectives in the following form.

<b>Long-term goal 1:</b>	
<b>Objectives</b>	<b>Relevant measures</b>
<b>1a)</b>	• •
<b>1b)</b>	• •
<b>1c)</b>	• •
<b>1d)</b>	• •
<b>1e)</b>	• •
<b>Long-term goal 2:</b>	
<b>2a</b>	• •
<b>2b</b>	• •
<b>2c</b>	• •
<b>2d</b>	• •

<b>2e</b>	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>
<b>Long-term goal 3:</b>	
<b>3a</b>	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>
<b>3b</b>	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>
<b>3c</b>	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>
<b>3d</b>	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>
<b>3e</b>	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>
<b>Long-term goal 4:</b>	
<b>4a</b>	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>
<b>4b</b>	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>
<b>4c</b>	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>

<b>4d</b>	• •
<b>4e</b>	• •
<b>Long-term goal 5:</b>	
<b>5a</b>	• •
<b>5b</b>	• •
<b>5c</b>	• •
<b>5d</b>	• •
<b>5e</b>	• •

Owners and successors need to decide what actions should be taken, by when and by whom to accomplish the goals and objectives they've set.

Reproduced from Pennsylvania Farmlink's "Turning goals and objectives into action" worksheet from Planning the future of your farm: A workbook supporting farm transfer decisions, 2013, p. 29. Retrieved from <http://www.pafarmlink.org/succession-transition.html>





Using the table below, complete an objective assessment of your abilities and skills across a number of dimensions.

Using the same table, the owner and successor should complete an objective assessment of each other's abilities and skills across a number of dimensions.

Using the same table once more, the objective third party you decided to bring into the assessment should complete an objective assessment of the owner's and successor's abilities and skills across a number of dimensions.

Adapted from Pennsylvania Farmlink's "Management (Human Resource) Assessment" found in Planning the future of your farm: A workbook supporting farm transfer decisions (2013, p. 47). Retrieved from <http://www.pafarmlink.org/succession-transition.html>

<b>Skill/competency</b>	<b>Strengths</b>	<b>Room for improvement</b>	<b>Comments</b>
<b>Farm production management</b>			
<b>Financial management</b>			
<b>Marketing management</b>			
<b>Personnel/Labor management</b>			
<b>Organization</b>			
<b>Scheduling</b>			
<b>Creativity</b>			
<b>Innovation</b>			
<b>Decision-making ability</b>			
<b>Ability to listen</b>			
<b>Logical thinking ability</b>			
<b>Work ethic</b>			
<b>Other:</b>			
<b>Other:</b>			

Owners, successors and the objective third party need to discuss the assessments, come to a shared understanding and then draft a development plan for the successor.

A. Discuss the assessment results.

Sit down and discuss the assessments. It's important to be honest (but kind), objective (but caring) and to recognize your own biases. Sometimes parents and kids are the harshest critics of each other. Try to remember this exercise is meant to develop a shared understanding of what each of you brings to the party.

B. Draft a development plan for the successor.

Using the table below, and the areas for improvement identified in the assessments of the successor, owners and successors should together map out a development plan for the successor that will ensure they get the development and training needed. Then, discuss the source of information or training that will be most appropriate, using the assessment of the owner. Perhaps some things can be learned from the owner and perhaps other skills/ capabilities cannot.

<b>Skill/competency</b>	<b>Development required</b>	<b>Possible sources of training</b>	<b>Due to be complete</b>
<b>Farm production management</b>			
<b>Financial management</b>			
<b>Marketing management</b>			
<b>Personnel/Labor management</b>			
<b>Organization</b>			
<b>Scheduling</b>			
<b>Creativity</b>			
<b>Innovation</b>			
<b>Decision-making ability</b>			
<b>Ability to listen</b>			
<b>Logical thinking ability</b>			
<b>Work ethic</b>			

No matter how far down the road the actual succession might be, it's good practice to start the successor's development. This ensures a calm progression but it also gets things rolling just in case the succession has to happen earlier than expected.

# STEP 5: Generating Options

Ownership transfer, financing, living arrangements, etc.

You've made some critical decisions and started on some important tasks. Now it's time to look at the detailed business options and work with your advisors to figure out the best choices for your farm succession.

Option (pick one)	Keep as option	Rule it out	Our decision	Reason(s) for choice
Gift to family				
Estate Freeze (family transfer)				
Sale to family at fair market value				
Share sale to non-family				
Asset sale to non-family				
Employee option (non-family)				
Inter Vivos trusts				
Testamentary trusts				

# Evaluate your financing options

Discuss financing options with your advisors, particularly your financial advisor, accountant and lawyer. Brainstorm specific options available to you, based on your own unique circumstances and enter them in the Options column.

Note whether you will keep it as an option, rule it out, or choose it as your optimal way to finance the farm transfer, and be sure to include your detailed reasons for keeping it, ruling it out or choosing it. You will want to be able to quickly remind yourself and your advisors of why you made the choice later on. This will save you having to have the same conversation a second time.

Option (pick one)	Keep as option	Rule it out	Our decision	Reason(s) for choice

# Evaluate your living arrangements

Sit down and answer these questions together. Each answer will get you a bit closer to the right choice for your circumstances.

Record the various options available to you in the table below.

Evaluate your options. If possible, make a decision on living arrangements. If not, mark the options you'll keep as possibilities and the ones you rule out. Note your detailed reasons for marking each option as Keep, Rule out or Our decision. You'll want to refer to that later so this will save you the hassle of having to rehash the conversation to remember why you made the decision you did.

<b>Option (pick one)</b>	<b>Keep as option</b>	<b>Rule it out</b>	<b>Our decision</b>	<b>Reason(s) for choice</b>

# Evaluate business structure options

With the help of your legal advisors and accountant, complete the option list with any additional hybrid options you're considering. These might include customized versions of one of the four main structure options.

Then mark each as an option you're going to keep, rule out or as your decision. Be sure to write in your detailed reasons for choosing it so you don't have to rehash the conversation later with your advisors. This helps control the fees you'll need to pay.

Option (pick one)	Keep as option	Rule it out	Our decision	Reason(s) for choice
<b>Sole proprietorship</b>				
<b>Partnership</b>				
<b>Limited partnership</b>				
<b>Incorporated company</b>				
<b>Enter hybrid option here</b>				
<b>Enter hybrid option here</b>				
<b>Enter hybrid option here</b>				

# Evaluate your insurance options

Discuss insurance options with your advisors, particularly your financial advisor and lawyer. Brainstorm specific options available to you, based on your own unique circumstances and enter them in the Options column.

Make specific notes in the 'Costs and benefits' column on what it will cost you per year and what the benefits or pay-out would be.

Note whether you will keep it as an option, rule it out, or choose it as your optimal way to support the farm business and transfer, and be sure to include your detailed reasons for keeping it, ruling it out or choosing it. You will want to be able to quickly remind yourself and your advisors of why you made the choice later on. This will save you the time and cost of having the same conversation a second time.

<b>Option (pick one)</b>	<b>Keep as option</b>	<b>Rule it out</b>	<b>Our decision</b>	<b>Reason(s) for choice</b>

# Evaluate your off-farm financial options

Have an in-depth discussion with your spouse (if applicable) and your financial advisor. They can help you identify the broad options best suited to your circumstances.

Document the broad options available to you in the left-hand column below. Try to make each option mutually exclusive so there's less confusion when you're evaluating your options.

Note which options you'll keep, which you'll rule out and which you decide to move ahead with and click the appropriate box.

Note your detailed reasons for choosing Keep as option, Rule it out, or Our decision. You will want to be able to quickly remind yourself and your advisors of why you made the choices you did later on. This will save you time since you won't have to have the same conversation a second time.

<b>Option (pick one)</b>	<b>Keep as option</b>	<b>Rule it out</b>	<b>Our decision</b>	<b>Reason(s) for choice</b>



# Evaluate your will/estate options

Have an in-depth discussion with your spouse (if applicable) and then sit down with your legal advisor (preferably a wills/estate lawyer). They can help you identify the options best suited to your circumstances.

Document the options available to you in the left-hand column below. Make sure you cover wills, Power of Attorney and advance estate planning options.

Note which options you'll keep, which you'll rule out and which you decide to move ahead with and click the appropriate box.

Note your detailed reasons for choosing Keep as option, Rule it out, or Our decision. You will want to be able to quickly remind yourself and your advisors of why you made the choices you did later on. This will save you time when you need to revisit these issues later. And you will have to revisit these issues later.

Option (pick one)	Keep as option	Rule it out	Our decision	Reason(s) for choice

# Step 6: Transition

## Creating the plan

Roles and responsibilities will be transitioned over time. Categorize farm operation tasks into Labour or Management tasks.

**Labour tasks** are those tasks that are associated with the basic function of the farm day-to-day. They usually include physical work but not always, and they require little decision-making.

Management tasks are those that involve making decisions that affect farm operations.

**Management tasks** ensure the farm has what it needs to operate smoothly and without interruption. Management tasks also provide the controls to ensure the farm is monitored and managed effectively.

*Tip: If you're having trouble categorizing a task, just go with your best guess. The goal is not perfection but consistency.*

Task	Labour	Management

# Develop your business structure-related task list

Consult with your advisors specifically about your planned business structure for when the farm moves from owner to successor. What are all the things you need to do to ensure that business structure is in place and working effectively by the date of transfer? Enter those in the table below.

*Tip: Be as specific as you can. A task that is too general will cause problems.*

Tasks	Business structure decision

# Develop your ownership transfer-related task list

Consult with your advisors specifically about your ownership transfer decision. What things need to be done to ensure that ownership transfer happens effectively? Enter those in the table below.

*Tip: Be as specific as you can. A task that is too general will cause problems.*

Tasks	Ownership transfer decision

# Establish your Labour- Management- Ownership table

Complete the following table. For each task, identify who is currently responsible. If responsibility is shared, check all those who are responsible but try to avoid it. A shared task is typically a pretty good sign that the task isn't specific enough. Try to boil it down into two or more discrete tasks if you can.

After you've entered who is currently responsible, enter the person responsible in each year category. Figure out when that responsibility should transfer to the successor(s) and enter that in the appropriate year column. Fill in all of the columns.

LABOUR								
TASK	CURRENTLY RESPONSIBLE		End of YR 1 RESPONSIBLE		End of YR 2 RESPONSIBLE		End of YR 3 RESPONSIBLE	

  

MANAGEMENT								
TASK	CURRENTLY RESPONSIBLE		End of YR 1 RESPONSIBLE		End of YR 2 RESPONSIBLE		End of YR 2 RESPONSIBLE	

  

OWNERSHIP								
TASK	CURRENTLY RESPONSIBLE		End of YR 1 RESPONSIBLE		End of YR 2 RESPONSIBLE		End of YR 2 RESPONSIBLE	

# Conflict potential and risk mitigation plan

Identify concerns in the table below. Beside each one, identify what you will do to avoid or lessen the chances of the issue or conflict occurring.

<b>Potential conflict or issue</b>	<b>What can we do to avoid this or lessen the chances?</b>

# Draft a multi-step dispute resolution method

Sit down together and develop a dispute resolution method that will likely work for you. Document it in the table below.

Dispute resolution method	Details
Step 1	
Step 2	
Step 3	
Step 4	



# Step 7: Implement & Monitor

## Keep moving forward!

Owners and successors (and anyone else involved in transitioning the farm) need to figure out what needs to be communicated to whom, and when. Use the table below to map things out. You'll first decide what you need to communicate with each other and when. Then we'll help you figure out how to best communicate.

- a) Go through your Labour-Management-Ownership table and look at each task. Decide how often you need to communicate on your progress, issues you've run into etc and then write it in the task and checking the frequency of communication that will work best.
- b) Brainstorm other things you need to communicate about, write them in the table below and choose the communication frequency.
- c) For each task below, choose which communication method you will use to keep each other in-the-know.

Item	How frequently should we communicate about it?			
	Daily	Weekly	Monthly	Annually


	Communication method preferred							
	Text message	Email	White board	Stand-up meeting or briefing	Conversation	Document	Meeting	Other (please specify)
<b>Daily communication</b>								
<b>Weekly communication</b>								
<b>Monthly communication</b>								
<b>Annual communication</b>								