

# Will a partnership

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recommended, studying its size, labor availability, profitability, financial status, and growth potential.

Lastly, and most important, Cooper added that before a decision is made to form a partnership, the family or potential partners need to step back and decide whether they have the ability to work together and share responsibility.

Once a partnership is legally formed, all of the partners share in the profits and losses, he said. They also share in the ownership and control of the property, and the farm's management.

"Start slowly," Cooper advised. "Don't get too many assets involved at first."

One of the areas where a partnership is a factor is when dealing with creditors. Cooper pointed out that where a partnership exists, creditors for the partnership look at the partnership first for repayment; for an individual's creditor, repayment is sought from the individual.

Then the creditors can go to either the individual partners or the partnership, but only up to the amount the individual holds in interest in the partnership, he explained. The partnership can pay off the individual partner's creditors in lieu of the partnership dissolving as a result of selling out of a partner.

A limited partnership, Cooper said, is a special type. In this partnership, the partners are liable for debts and obligations only to the amount of their individual investment in the business.

A partnership not only requires more of an effort for individuals to cooperate and hold up their end of the agreement, it also requires more and better records.

The realm of accounting becomes more complex and requires a more in depth understanding.

Cooper noted that any capital contribution to a partnership is not a taxable event. He also pointed out the recognition of gain or loss is postponed until the contributed property is sold—either the equipment or the partner's interest.

The profits of a partnership can be handled a number of ways, according to Cooper. They can be split down the middle, they can be divided by percent of the assets each partner contributed, or they could be doled out based on the labor or amount of management required.

But, what if a partnership doesn't work out?

There are several ways to dissolve the business organization, Cooper noted. The partnership can be declared bankrupt, the partners can agree to dissolve, or a partner can be bought out.

Cooper, like Dennison, strongly emphasized the need for a buy-sell clause in the original agreement. This would require a surviving partner to buy the partner's interest in the event of death, or at the partner's request if they want out.

The clause provides a ready sale for the remaining interest, and prevents the surviving partner from having to farm with the widow or widower of the decedent, Dennison said.

He recommended a pricing structure for the assets of the partnership be part of the original agreement, thus avoiding any hassles over appraisals. Then, every year, the amount the survivor should pay for the assets should be renewed to keep current with the economy, he said.

Dennison also recommended that partial or full-funding of the buy-sell amount be covered through life insurance, depending on the insurability of the individual partners involved and the cost of the insurance.

"If not fully funded, I recommend a long term buy-out agreement of 5, 10, or 15 years, depending on the wishes of the family," he said.

Taking the big step into a partnership requires a lot of thought, study, and perhaps legal and financial counsel. But, both Dennison and Cooper agree that it is one method of moving the assets of a farm business into the hands of the next generation, rather than leaving them to build up in the parents' estates.

Next week's final article in the estate planning series will deal with another tool—the corporation.

## Jefferson Community 4-H Club to hold picnic

SPRING GROVE — The Jefferson Community 4-H Club held its monthly meeting at the Jefferson Firehall. Roll call was taken with members stating what they planned on doing over their summer vacation. It was voted that the club pay for half of the cost for the members who are attending 4-H Camp this summer from the June 10-13. There will also be an Indiana County Exchange this weekend.

The program for the evening was a film about fly fishing shown by the conservation leader, and demonstrations by Doug Margush, Cathy Shive, John Wherely, and Frank Lecrone. There was also a speech by Bill Wise.

The next meeting will be the club's picnic and a conservation walk at Project '70, Tuesday, June 17, at 6:30 p.m. Reported by Bill Wise.

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