Transition planning and the role women play in it

Some things you need to know

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Insurance Design Management

Nationwide’s history is rooted in agriculture

For more than 90 years, individuals working in agriculture across the country have trusted Nationwide to help manage risks. It’s how we’ve become America’s #1 farm insurer.1

Founded by farmers, for farmers, our continued commitment to the ag community runs deep.

FARMING IS IN OUR ROOTS

#1 farm insurer2 in the nation

More than half of Nationwide’s board members are active farmers3

The exclusive property/casualty insurer for nine state farm bureaus: CA, CT, DE, MD, NY, OH, PA, VT and WV4

1 By direct written premium, AM Best (2018).
3 Nationwide agribusiness statistics.
Agenda

- Agricultural demographics
- Family tensions
- The need for transition planning
- Estate planning
- Long-term care
- Getting your plan in place
- Nationwide's Land as Your Legacy Platform
- Workbook activity

Land As Your Legacy

Today, there are over 2 million family farms across the U.S.¹

Our nation’s farmers are aging, averaging 57.5 years old.

Only 29% of family farms have transition plans in place.²

Despite the many perceived advantages of family businesses, it is estimated that only:

- Second Generation: 100% 30%
- Third Generation: 100% 12%
- Fourth Generation: 100% 3%


Poor succession rates

- Lack of “human relationship management”*
- Lack of communication
- Lack of clarity and understanding

Poor succession rates

Family members are reluctant to begin the process of open communication:

- They fear change
- They associate communication with conflict
- They see a threat to their control of the enterprise

- Failure to initiate and complete the process from a psychological, emotion, or financial perspective

- Failure to fund and plan for transition costs
Poor succession rates

- Older generation’s resistance to retire or a continued desire to maintain control after retirement
- Failure to identify succession leadership and mentor the next generation
- Sibling frictions (estate equalization and fractured ownership)
- Lack of money to pay for the succession planning and support the family(ies)
- Fear of crippling financial effects of final illnesses and estate clearance costs

Common family scenarios

**Active Farming Children**

Can the operation support multiple families in the next generation? Does everyone know their role?

**Non-Active Farming Children**

Is there a role for a non-active child? Concept of Fair vs. Equal

**Active Farming Family**

Is there a brother or sister you farm with today? What are their plans?

**Non-Family Members**

Is there a key person or property that the operation needs to retain? Are there ex-family members that could affect the operation?
Farming widows

- Many men often pass their farms to their spouse
- By 2030 women may own 75% of transferred farmland*
- Are you ready to:
  - Negotiate with banks, insurance companies, fertilizer dealers, property-tax assessors
  - Maintain buildings/barns/fields
  - Become a landlord with multiple tenants

A male point of view

Brandon Dirkschneider, CFP, CLTC, FSC
Managing Principal
Insurance Design Management
Transition planning

- Helps to preserve a legacy
- Safeguards the value of the operation
- Sets up an orderly transition of ownership
- Identifies a successor(s) and provides him/her the education and training they will need
- Turns illiquid assets into cash to cover taxes and expenses
- Identifies and manages risk

Who has a plan?

- Everyone has a transition plan in place.
- The state you live in has enacted laws governing most aspects of estate planning and probate, lack of creating your own plan allows your state laws to determine how your legacy will be carried out.
- What plan do you want? The plan your state created for you or the plan that you develop based on your own set of circumstances and family dynamics?
Estate Planning

- Estate planning – at death
- Estate planning – while living

Estate planning – at death

- Determine who gets what, how, and when after death
- Maximize estate by reducing expenses and avoid delays
- Minimize estate taxes
- Provide liquidity to cover debt, estate tax, state inheritance tax and/or estate equalization
Estate planning – at death

Will
- Formal expression of wishes regarding disposition of assets
- Effective only upon death
- May change provisions if alive and competent
- Nominate executor to implement the will’s provisions
- Identify choice of guardian for minors
- Identify who will manage assets for minors

Trust
- Legal entity that holds property
- Parties to a trust: grantor, trustee, beneficiary
- Living trusts vs. testamentary trusts
- Revocable trusts vs. irrevocable trusts
- Control and manage an asset
Estate planning – while living

- Provide for management of assets in the event of disability or incapacity
- Provide instructions for healthcare decisions
- Protect assets from long-term care costs

Estate planning – while living

- Power of Attorney
  - Written document allowing one person (attorney in fact/agent) to act on behalf of another person (principal) during the principal’s lifetime
  - Limited
  - General

- Durable Power of Attorney
  - Allows the Power of Attorney to continue in the event the principal becomes ill or incapacitated
Estate planning – while living

- Advance Directives
  Documents that address critical issue in life-threatening, or even end-of-life situations

- Durable Power of Attorney for Health Care
  Designates an attorney-in-fact to make medical decisions on behalf of an incapacitated principal

- Living Will/Advanced Health Care Directive
  Allows principal to state wishes relative to continuing medical treatment in the event of a terminal illness

Long-term care

Why should I worry about long-term care?
Long-term care

“There are four kinds of people in the world . . . those who have been caregivers, those who are currently caregivers, those who will be caregivers, and those who will need caregivers.”

- Rosalynn Carter
First Lady of the United States (1977 – 1981)

Long-term care

- Most likely to care for a parent or spouse
- Most likely to be the surviving spouse in retirement
- More likely to do the physical caregiving tasks
- Most likely to need long-term care

WOMEN
Long-term care

What’s the chance of needing long term care?

- The longer you live, the more chance you will need some type of long-term care during your life time*
- 70% of Americans over 65 will require some long-term care services at some point in their life**

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*Council on Aging – “Should I Buy Long Term Care Insurance?”, September 2016
Long-term care

Out-of-pocket health care estimates for a 65-year old couple can reach **$296,000 - $399,000** during retirement.

Source: "Savings Medicare Beneficiaries Need for Health Expenses: Some Couples Could Need as Much as $400,000, up from $370,000 in 2017" at age 65 assuming 90% chance of having enough savings, EBRI, October 8, 2018

Long-term care

Medicare covers only about **62% of expenses** associated with health care services.

Source: MedicareSolutions.com, May 23, 2017
Long-term care

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Health Care Analysis

Be prepared for health care costs
A personalized analysis of middle-age health care costs to help you plan for the future

[Health Care Analysis Flyer Image]
Meet the Boyerts

Land As Your Legacy

Land As Your Legacy is a **complimentary program** designed to assist farmers and ranchers in creating and implementing a transition plan with the goals of:

- Preserving and passing on the family or ranch;
- Safeguarding the value of the operation; and
- Setting up an orderly transition of management and ownership
Land As Your Legacy
Partnership with Nationwide’s Land as Your Legacy team to develop a holistic transition plan that leverages advanced planning concepts. Some concepts include:
- Protecting against a premature death or disability
- Planning for future healthcare needs
- Protecting the farm or ranch from the loss or disability of a key employee
- Structuring proper entities to limit liability and/or transition assets in the future

5 key phases of Land As Your Legacy

1. Succession planning
2. Business planning
3. Risk management
4. Financial independence
5. Estate planning
Getting a transition plan in place

- Establish goals and objectives
- Put a team together
- Organize and review current situation
- Decide where you want to go
- Consider the options and implement
- Periodically review and modify

Putting your team together

- Property/casualty agent
- Real estate agent
- Banker/lender
- Accountant
- Attorney

You
### Step 1: Fact gathering

**What is it?**
Will involve one or more meetings to uncover the objectives necessary to develop a transition plan.

**Who's involved?**
People key to the farming operation, your Land As Your Legacy advisor.

### Step 2: Plan development

**What is it?**
Nationwide’s process to design a suggested transition plan tailored to your specific needs and objectives.

**Who's involved?**
People key to the farming operation, your Land As Your Legacy advisor with support from Nationwide.

### Step 3: Implement plan

**What is it?**
The family deciding on a course of action and taking the necessary steps to ensure a proper transition of the farm when necessary.

**Who’s involved?**
People key to the farming operation, your Land As Your Legacy advisor and possibly legal and tax professionals.

### Step 4: Annual Review

**What is it?**
The family meets on an annual basis to discuss any changes that may have taken place or will be taking place that could alter the existing plan.

**Who’s involved?**
People key to the farming operation, your Land As Your Legacy advisor.

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**Land as Your Legacy Worksheet**

*Turn your land into a legacy*

Here are the forms you need to put a plan in place.
Next steps

1. Complete your evaluation

2. Schedule a meeting with your Land As Your Legacy advisor

3. Start thinking and get organized
   - Transition planning checklist
   - Document checklist

Thank you