

Estate planning could save your family farm

CLAYTON, Del — Your life style may not show it, but if you're a farmer with more than 400 acres, you could well be a millionaire—at least on paper.

As of February 1980, the average Delaware farm was worth \$2018 an acre counting land and buildings. And when it comes time to pay the inheritance taxes on your estate, every penny of that paper value gets counted.

"Unless you do some planting while you're alive," warns University of Delaware extension farm management specialist Dr. Don Tilmon, "the tax burden on your heirs could be horrendous." He's concerned because he feels that a lot of heirs of Delaware farmers haven't taken the steps needed to spare their families this potential tax drain on the estate they inherit.

You may have gone along working hard most of your life, trying to buy a farm, pay for it, and make a living on it. Suddenly you're worth a lot more than you ever dreamed. It doesn't matter that your estate is based largely on rising values and that you've never felt the fruits of this prosperity.

"That's the kicker," says Tilmon. "If you had \$650,000 in certificates of deposit, you'd be netting somewhere around \$65,000 a year."

But a \$650,000 farm — that's roughly what the average 325-acre farm

spread is worth in Delaware these days—doesn't net that kind of money. Depending on the weather, some years you may not even make all your payments. Other times you may have a good harvest and earn more than your family actually needs. The trouble is, it's never quite certain.

When was the last time you took a close look at the value of your farm?

You could find yourself with an estate so big that, if you don't make some plans now, a large part of it will go to taxes.

The more you're worth, the more you need estate planning, says Tilmon. Yet ironically, the less likely it is that someone will feel free to broach the subject to you—especially a child.

How can your family say to you, "Hey, we need to talk about what we're going to do with the farm when you die?"

It sounds so callous, somehow. But the reluctance to discuss estate planning could cost a farm family potentially thousands of dollars.

If this sounds extreme, consider this. A farmer with an estate of \$650,000 who fails to make the proper arrangements for the transfer of his estate to his wife and children before he dies could well leave them saddled with a tax burden which—by the time his wife dies, too—amounts to around \$156,000.

Had the same farmer and his wife established a marital trust during his lifetime, half of their estate would have gone to her after a \$40,800 tax, while the other half could have passed directly to their children tax free. And income off that trust would have been available to his widow throughout the rest of her life.

In an emergency, even the principal could be drawn on so that she would always be well-cared for. What's more, this kind of advanced planning could have saved his family close to \$116,000 in estate taxes.

Even if you know your heirs don't intend to continue farming, a well-thought-out estate plan can drastically reduce their tax burden when you die.

Many farmers haven't taken the steps to spare their families this kind of estate shrinkage. Others may have considered doing something but have taken no action. Even if they have a will, it probably needs updating.

To encourage Delaware farmers to take a closer look at their own estate plans to acquaint them with all the various options open to them, Tilmon will hold a series of community meetings around the state.

this winter on the subject of estate management.

Meetings are scheduled as follows: Clayton (Jan. 26), Lewes (Jan. 27), Harrington (Jan. 28), Middletown (Jan. 29), Dover (Feb. 2), Newark

(Feb. 5), Frankford (Feb. 9), and Georgetown (Feb. 11). Check with your county extension office for times and locations, or call Don Tilmon at 302/738-2511.

The meetings are designed

primarily for full-time farmers. But they should also be of interest to local lawyers, tax accountants, and other professionals commonly involved in estate planning.

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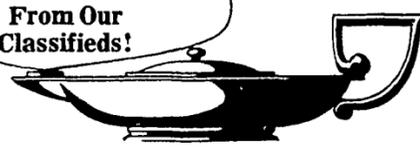
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