

# Pass On The Family Farm

(Continued from Page A27)

drop out of the partnership."

Hershey believes parents should do everything possible to enable their children to succeed. He said, "When we leave this earth — the only thing we leave are our children that money can't replace."

"My father never really gave money, but he gave me opportunity," said Bill Beam, Elverson farmer. He praised his parents and two brothers for setting up a plan that enabled him and his wife Robin to take over the family farm.

The transition began in 1990, with Beam taking over the crops and hog operation. Last winter, he completed the purchase of the family farm. During the interim years, he was able to purchase some apartment buildings and additional acreage.

Beam said the family agreement was set up in such a way that it enabled his father to sell his land, get out of debt, and buy a nice retirement place in Florida. The legal agreement also provides financially for Beam's two brothers to receive a fair share upon the parents' death.

"We hired an agent to appraise the farm, and I paid that price with no gifting," Beam said of the transaction.

The purchase was financed with the help of FmHA (now Farm Service Agency) that required him to keep records, make projections, and budget. These requirements greatly benefited him, and later on, enabled him to switch the loan to Farm Credit or to a local bank, a requirement of FSA.

Beam's parents carry the first lien on the farm. Beam said, "I'm not out of debt. My story is undergoing."

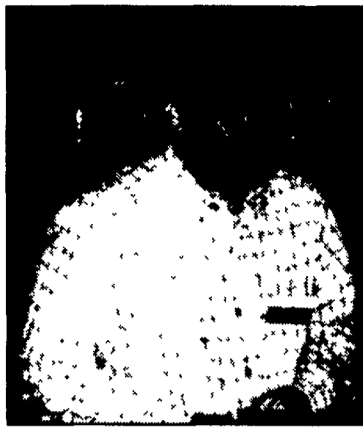
Bowlan said, "Ninety percent of farm transfer problems are caused by poor communication. It is important to include all spouses in discussions from the beginning stages of transitioning. Assume nothing. Get all agreements in writing. Expectations of each family member should be clearly stated. Utilize the best legal sources and accountants possible. Measure progress and review what is written, often."

Although guidelines exist that enable farm families to save taxes and ease transition, the workshop reinforced that no set rules apply in every situation. Decision-making in every incident is unique to each family's situation. Issues to take into consideration are the family's strong ties to the land and farm, and the willingness of each family member to look at the transition from several angles.

For some, preservation of farming as a way of life is more important than receiving top dollar.

In some instances, a multi-family agreement is set up. These need to be set up as a business to make it work and include a policy of the expectations for the next generation. Multiple owners greatly complicate decisions about transfer. Options should be discussed long before the transfer becomes effective.

It is important that the next generation has time to gain experience in management by gradu-



**Tim Fritz, multicounty farm management agent, stresses the importance of a business plan.**

ally transferring responsibility for the farm operation.

Bowlan believes it is important that children advance their education and work in another field or in the same field but for another farm operation.

"This enables the child to choose farming because they want to do so rather than because they have no other option," Bowlan said.

"Farming is tough business. We need our brightest and best. The more experience gained, the better prepared," she said.

"Talk out differences. Farm families are typically closed-mouth and busy. It's hard to get them to talk," Bowlan said.

Tim Fritz, multicounty farm management agent for southeastern Pennsylvania, approached the subject of business planning. Fritz grew up on a dairy farm and was part of a family partner-

ship that dissolved, in part, Fritz said, because they didn't plan properly.

Through his experience, Fritz determined that three components are needed for a solid farming operation: production, business management, and marketing.

Fritz stressed the importance of a business plan. "If it doesn't work on paper, it probably won't work in reality," he said.

Estate planning and legal issues in a farm transfer were addressed by James R. Clark, attorney with the Lancaster County law firm of James Clark & Associates.

One of the questions farmers often ask is how much lawyer fees are charged to settle estates. Clark said a typical fee is five percent of the estate's value, but second quotes are recommended. A living trust still requires lawyer's fees, and it is easier to settle estates without trusts.

A session on financing revealed that special loans with

low interest rates are available for beginning farmers. Three representatives shared potential help their organizations offer. Speakers included Marietta Myers, Next Generation Loan Program; Gerald Phillips, Mid-Atlantic Farm Credit; and James Tomanelli, Farm Service Agency.

Farmland Preservation Programs were explained by June Mengel, Lancaster County Ag Preserve Board and Heidi Schellenger, Lancaster Farmland Trust. The differences between these two organizations and the ways they can benefit estate planning have been addressed in previous articles in this paper. Farmers are encouraged to contact these organizations to see how these programs could benefit them as the financial benefit is dependent among many different issues.

For more information on farm transferrals or workshops, contact Farm Link, 2708-A N. Colebrook Rd., Manheim, PA 17545. Phone: (717) 664-7077.



"My father never really gave me money, he gave me opportunity," Beam said. He and his wife Robin are grateful for the opportunity to buy the family farm in Elverson.

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