

Farm Transfer & Estate Planning

Agricultural Stewardship Association



The transfer of farmland from one owner to the next can be a complicated process,

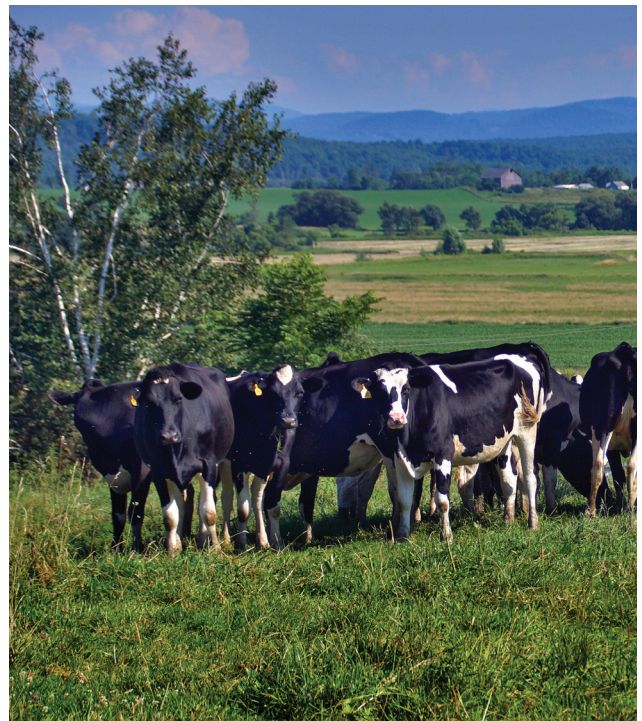
and one that sometimes creates tension among family members. If you don't have a farm transfer plan, you're not alone: a recent study found that 75% of farmers do not.

Why is it important to plan? Without proper planning, families may find themselves in the position of having to sell land or other farm assets to pay taxes or to settle an estate after the death of a loved one. By planning ahead, you can make sure the transition of your farm's land, management, and assets occurs exactly as you intend.

Conservation can play an important role in the planning process. The sale of an agricultural conservation easement can be a powerful tool to help you transfer farmland to the next generation. For farmers without an identified successor, an agricultural conservation easement can facilitate the sale of the farm to another farmer who will keep the land in agriculture. This occurs by making the land more affordable for the next generation to purchase.

A farm transfer plan often includes several components, such as a retirement and estate plan, a land use plan, a business plan, and a management transfer plan. A farm transfer plan establishes the following:

- How assets such as farmland, buildings, equipment, etc. are transferred from one party to another
- How management tasks, responsibilities, and income shift over time from one farm operator to the next
- The goals of family members and ways to maintain communication throughout the process
- An estate plan that specifies how the eventual transfer of assets will happen
- Land use options including possible plans to conserve the land
- Future business strategies of the farm operation and retirement goals for family members



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ESTATE PLANNING

The first step of an estate plan is to set goals for the transfer and to continue to revisit them over time as families, finances, priorities, and laws change. Retiring farmers may or may not be interested in remaining involved in the farm business. Members of the next generation may wish to maintain or change direction of the farm business, while others may not be interested in farm management. The following are goals of a farm estate plan:

- Foster financial security and peace of mind for family members
- Transfer ownership and management of the farm, land, and other assets
- Support the management of the farm by the next generation
- Avoid or mitigate possible income, gift, and estate tax implications

A critical first step in estate planning is to inventory farm assets, understand who owns what, and understand how titles to all properties are held. Families should consider all aspects of the farm business including land, machinery and equipment, farm buildings and structures, livestock, business ownership structure, and liquid assets. The estate planning and farm transfer process is also a good time for landowners to evaluate their business structure and decide whether it meets their current and future needs.

Estate planning tools can include the following:

- A will can name beneficiaries, nominate an executor/executrix, and appoint guardians for dependents. A will alone cannot guarantee a secure future for the farm, family, land, or business, but it is an important component.
- The sale of an agricultural conservation easement can protect farmland while providing cash for retirement and estate planning needs.
- Annual gifting can help transfer the business and reduce taxes.
- Life insurance can provide liquid assets that may be used to pay debt, establish trusts, provide for non-farming heirs, and offset the donation of an easement or pay estate taxes.
- Limited Partnerships, LLCs and corporations can allow for separation of management and ownership of the business, if desired, while allowing a business to continue after its current ownership.
- Long-term care insurance can be expensive but may protect family assets from needing to be used for nursing home costs.
- Trusts can provide financial security for surviving spouses, children, and grandchildren, while also giving direction to the beneficiaries.



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FARM LINK PROGRAMS

Many farmers lack a successor to take over the farm when they no longer are able to continue farming. Farmland for a New Generation New York is a program that helps farmers seeking land and landowners who want to keep their land in farming. On the nyfarmlandfinder.org website, you can register to post property profiles, search for farmers or farmland, and browse resources throughout New York state. ASA is the local organization that coordinates this program in Washington and Rensselaer counties. Call ASA for more information or call the New York State office of American Farmland Trust at 1-844-737-6506 for assistance.



The first step in the farm transfer and estate planning process is to seek sound legal and financial advice.

For more information or to learn more about farm transfer or estate planning, contact:

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See our website for more information

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