

What's this

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 of a Hershey bar was 5 cents. In 1970, the cost had gone up to 25 cents, an increase of 10.6 percent.

that same chocolate bar to be 68 cents in 1989, and \$1.88 by 1999, assuming the same rate of inflation.

Going back to 1936, again, He projected the cost of Ford pointed out the cost of a

Hershey bar was 3 cents. One depression and world war later, plus a little over a decade, found that piece of candy costing 5 cents in 1962, an increase of 2 cents in 26 years.

From 1962 to 1970, the cost increased 20 cents in 8 years. The important thing isn't how much the cost of a chocolate bar has gone up, said Ford, but what effect the inflation has had on the price of machinery and land.

"Inflation will most assuredly exist in the future," he said. "The land that you are farming is increasing to the point that the government has an excellent handle on putting inflation into your estate taxes. I predict that in 20 years you will owe an estate settlement tax more than you're worth today."

Ford stressed that at the current rate of inflation, 12 percent, the value of a farm will double in 6 years. The significance of that is all those assets are titled, by and large, and so to get those assets to the next generation they have to go through estate settlement, both state and federal, he said.

Giving an example of a typical farm, today, Ford said it would be worth around \$300,000 in total assets. Using a conservative inflation rate of 7 percent, that same farm would be worth \$600,000 by 1990, and by the year 2000, it would have a value of \$1,200,000.

This is where the trust, as a tool, is essential in order to keep that farm in the family.

Ford pointed out that a trust can be used only on property owned absolutely by the donor. That is also known as B-simple ownership, and it is the basic type for an individual owning property.

"If you inherited property from your parents, and if it was never retitled to include a spouse or child, you own it absolutely," Ford said.

Absolute ownership differs from joint tenants by the entirety or tenancy in common.

Joint tenants by the entirety means that the husband and wife each own it all, meaning a right to survivorship—when the decedent dies, that property passes 100 percent to the surviving spouse.

This type of ownership is the way the majority of property is owned between husband and wife, Ford said, but it creates a hidden inequity in the estate tax law. "At the death of one of the holders of a property owned jointly by the entirety, all the property goes into the estate of the first to die, unless the survivor can prove contribution to purchasing the farm."

"We live in a chauvinistic society because unless there are W-2's or 1099 forms for the wife, or unless she inherited property, she cannot show contribution



even though she worked side by side with her husband on the farm.

"In the Revenue Act of 1978, the government developed a remedy called credit for the surviving spouse."

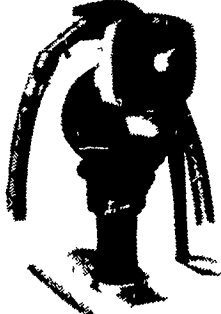
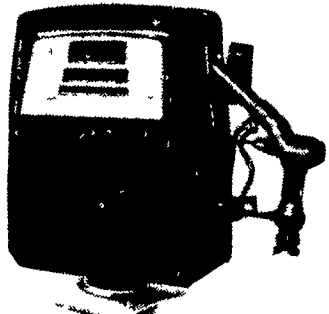
This allows for a wife to indicate marital participation in the farm business. She can claim 5

percent interest in the operation over a 10 year period with proper documentation.

What is considered proper documentation? Richard Dennison, of the Pennsylvania Farmers Association's Legal Services Department recommends a

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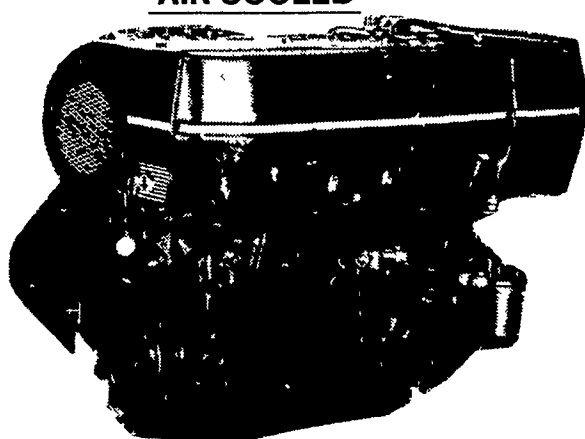


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