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December 1995

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Robert J. Fetsch

*Colorado State University Cooperative Extension*

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Fetsch, Robert J., "Family Relationships and Estate Transfer – What Should and Can We Do?" (1995).  
*Range Beef Cow Symposium*. 197.

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**FAMILY RELATIONSHIPS AND ESTATE TRANSFER--  
WHAT SHOULD AND CAN WE DO?<sup>1,2</sup>**

**Robert J. Fetsch**

College of Applied Human Sciences  
Department of Human Development and Family Studies  
Colorado State University Cooperative Extension

**INTRODUCTION**

"How do we transfer information, values and the land to the next generation of agricultural producers?" is a question often asked. This is an especially important question today as agriculture wrestles with a complexity of stresses and strains as described by Knox (1995):

Agriculture is in the midst of a major transformation from how to produce more to how to produce more efficiently in an evermore competitive and global market. Agricultural production systems must be economically profitable, while at the same time environmentally compatible and socially acceptable. The primacy of the consumer is recognized and is driving the need to find new products, add value to existing products, and do so with fewer inputs such as water and chemicals. Resources such as land, public and private, must be managed to sustain or increase productivity without adversely affecting the environment. Survival of the family farm in the midst of corporate concentration and industrialization of agriculture is a major and relatively new challenge. Competition for resources such as capital, land, water, technology, and management expertise continues to intensify as urbanization and growth continue unabated. ... Many families are in crisis and in need of new tools--economic, technical, and social--to survive in an economy that is uncertain and subject to daily change. (p. 2)

The first purpose of this paper is to describe how critical and urgent the estate transfer issue is. The second purpose is to offer some technical and people tools for creating amicable transfer plans. By using these tools well, farm and ranch families can increase the likelihood that their family business will survive well into the 21st century.

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<sup>1</sup>Part of the research findings reported in this paper are from a research study funded by a grant from the Colorado State University Agricultural Experiment Station and Integrated Resource Management Project.

<sup>2</sup>Appreciation is extended to Tina Blake and Kim Clark, Department of Human Development & Family Studies graduate students, for their assistance with the transfer research study.

## HOW CRITICAL AND URGENT IS THE ESTATE TRANSFER ISSUE?

The transfer issue is a critical one across the U.S. and in Colorado for several reasons. One-third of farmers and ranchers in Colorado are aged 60 and over; over two-thirds are 45 and over (U.S. Department of Commerce, 1992, p. 22). From 1954 to 1992 in the U.S. and Colorado:

- The number of ranch and farm operators fell 60 and 33 percent, respectively.
- The percentage of the U.S.'s and Colorado's population in ranch/farm occupations fell to less than one percent.
- The average age of operators rose from 49.6 to 53.3 in the U.S. and from 47.8 to 52.9 in Colorado.
- The total acres in farms/ranches fell 18 and 11 percent, respectively.

If these trends continue at the same rate, by 2030:

- One of every two U.S. and one of every three Colorado operators will leave production agriculture.
- Fewer than one out of every 200 Coloradans will ranch/farm.
- The average age of operators will rise from 53.3 to 57 across the U.S. and from 52.9 to 58 in Colorado.
- Almost one of every five acres in the U.S. and more than one of every 10 acres in Colorado ranches and farms will be lost to agricultural production (U.S. Department of Commerce, 1987a; 1987b; 1990; 1992; 1994).

In a recent study, Colorado ranchers and farmers were asked how critical and urgent they considered the issue of transfer and succession of information, values, and the land to the next generation (Fetsch, Dalsted, Zimmerman, & Field, 1995). On a Likert scale from 1 = Not at all critical and urgent to 9 = Very urgent, Colorado farmers' and ranchers' average score was 7.78 (SD = 1.60; N = 182). This means that Colorado farmers and ranchers consider the issue of estate transfer a very critical and important one. However, they tend to be dissatisfied with their family's transfer and succession plans (M = 4.65, SD = 2.18, N = 193). They also tend to be pessimistic about their family's future as a farm/ranch operation (M = 4.56, SD = 2.34, N = 202).

When agricultural producers were asked what they had done so far to implement their transfer plan, 26 percent (n = 40/152 respondents) said things like "Nothing yet," "Don't know what to do." Another 26 percent (n = 40/152 respondents) had only begun the transfer process by taking only one of at least 18 steps available to them, e.g. wrote a will, talked, kept concise records, gave children their own heifer and ewe to breed and raise, got grown children involved in decision making, formed partnership, etc. Less than half (47.37 percent (n = 72/152 respondents) reported taking two or more transfer steps. Only 3.94 percent (n = 6/152) reported having created a complete plan with such things as wills, partnership agreements, life insurance, special use provisions, gifts, good communication, and more.

What this means is that in Colorado, farmers and ranchers see the estate transfer issue as

a very critical and urgent issue. Yet they tend to be dissatisfied with and pessimistic about their own family's transfer plans. Many of them do not know what steps to take to create a successful transfer plan.

While the numbers of very large and very small farms are increasing, the number of mid-size farms which are viewed by many experts as the backbone of farming and ranching in the U.S. is declining. The problem of transferring information, values, and the land to the next generation of agricultural producers is growing. With increasing frequency farm and ranch families are requesting transfer information and applied research (Knox, 1992). Part of the problem is the lack of information and effective strategies for transferring the labor, management, and assets from the elder generation to the younger generation. This problem is an interdisciplinary one that involves economic issues, animal sciences issues, and family relations issues.

Part of the transfer problem is that the process of farm transfer from one generation to the next is perceived as an extremely stressful event that may last over a period of years (Kohl, 1976). The problem is further complicated by financial and legal issues (Anderson & Rosenblatt, 1985).

Ideally, all three components of transfer--the labor, management, and land--are shifted gradually and simultaneously as both generations are ready (Keating and Munro, 1989; Zimmerman & Fetsch, 1994). Frequently, however, one generation is ready before the other (Salamon, Gengenbacher, & Penas, 1986). Sometimes, with good intentions of avoiding implications of unfairness to all the children, parents keep quiet and ignore signs of family tension and conflict (Anderson & Rosenblatt, 1985) and postpone making transfer decisions. Sometimes elders are hesitant to release control over areas that are central to the business. Sharing control can be difficult for business owners whose sense of self is invested in the business (Keating & Munro, 1989). This leaves the receiving generation with the least influence and the most stress (Russell, Griffin, Flinchbaugh, Martin, & Atilano, 1985). Young adults who see little decision making opportunity until middle age often leave the family ranch to seek other opportunities (Zimmerman & Fetsch, 1994).

Delaying transfer decisions affects families in other ways as well. Tension between generations and among siblings occurs when planning and decision making are not discussed (Anderson & Rosenblatt, 1985; Weigel, Blundall, & Weigel, 1986). Deferring discussions about transfer does not deter conflict. On the contrary, people are better able to manage when they know what the future holds, even if they do not like the established plan (Weigel, Blundall, & Weigel, 1986).

Each family member benefits if the transfer process is successful (Russell et al., 1985). There is less stress in intergenerational, sibling, and marital relationships. Mothers and daughters-in-law benefit most through open communication. Mothers are removed from the conflict-negotiator position, and daughters-in-law are able to have some input. The receiving generation acquires more control and a sense of well being. The transferring generation is able to secure their retirement quality of life (Turner, 1993). A successful transfer benefits the family as

a collective by maintaining the economic value of the farm business (Keating & Munro, 1989).

## **TECHNICAL AND PEOPLE TOOLS**

A key component of family farm and ranch survival is successful intergenerational estate transfer. To successfully transfer land to the next generation, both technical skills and people skills are essential. Examples of technical tools currently available are wills, revocable/irrevocable living trusts, testamentary trusts, power of attorney, partnership agreements, using life insurance in estate planning, special use provisions, \$125,000 capital gain exemptions, and use of gifts. Part of the transfer problem is the lack of knowledge about and use of available technical legal and economic tools.

Another part of the transfer problem is the lack of familiarity with and use of people skills or human relation skill-building tools. Examples of people skills include conflict management strategies, problem-solving strategies, communication and listening, shared goal-setting strategies, steps to reach family consensus, conducting effective family meetings, team-building strategies, decision-making strategies, and strategic planning steps. One elder rancher put it plainly, "Our technical and business skills are fine; it's our people skills that need help!" Ranchers and farmers are telling us their weakest link is not technology or information. They're saying their weakest link is human relationship management. One young rancher put it plainly, "If the people in this family aren't working together, how is the ranch operation going to hold together for the next generation?"

Each operation is unique because each family operation is unique. So the proper "mix" of technical tools and people skills necessary to create a successful transfer plan from one generation to the next will likely be unique to each family operation. Virtually all individual- and family-owned farms and ranches are eventually faced with the same problem--How do we transfer information, values, and the land to future agricultural producers?

## **10 WAYS TO SABOTAGE OUR ESTATE TRANSFER PLANS**

There are at least 10 ways to create an unsuccessful transfer plan.

- 1) Procrastinate. Don't write a will. Let the children worry about it after you're gone.
- 2) Avoid planning or making decisions (Anderson & Rosenblatt, 1985).
- 3) Don't discuss the subject of estate transfer. Keep information from younger family members. This is a sure way to increase family conflict (Anderson & Rosenblatt, 1985; Weigel, Blundall, & Weigel, 1986).
- 4) Blame others for problems. Stay angry.
- 5) Do all you can to block the younger generation from any involvement in goal setting or decision making until they are middle aged (Zimmerman & Fetsch, 1994).

- 6) Refuse to listen to other family members' viewpoints.
- 7) Hold on to total control of the family business (Keating & Munro, 1989).
- 8) Assume others know what you want. Avoid discussing your wishes about transfer with family members (Anderson & Rosenblatt, 1985).
- 9) Make sure all your sense of worth, your identity, and life's meaning comes solely from the business. Resist transferring to the next generation. This way they have the least influence and the most stress (Keating & Munro, 1989).
- 10) Pay no attention to wake-up calls like a farm/ranch accident, illness, death, or major choice point by an offspring (Anderson & Rosenblatt, 1985).

### **WHAT SHOULD AND CAN WE DO?**

There are at least 18 technical tools and people skills listed earlier that farm and ranch families can use to create a successful transfer. Below are 10 recommendations for successful, amicable estate transfer plans.

- 1) Plan early (Anderson & Rosenblatt, 1985; Zimmerman & Fetsch, 1994).
- 2) Write a shared family vision, e.g. "We want our family ranching to be harmonious, consensual, enjoyable, and profitable."
- 3) Write shared goals (Zimmerman & Fetsch, 1994).
- 4) Seek the assistance of competent rural estate planners, attorneys, accountants, people skill folks.
- 5) Maintain open communication and effective problem solving (Russell, Griffin, Flinchbaugh, Martin, & Atilano, 1985), especially with issues of perceived inequity (Anderson & Rosenblatt, 1985; Zimmerman & Fetsch, 1994).
- 6) Listen so well you can repeat back to the speaker's satisfaction what they say and feel rather than lose temper, yell, scream, get violent (Zimmerman & Fetsch, 1994).
- 7) Allow and acknowledge feelings about the transfer process (Zimmerman & Fetsch, 1994). When people know what is planned, they are better able to cope, even though they may not like the plan (Weigel, Blundall & Weigel, 1986).
- 8) Make no assumptions about the feelings or plans of others (Weigel, Blundall & Weigel, 1986).

- 9) Build self-esteem. Respect each other (Weigel, Blundall & Weigel, 1986).
- 10) Reduce the older generation's involvement in heavy labor, management (Salamon, Gengenbacher, & Penas, 1986), and land. Increase the younger generation's involvement in all three (Keating and Munro, 1989) simultaneously (Zimmerman & Fetsch, 1994).

Survival of the family farm and ranch in the midst of population growth, corporate concentration, and environmental concerns is a challenge. Nevertheless, with the proper "mix" of technical tools and people skills, many farm and ranch families will position themselves among those who survive well into the 21st century.

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