

Succession Plan

Situation Overview:

As shared by Andy Bollinger

A. *Why did the farm need a succession plan?* I wanted to continue to do what I love for a career. My parents were proactive in facilitating the plan, encouraged by Mike Peachey, Acuity Advisors. They realized how fast time flies for the next generation and my parents felt that they should start looking at end of life planning. Another goal was to provide a secure income for my parents through retirement. The favorable tax year in 2012 encouraged us to proceed with the process.

B. *What resource people did the team use to build the plan?* Mike Peachey, Acuity Advisors, and Brian Black, an attorney specializing in estate law.

Challenges and Opportunities:

As shared by Tom and Sue Bollinger

C. *What challenges, if any, developed during the succession plan process?* The biggest challenge was coming up with a plan that was fair to all members of the family. We have four children and at this point, only one of our children is involved in the family farm. We also wanted to make a plan that would allow other family members to participate in the farm operation in the future.

D. *How did the team overcome those challenges?* We followed advice from our attorney in setting up some of the real estate in a Family Partners LLC, which will allow some income to flow to the children via rent money in the future. Tom retained partnership interest which can someday be transferred to Andy or another family member.

Actions:

As shared by Andy Bollinger

E. *What are the key components to the final plan?* My parents transferred the home farm to me and my wife, Andrea. We determined a purchase price and gift amount that was based on monthly payments to my parents over the next 20 years. Ultimately, the final price was not quite market value. The difference between the price for the sale of the farm to us, and the fair market value, was gifted to us.

We also transferred the partnership assets. My parents had been gifting a percent to Andrea and me each year. The succession plan included my parents transferring an additional 21%, making Andrea and I the

Succession Plan...continued

majority farm stakeholders at 51% in the farm business LLC. We also left the door open for the three siblings to buy into the business, if they worked in the business first, for a set amount of time.

The second farm my parents own was transferred to the three siblings in a family limited partnership (FLP). From the limited partnership, my parents can gift to my siblings. The FLP allows the siblings into the limited partnership, but the only person allowed to make decisions is the general manager. In our family's case, I am appointed the general manager, giving me decision making rights for the property. It assures that we can transfer assets without siblings selling the farm without my and Andrea's consent.

As long as the farming enterprise stays intact, Meadow Spring Farm rents the farm. That money goes into the FLP. Once the siblings are in the limited partnership, they will receive money out of the limited partnership. The rent money will increase, in correlation to market value over time.

F. *Approximately how much did the succession plan cost?* \$7,500 - \$10,000

G. *Approximately how long did it take to develop the plan?* January 2012 – December 31, 2012.

Results:

As shared by Andy Bollinger

H. *What benefits, if any, has the farm operation derived from engaging in a succession planning process?* My siblings were pleased with the succession process. They never felt that they were owed anything from my parents, as they were paid while they worked on the farm. Most importantly, the farm will continue to operate today and in the future.

As shared by Tom and Sue Bollinger

I. *Was there anything uncovered during the succession planning process that helped family members to better understand other members of the family?* The children not involved in the farm expressed a desire to see the farm continue to operate and to see Andy have the opportunity to continue doing what he loves and does so well – manage Meadow Spring Farm. They also expressed gratitude to us for sharing our hopes and plans openly with all of them at several family meetings facilitated by Brian and Mike.

J. *Is there anything you would have done differently with your succession plan?* Not really. We are very pleased with how well the plan came together. We are very grateful to the advice given by the transformation team (funded by the Center for Dairy Excellence grant) and Brian Black and Mike Peachey.

