

# HERD THAT PRE-CONFERENCE FARM/RANCH TRANSITION AND SUCCESSION COMMUNICATIONS AND NEGOTIATION

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## TOPICS

- Are we retiring? When? Why don't we plan?
- Steps for Farm/Ranch transition
- Proper Family Communications/family meetings
  
- Negotiation (tips for creating more value)



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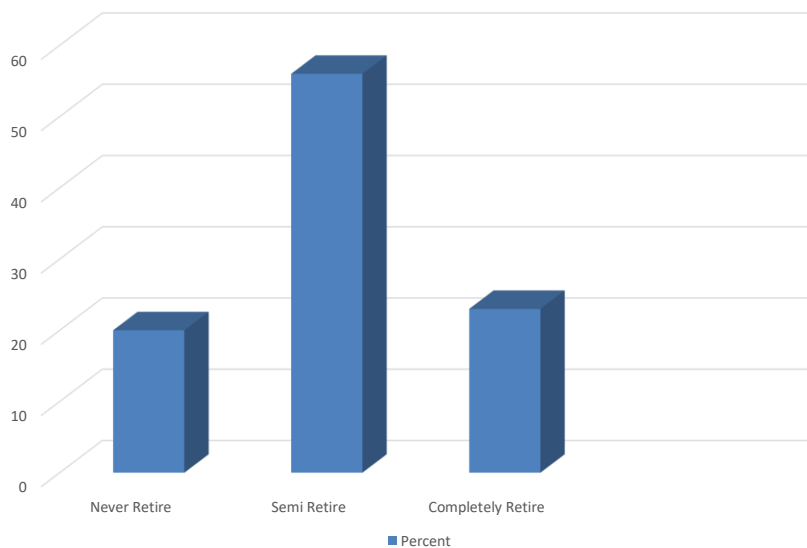
## CONGRATULATIONS FOR COMING!

- This is not a substitute for actual estate planning
- This program is to generate thought, discussion, and broad goal generation
- Use the efforts from today to make better use of your professional's time



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### Retirement Plans for Iowa Farmers (2019)



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## WHY ARE FARMERS RETIRING AT A LATER AGE – OR ONLY SEMI-RETIRING?

Percent of those responding either important or very important

75% Have a difficult time giving up control of farm

69% Modern equipment – allows them to farm longer

66% Relate retirement to their own mortality

62% Cannot afford to retire

60% Healthier longer/longer life

55% Don't have a successor

54% Don't know what else they'd do

On-line Survey, Fall, 2017



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## ESTATE PLANNING

- “..many farm families experience significant difficulty in discussing the future of the family farm. More often than not, planning... tends to be deferred until some critical life event occurs which forces the family to address the matter.” Kaine, et al, *Succession and Inheritance on Australian Family Farms*, TRDC Pub. #198, The Rural Development Centre, U. of New England, Armidale, NSW



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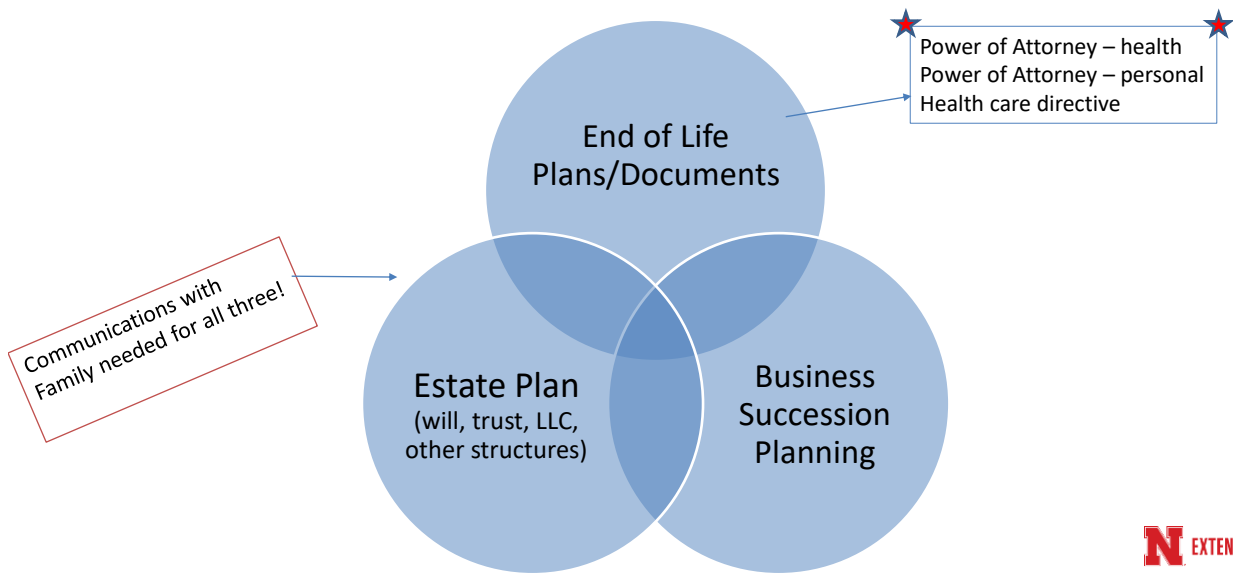
## WHY DON'T WE PLAN?

- Too Complicated (we assume)
- Don't like to Plan
  - It is mental 'work'
- Facing our own Mortality
  - Some just don't want to think about death
- **We are afraid that if we do something, it will be wrong (in the future)**

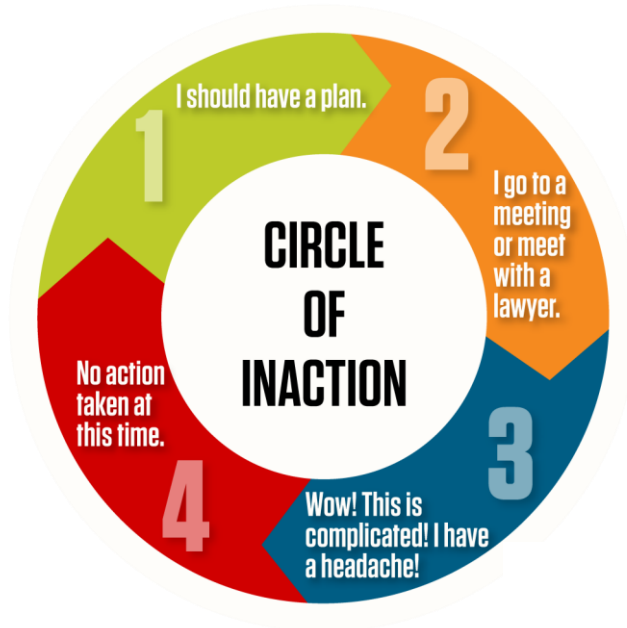


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## NEAR THE END OF ANY CAREER – THREE TYPES OF PLANNING



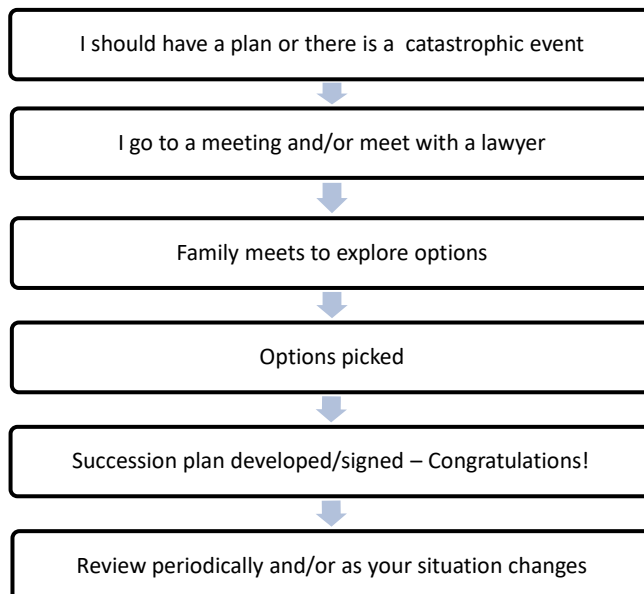
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### IDEAL PLANNING - SEQUENTIAL



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## THE LESSON IS, PLEASE HAVE A PLAN!

No plan leads to chaos in many situations

Causes greed

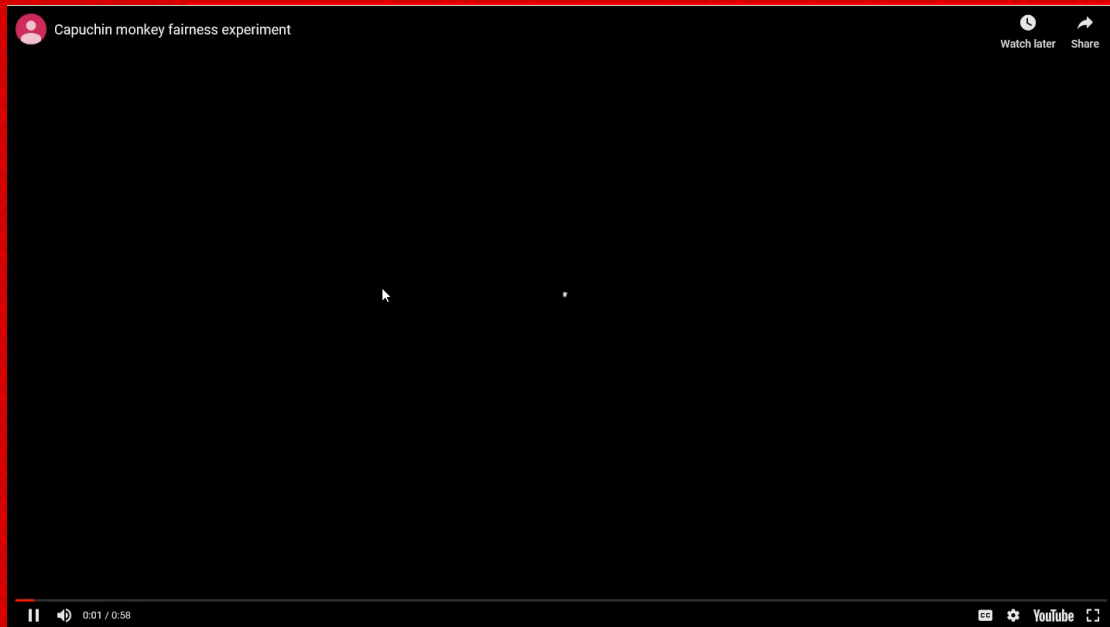
Splits families

See next video – monkeys!

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## Test of Fairness - Emotions



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## THE PARENT'S GENERATIONS MAKE SEVERAL ASSUMPTIONS – ARE THEY RIGHT?!!!

- Our business is OUR business, it does not get shared with anyone!
- The kids all get along great now – I know that will continue.....
- I know that my children will want to keep this asset in the family – even when we are gone
- The kids will just have to figure out how to divide – I'll be gone I don't care what happens
- Since I have four children – my assets have to be divided 25% to each – equally – that will be the fair way to do it
- “Some day, this will all be yours!”

*In some cases – these assumptions are great – however.....*



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## **FIRST** CONVERSATION REGARDING ANY ESTATE PLAN

### **When you are done – will you still have a family?**

Don't make that assumption – get that commitment

**Secondly** - Are Mom/Dad, or Grandpa/Grandma on same page?

That should be worked out first.



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## MAKE DECISIONS WITH THE END IN MIND

- You will have different management strategies going forward - depending on what the end is.....
- Establish that overall Vision
- Establish Goals to fit that Vision



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## COMMUNICATE

- Listening is the Key!
- First, understand – then to be understood
- (Practice) Make partner repeat what they thought you said – to be sure that they heard you, or that you said what you wanted to



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## COMMUNICATE (CONTINUED)

Step Two:

Practice – **Asking clarifying questions**

- Listen for the answer – repeat and add a clarifying question
- Listen for answer – add another clarifying question
- Never talk about yourself or what you'd like to say



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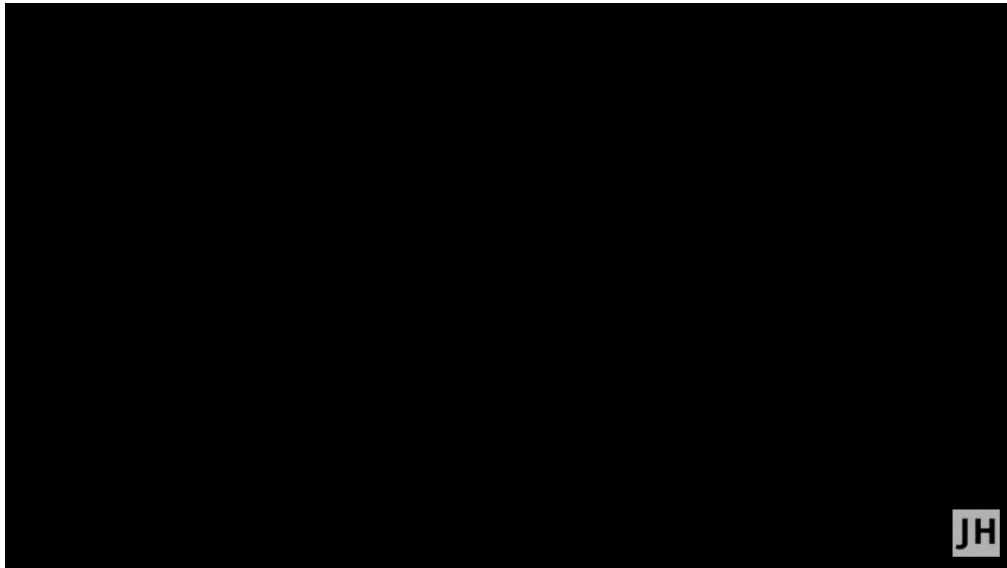
## COMMUNICATIONS MISTAKES

- Asking a question - not to find out what they will say, but to say what you wanted to say
- Making any assumption of what someone else will say
- Thinking about how we will respond while the other person is talking
- Trying to fix an issue, without being asked (see next video)



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## IT IS NOT ABOUT THE NAIL!



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## CONSIDER A FAMILY MEETING?!

Some sort of communication will be important

- The purpose is to provide the chance for all family members to have input
- Remember – first discussion will be: “Are we going to continue to have a family or not?” **Get that commitment – don’t make the assumption**
- The Parents/Grandparents need to agree first:
  - To have a meeting
  - They agree in principle about how to proceed

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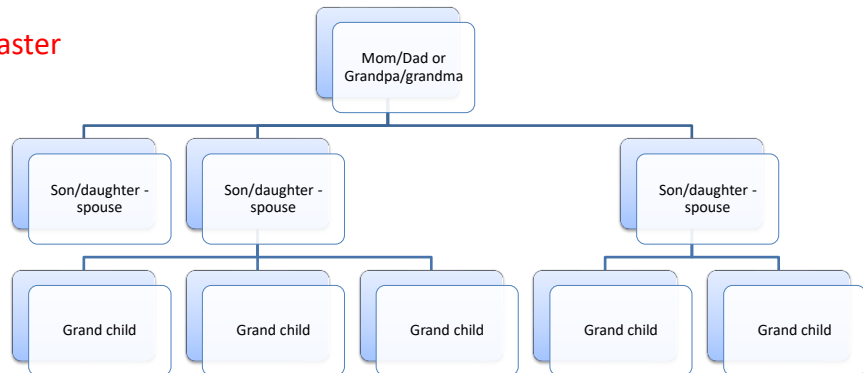
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## FAMILY MEETINGS

Plan carefully to avoid disaster

Who to invite?

Meeting to let all  
have input



Set clear ground rules: 1)No criticizing ideas, 2)Institute 'gag' rule if needed



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## DIFFICULT PERSONALITIES

Difficulty might be:

- Don't share personal information: This is my business and my business only – generational value typically
- Don't want to give up control – think about not being in control
- Don't want to think about death – so avoiding those thoughts
- Don't feel appreciated by other family members



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## DIFFICULT PERSONALITIES - STRATEGIES

Best remedy – increase communications

- Make them feel appreciated!
- Get them to talk about something (anything else to begin with)
- Find the king maker that the king will listen to
- Give choices – ask for their preference

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## HOW OFTEN DO WE NEGOTIATE?



• Negotiation - vyhnalek

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## What is Negotiation?

A back-and-forth process designed to reach an agreement when your and the other party have both shared and opposed issues

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## PLEASE NEGOTIATE THIS!

Work in pairs

- One wants to sell a widget
- One wants to buy a widget

On a piece of paper record the deal, amount; or record no deal

Next slide – only for sellers

Buyers – look away – or close your eyes

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## Sellers

You are trying to sell the widget for about \$20  
your cost is \$11 each

Next slide for buyers – only – look away or close your eyes



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## Buyers

You want to buy the widget for about \$15  
you looked it up – the cost of the widget should be \$11 each



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## NEGOTIATE – YOU HAVE 60 SECONDS!

Record the deal – or record “no deal”

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## Negotiate this

Report from groups

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# NEGOTIATION – TIPS AND TACTICS



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## How were most of us taught to negotiate?

Allan's Dad taught Allan how to Negotiate!  
We had to 'WIN'



How does winning work with family?

Will family members feel good if they feel like they 'lost'?



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## Negotiation

Not about winning! (especially with families)

How do you create value for all parties? (win – win)

Think out of the box!  
get creative!

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Think about BATNA and selling/buying widgets  
(everyone's motivation may be different)

Selling:

- What if you have lots of inventory and it hasn't been moving?
- What if you know that widgets have been a hot seller and you will likely sell three this afternoon?

Buying:

- What if this is the only widget for 100 miles?
- What if this is last year's model?

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## NEGOTIATION AND THE FAMILY - CONTINUED

### **Try working on these areas to defuse emotions within Negotiations**

- **Appreciation**
  - All people want is to be appreciated (are they being listened to?)
- **Affiliation**
  - Are parties being treated as an adversary – or as colleagues (family)?
- **Autonomy**
  - Are you free to make the decisions, or are you being blocked?
- **Status**
  - Are you being treated as inferior, or given full recognition?
- **Role**
  - Are you fulfilled with the role that you have?

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## Creating more value

Border location crisis between Ecuador and Peru

Family and the 'farm' – who gets it- and why

Always think out of the normal – what else can be added to the value

For younger families, maybe you substitute labor or goods for cash

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## Creating more value – via Star Wars



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## YOUR HOMEWORK ASSIGNMENTS!

### Get your “Team” together!

- Lawyer
- Ag Banker
- Financial Advisor
- CPA
- Insurance Agent

### Items to get together - before seeing an attorney

- List of your assets
  - what you own – how you own it
- What you owe (if anything)
- What do you want to do with your assets

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## LAND LINK

- Started February 1, 2021
- Problem – two-fold
  - Land seekers don't have access to land so they can farm/ranch
  - Older generation does not have succession path (their children are not farming/ranching)
- Matches Land Seekers with Land Owners
- Applications will be used with both groups
- All applications will be reviewed – follow-up phone interviews will be completed
  - Possible land seeker matches will be shared with land owners to decide who they want to interview



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## IF INTERESTED IN LAND LINK

- <https://cap.unl.edu> – look for land link
- Online information and application is at this website
- Questions – contact Allan



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## RETURNING TO THE FARM WORKSHOP

- For families that have a successor identified
  - Goal is to start plans for positive succession
- December 9-10 in person workshop in York
- Follow-up webinars in January and February '23
- Registration fee to cover expenses in York
- For more information if interested, contact Allan
  - Email or phone



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