



Creating Certainty for Your Family

That's what estate planning is all about

No one knows what tomorrow will bring. But if you delay planning for it, you could leave your family with a mess rather than the proud legacy you've worked so hard to achieve.

Why do farm families delay estate planning? For some, the mere thought makes their head spin. While we all know we won't live forever, we simply don't like contemplating our own mortality.

For other business owners, estate planning raises issues they'd rather sweep under the carpet. Some worry that they won't be able to be fair to all family members. Still others equate estate planning with the loss of personal control of their business.

Such uncertainty over tough questions may be the biggest reason many delay planning, which is why even successful farm families still find themselves unprepared for the unexpected.

Ironically, estate planning is exactly the process that can put these underlying fears and uncertainties to rest. By ensuring that your assets will be used to benefit the people you choose, good planning can protect your family from difficult, costly or even heartbreaking situations. Estate planning can ensure a comfortable retirement for you and your spouse, set a path for the next generation to take the reins and provide certainty for your farm and, more importantly, for your family.

No one knows these facts better than Farm Credit East business consultants, who have helped thousands of Northeast farm families achieve their estate planning goals and add more certainty about their future in the process.

Four consultants recently stopped by the Farm Credit East Coffee Shop to compare notes about estate planning, including Gary Snider, of our Mayville, N.Y., office; Dan Galusha, of our Cortland, N.Y., office; Steve Makarevich, who works out of our Flemington, N.J., office; and Jon Jaffe, of our Dayville, Conn. office.

Let's hear what they had to say.

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Demystifying the process

“Planning for the future should be a priority of every farm family,” says Steve Makarevich, who has helped farm families with their estate planning and business transfer planning for more than 10 years.

Quite frankly, estate planning doesn’t have to be complicated or intimidating, he says. It is a guided process to which qualified Farm Credit East consultants bring a good working knowledge of farms and a helpful, fresh perspective.

“We break the process down into bite-sized pieces and understandable terms for the entire family,” Steve explains. “Nothing gives me more job satisfaction after a plan has been implemented than when clients look me in the eye to say that they appreciate what we do for them. They may have started the process thinking that it would be overwhelming, but the plan brings them a great sense of peace of mind. They know that no matter what happens, their loved ones will be taken care of.”

Sorting out sensitive issues

Any business or estate plan involves many factors: finances, insurance, legal documents like wills and agreements and — perhaps most important — personal feelings. Our consultants offer an independent, objective point of view and help to stimulate communication on sensitive family and business issues.

“Perhaps one of our greatest strengths,” says Jon Jaffe, “is that we are not shy about asking the hard questions that others may not be willing to ask — such as about treating off-farm kids equitably, protecting a farm from an impending divorce or selecting a next-generation successor for the farm. We speak unemotionally with family members, which helps move the process along and put each member at ease.

“We understand the cycles of farming and farmers’ unique labor problems,” Jon adds. “We know that a will is not a simple issue when you have family members who want to continue farming and those who don’t.”

Steve Makarevich adds: “We have years of experience working with families at the kitchen table to glean their objectives. We do not sell life insurance or securities. Instead we provide practical, common-sense estate planning advice. Our only objective is to help customers accomplish their objectives.”

And from Gary Snider: “We have history with farm families. Several of us have worked with three generations of the same family, which means we have their trust. We speak the language of farming, so we put our clients at ease. They don’t have to explain the uniqueness of their business. And we can help farm families sort through the tough issues, because we know how to listen and ask the right questions to move the process along.”

Not a once-and-done transaction

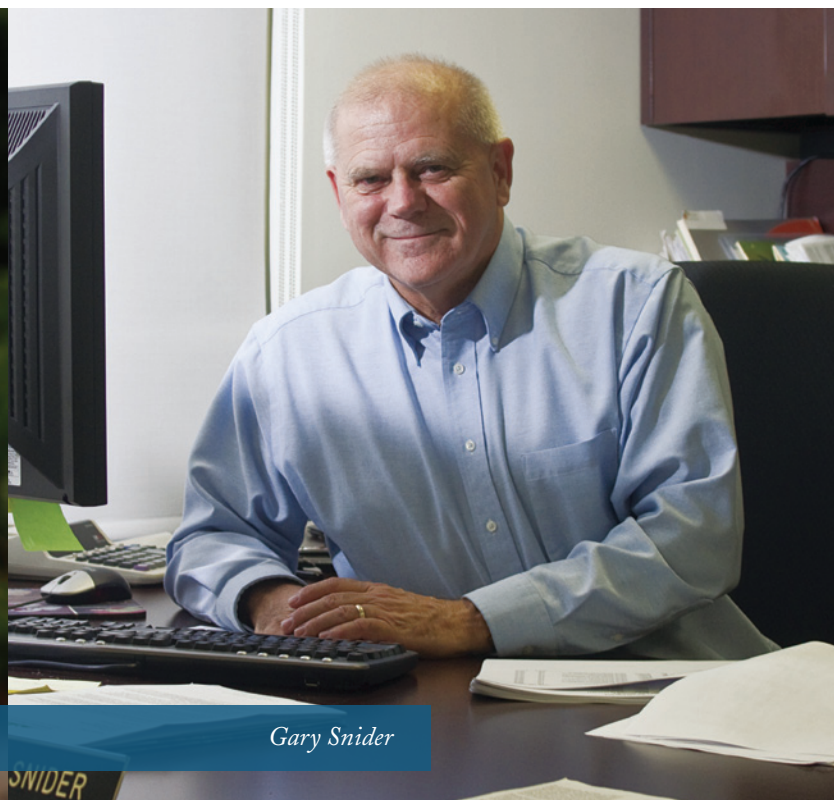
While each Farm Credit East consultant brings his or her working style and personality to the process, they all have characteristics in common. For one thing, they all agree that estate planning is not a one-time transaction.

“Businesses are dynamic and change every year,” notes Dan Galusha. Estate tax laws change. People get married or divorced or become disabled. Babies are born. Children return to the farm after college with ideas for improving the business.

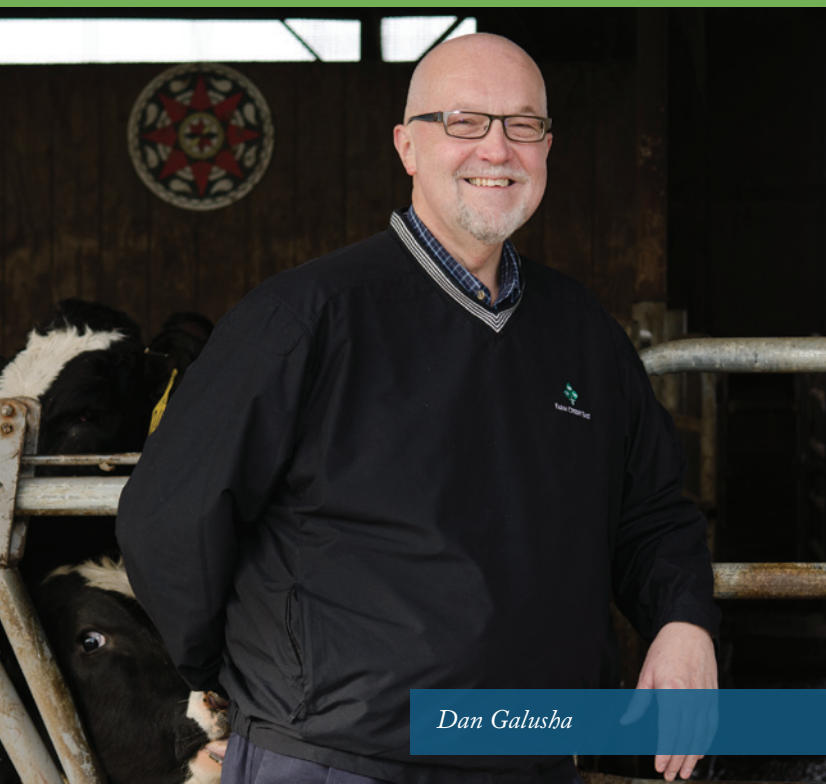
“After implementation of a plan, the next step is review,” Dan says. “One year from now and every year, we need to review it together. That way, we can help keep your plan on track.”



Steve Makarevich



Gary Snider



Dan Galusha



Jon Jaffe

All Farm Credit East consultants share a practical, common-sense approach that takes into consideration the fact that estate planning is a life-long process rather than a crash course. We do not produce a plan for you to stack on a pile of papers and then forget until something happens.

A facilitated family process

What helps Farm Credit East consultants take families successfully through an estate planning process is the critical skill of facilitating family communication in an effective way.

- Dan Galusha: “We first get a handle on your vision of where you are today and where you want to be tomorrow. We do a SWOT analysis, identifying the operation’s strengths, weaknesses, opportunities and threats. That is, we use tools to help bolster the farm’s weaknesses. We identify threats, such as the cost of health care in the senior generation’s retirement. And we improve upon the operation’s strengths and opportunities.”
- Steve: “We sit around the table with various generations to build a business transfer plan that defines each person’s responsibility. This gives each member a stake in the future of the business and an understanding of their role in the planning process.”
- Jon Jaffe: “We balance the needs of the family with what can be practically accomplished. We bring in various generations, sometimes meeting with an attorney or other outside professionals.”

Weighing health-care costs

The 900-pound gorilla in the room, of course, is how

the cost of health care for the senior generation fits into estate planning, retirement planning and transitioning the business.

Steve’s comment: “Health care is part of every plan. I discuss long-term care insurance with clients depending on their age and level of care that they can afford in coverage of nursing home costs.”

Gary adds: “We have a moral obligation to help customers understand Medicare and Medicaid, especially for lower-net-worth farm businesses. For example, we discuss how Medicaid offers limited coverage and strict requirements for qualification. Quite frankly, it is a government program that requires recipients to be almost destitute to qualify. It is important for us to explain to our customers that Medicaid may not carry all nursing home costs or other long-term care expenses.”

All your trusted advisers at one table

Other professionals whom our customers trust are welcomed into our process, so that estate planning becomes a catalyst for ensuring that everyone servicing your business is working toward the same goals and helping you understand how your decisions are interrelated. Participants often include life insurance agents and lawyers.

For our part, we may bring Farm Credit East tax specialists, appraisers or your loan officer to the table as we need them.

Gary Snider’s description: “At an initial meeting of professionals (attorney, insurance agent, accountant and consultant), we give assignments, draw a timeline for when we can reasonably get this done and schedule a next meeting. The process continues until the plan is

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What you can expect to accomplish

There are many tangible benefits of estate planning, some of which help to promote business health even in the short run. Here are some areas where a Farm Credit East consultant can help that came up in our discussion at the Coffee Shop.



◀ *Kim Fesko Brayman, of Fesko Farms in Skaneateles, N.Y., said, “My family has had a true partnership with Dan for generations. When my dad passed away, one of my early thoughts was to talk to Dan, because he understood our business. I would be lost if it hadn’t been for Dan pushing us to take all the steps we took to create our estate plan.”*

Gary Snider, who works from the Mayville, N.Y., office, said, “We can help farm families sort through the tough issues, because we know how to listen and ask the right questions to move the process along.” ▶



From Dan Galusha:

- Based on the family’s vision for its business, the team develops a revolving five-year business plan.
- We facilitate communications to resolve conflicts between nonparticipating family members and family members involved in the business.
- We address the issue of equitable versus equal treatment of all family members.
- We analyze if the business is profitable enough to meet its long-term goals by comparing business summaries. The team may then develop a plan to improve profitability.

From Gary Snider:

- Continuity of the business is a key aspect of every plan. We help a family maintain its business legacy for future generations and its favorable reputation in the community.
- We look at tools to minimize net worth erosion over time that may occur through retirement needs or estate taxes, so the net worth can be shared with the heirs.
- We discuss bringing in an outside successor if the family does not have a successor with the ability or interest to run the business.



◀ *Jon Jaffe with clients Keith and Monika Mann, of Mann Farms, Inc. and Orcranics, LLC, cranberry operations in Buzzards Bay, Mass. Keith said, “Jon gets to the bottom of issues quickly, helps develop a plan and ensures it gets followed. You need all three components for an estate plan to succeed, and Jon has done that for us.”*

Steve Makarevich with Ed Brock, owner of Brock Farms, Inc., in Freehold and Colts Neck, both in N.J. Ed said, “Steve has kept a complicated estate, like ours, uncomplicated by talking to us in understandable terms.” ▶



And from Jon Jaffe:

- We focus on ensuring that the senior generation has adequate income or assets for a comfortable retirement. Some customers are so used to sacrificing for the next generation that they believe they can live on less income than they need. I push them to be honest about what they will need in retirement with a safe margin, so they don’t sell their retirement years short.

From Steve Makarevich:

- To overcome someone’s fear of starting the process, we explain that the transfer of equity doesn’t necessarily mean the transfer of control. We discuss many techniques to move equity to the next generation without the senior generation giving up control in the business.
- We ensure that the senior generation has a comfortable retirement by determining a realistic view of its retirement needs, including the cost of health care and how nursing home care will be paid.
- We help families with a low net worth create an estate, so they can leave assets to the next generation.



implemented. A Farm Credit East consultant acts as a cheerleader to keep the process exciting — because what we're accomplishing is exciting! We create an environment of mutual expectations so the plan will be successful."

Dan Galusha adds: "As the project manager of the team, we ensure that each player has a chance to help the owner make choices about what he or she wants to implement. I ensure that we have consistent meetings, that no player drops the ball and that we can implement the plan before the customer returns to the field. Managing consistent meetings on a timely basis and ensuring that we get firm conclusions offers tremendous value in moving the process forward."

In a nutshell

The summary message from all is the importance of getting the process started sooner rather than later.

"Don't play roulette with your life or your legacy," says Gary. "Without planning, you are playing roulette. You may win big and you may lose big. Don't be a victim."

"If you don't plan, you will be the receiver of your estate plan rather than its driver," concluded Jon. "I'd rather be the driver."

Ready to get started?

Don't delay another day. Call your local office to learn more about how a Farm Credit East consultant can help your family achieve its estate planning goals and add more certainty about its future in the process. ■

Should we wait for the new estate tax laws?

The current federal estate tax rules go through the end of December 2012. But postponing estate planning until Congress decides what to do is letting the tail wag the dog, says Dan Galusha.

Dan's thoughts: "You have to run your business first. You don't want external forces to dictate what will happen. If you do, you've lost control, which is the worst place to be. Estate laws are a minor portion of an estate plan. The real issue is perpetuation of the business. You have to start today to determine where you want to take your business and then modify the plan for estate taxes."

Gary adds: "We have a moral obligation to help customers understand Medicare and Medicaid, especially for lower net-worth farm businesses. For example, we discuss how Medicaid offers limited coverage and strict requirements for qualification. Quite frankly, it is a government program that requires recipients to be almost destitute to qualify. It is important for us to explain to our customers that Medicaid may not carry all nursing home costs or other long-term care expenses."

The sooner the better

"The key is the sooner a family begins the process, the easier it is, because you have time to accumulate the dollars required for the senior generation's retirement without harming the future of the business."

— Dan Galusha

When to plan

"Ideally, you want to begin planning when you are around 55 years old and your children are in their 20s. This gives you a 10-year window to transfer assets and management. At 65, you will be looking at retirement, and your children, at 35, will have gained the skills to manage the operation. We encourage people to take a leisurely approach to estate and management planning."

— Jon Jaffe



Len Van Wingerden (center) with his son, Adam, and sons-in-law Brent Monticue and Ryan Horn. His son-in-law, Sam Smith, was out of town on business when this photo was taken.

In His Own Words

Thoughts on Estate Planning

Len Van Wingerden
Grower Direct, Inc.
Somers, Conn.

Len Van Wingerden started Grower Direct more than 30 years ago by turning an abandoned gravel pit in Somers, Conn., into one of the largest and most successful plant growing operations in New England. Today it has 820,000 square feet of greenhouses, 100,000 square feet of buildings and 20 acres of outdoor beds.

“We’ve been going strong ever since those early days, partially because of our relationship with Farm Credit East. They understand opportunity in agricultural business and are willing to help us take advantage of those opportunities. For example, when oil prices shot through the roof to \$150 a barrel, it was not possible for us to sustain those increases after having just gone through a tough prior spring. Farm Credit worked with us so we could build a biomass wood-chip plant. Because they provided the funds, we credit them with the fact that we could make that decision, which turned out to be the right one for our business.”

A comfortable process

“We have also used Farm Credit’s financial services from our very beginning. We turned to business consultant Gene Gouthier and loan officer Steve Rickenbacher to help with our estate and succession plans, because they are most familiar with our operation and are experienced with farm family businesses.

“We attended their Generation Next seminars and spent about six years formulating and implementing a plan that we are fully confident in. I am not saying that our plan would work for every family, but it works very well for us.

“Today, about one-third of the business is in the hands of my son, Adam, and our three sons-in-law, Sam Smith, Ryan Horn and Brent Monticue. Tax-, management- and ownership-wise we are on a good track for the next generation to own the business without a big tax burden.

“I have been pleasantly surprised that I’m comfortable emotionally handing over a business that I pounded out of the ground in those beginning years and seeing my son and sons-in-law take over.

“We chose a method of transferring ownership where my wife and I gift stock every year in the amount allowed without tax consequences. In about three years, our next generation will own the majority of the business. A lot has to do with trust. I have to trust that they will follow through on the commitments that we have in writing to provide for our retirement.

“Estate planning is about taking advantage of opportunities. I would feel that we were negligent if we didn’t research and take advantage of whatever means the government has put in place to transfer a business so that there is no serious tax consequence.

“Steve and Gene understood how we wanted to move forward and agreed with our choices. Of course, Steve is confident that our next generation will operate a profitable business. He likes that they are budget-oriented. I was a seat-of-the-pants guy, like many who start businesses. We don’t want to be bothered by details. We have too much to do.

“The process has taken about six years so far. This is the first year that I was not at the table to discuss our operating loans for the coming year, which shows great confidence in our direction.

“I enjoy seeing the generational shift that is taking place.”