



# Farm Transfer Toolkit





SHAWN LINEHAN

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American Farmland Trust developed the Farm Transfer Toolkit with support from the USDA Natural Resources Conservation Service as part of its Land Transfer Navigators program. Visit [farmlandinfo.org/farm-transfer-toolkit](http://farmlandinfo.org/farm-transfer-toolkit) for the online version. To learn more about the Land Transfer Navigators program visit: [farmland.org/land-transfer-navigators](http://farmland.org/land-transfer-navigators).



SHAWN LINEHAN

# Farm Transfer Toolkit

**T**he Farm Transfer toolkit is designed for agricultural landowners who seek to transfer their land, operation, or both to an incoming producer. The toolkit covers key steps in a farm transfer process. It contains information, worksheets and other tools to help users set goals, assess their finances, communicate with stakeholders, and work with professionals and key stakeholders to finalize decisions and implement a transfer plan.

*Note: The information on this toolkit is not a substitute for good legal and financial advice. Be sure to seek the professional assistance you need to complete your farm transfer plan.*



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# Tab 1 | Getting Started

As you begin the farm transfer process, it helps to collect and organize information about the people involved, your needs and theirs. This groundwork helps lay the foundation for you to stay on track throughout the process.

Describing your values, vision and goals help ensure a successful outcome. Sharing them with the other party can help you find common ground. Building trust and communicating effectively speed up the process and help ensure the goals of both parties are achieved. Visit the [Navigate the Process](#) tab (page 73) to learn more and practice these skills.

## Identify Who to Engage in the Process

Who has a major interest—or stake—in your transfer? Stakeholders might include family members and/or incoming producer(s) who will acquire the assets involved in the transfer. Other people who may be affected by the transfer include employees, tenants, vendors,

maybe even your neighbors or community members. Use the stakeholder worksheet to identify and keep track of all these people during your planning process.

## Build Your Team

Farm or ranch transfers can be complicated, and even when they might seem simple it is a good idea to consult with professional advisors to guide you through the different parts of the process. These advisors become part of your team. They will protect your interests and help you navigate the various steps of the transfer. Key professionals to reach out to during the farm or ranch transfer process include:

- **A Certified Public Accountant (CPA)** or otherwise qualified accountant can help you develop financial statements and track your expenses.
- **An attorney** can help explain available options based on your specific circumstances and give advice. They can be a good educational resource, review

your transfer documents, and draft legal contracts for your specific farm or ranch transfer situation.

- **An appraiser** can help you estimate the value of your assets, conduct agricultural assessments for tax purposes, and offer advice on local policies that affect agricultural sales.
- **A financial advisor** takes a neutral view of your operation and gives recommendations for investments, ways to cut back on expenditures, and help you anticipate future needs. They will help you plan for retirement, health care expenses, and any potential funding you may need to transfer your farm or ranch. They can also help you with cash flow analysis and tax planning.
- **A mediator** can help resolve problems and tensions in a neutral and fair way so that conflicts do not threaten the farm or ranch transfer process. A mediator can help you work through difficult conversations, explore key issues and generate solutions. Tensions and conflicts may arise which a mediator can help manage productively and in a neutral and fair way.

If you need more information about different kinds of advisors and questions to ask, read the Build Your Team Information Sheet.

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## Identify Values and Set Goals

Your values, your vision or dreams, and your goals guide the transfer planning process. Your values reflect the beliefs that guide your life and actions with friends and family, on the farm, and in your community. Your vision guides where you want to be in the future after you complete the transfer process. It's important to ground your vision in your values. The **Vision, Values and Goals worksheet** can help.

In a farm transfer situation, it also is important to learn about the vision, values, and goals of the other party. Often the needs of an incoming producer are different from those of the exiting landowner so be sure to have an open dialogue and try to find common ground to build genuine understanding.

Next establish personal and business goals for your transfer situation. Goals should be specific enough to clearly state what you want to accomplish. Start with the [Goal Ranking Worksheet](#) to identify what is important to you.

Then use the SMART goals framework to set useful and actionable goals. SMART goals are Specific, Measurable, Attainable, Results-focused, and Timely. Understanding your assets (see below) and assessing your financial position will help you develop SMART goals (see the [Assess Your Financial Position](#) tab on page 34).

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## Understand Your Assets

Assets are things that have value. Tangible assets are physical property like land, buildings, and equipment and financial resources like stocks, bonds and cash. These have economic value and can be reported on a balance sheet. Intangible assets are not physical and may or may not have economic value. They include things like soil quality and access to water, your brand, client lists, knowledge, and management skills. They also include relationships and having close community ties. Farm and ranch transfers may include both tangible and intangible assets. Identifying and prioritizing your assets helps you focus on your transfer goals and prepare for negotiations with the incoming producer(s).

As you prepare for your transfer consider:

- Do you plan to transfer your property, your operation, or both?
- What tangible assets do you bring to the transfer?
- What intangible assets do you bring to the transfer?
- Which of these assets do you think are most important to the other party?

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### Assess Your Needs

After you have identified your goals, think about what you need to achieve them. It can be more straightforward to start by considering your material needs—including the tangible assets involved in your transfer. They may include real estate, equipment, and other agricultural assets, as well as income.

It is equally important to assess your deeper personal needs like family relationships, leaving a legacy, or being engaged with your community. These deeper needs also include security and things like a sense of purpose. They are likely reflected in your values which drive your vision and goals. Your feelings are a window into these needs. The feelings

that arise during the transfer process can signal whether or not your deeper needs are being met.

Farming is a way of life—farmers often live and work in the same place, so work and personal life are often intertwined. Your transition may involve more than a change in your work or business role. It may change your role in your family, as well as your day-to-day activities. You may have hobbies that rely on your agricultural resources but are not tied to your farming enterprise. Without addressing your deeper needs, your feelings may derail the process down the road. “Soft issues” are often the “hard issues.” Use the **Needs Assessment Worksheet** to lead you through a process to identify your feelings and needs and decide how to address them in the transfer.

Also consider the other party’s needs and what they might be seeking in the transfer process. What do you know about their current situation, values, vision and goals? Consider what their motivations might be and use the **Needs Assessment Worksheet** to find overlap between your needs and those of others involved in the transfer.

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## Stakeholder Worksheet

Use this worksheet to identify and prioritize people who have an interest in your farm or ranch transfer. This may include: family members, the incoming producer involved in the transfer (if a nonrelative), and farm or ranch employees. It might even include community members.

List up to five people you need to talk to in the left column. Describe their role and interest in the right column.

*Before entering information into this worksheet, download the file to your computer so you can save your work.*

STAKEHOLDER	ROLE IN THE TRANSFER	CONTACT INFORMATION



This resource is part of American Farmland Trust’s [Farm Transfer Toolkit](#) which is available on AFT’s [Farmland Information Center website](#). The toolkit walks agricultural landowners through key steps in a farm transfer process. It contains information, worksheets and other tools to help users set goals, assess their finances, communicate with stakeholders, and work with professionals to finalize decisions and implement a transfer plan.

## Build Your Team Information Sheet

Who do you need on your transfer team? Successful farm and ranch transfers rely on crucial professional advisors to inform personal, business, financial, legal, and tax decisions. This resource can help you choose who to work with as you navigate the transfer process. It describes what each advisor does, how they might be involved in a farm transfer, notes qualifications to look for, and identifies places to start your search. It also lists considerations and offers tips for vetting advisors. The table shows when it could be most helpful to engage each type of advisor and highlights the essential services they can provide at different stages.

### Core Professional Advisors

#### ACCOUNTANT

Accountants prepare and examine financial records. In a farm or ranch transfer, a qualified accountant can help you compile financial statements and tax records, review an incoming producer's financial information to assess their ability to complete the transfer, and advise on the tax implications of different types of transfer arrangements. Keep in mind that accountants, especially those who do tax preparation, will likely be busy during tax season, in February, March, and April. The best time to reach out to an accountant is in the summer and fall.

According to the National Association of State Boards of Accountancy, about half of all accountants are Certified Public Accountants (CPAs). CPAs are required to meet minimum education and experience standards, though specific requirements may vary by state. Licensed CPAs are able to perform more tasks than accountants, though transferring a farm between private parties, including family members, may not require a CPA.

#### HOW TO FIND AN ACCOUNTANT

- To find a qualified CPA in your area, use the Internal Revenue Service's [Directory of Federal Tax Return Preparers](#) and filter by "certified public accountant credential."
- The National Association of Tax Professionals (NATP) [maintains a directory](#) of tax professionals, including CPAs, with additional filters available for industry specialties.
- To confirm the credentials of an accountant you are considering working with, you can consult your state's Board of Accountancy. The National Association of State Boards of Accountancy maintains a [list of all state boards](#) and runs the [Public Search feature](#), which allows users to look up licensed CPAs using data from the Accountancy Licensee Database.
- Additionally, you can use the American Institute of Certified Professional Accountants ([AICPA](#)) [Membership Directory](#) to find an accountant with specialized credentials or to confirm the credentials of an AICPA member.

## APPRAISER

Appraisers help estimate the value of your real estate and other tangible assets, assign value to any non-physical assets that are part of your business, and may offer advice on local policies that affect agricultural sales. You can use appraisals in a farm transfer to support price negotiations and to document values for tax purposes and estate settlements.

Qualified real property appraisers are licensed by state oversight boards in the jurisdiction in which they practice ensuring compliance with federal standards. Be sure that your appraiser is familiar with local zoning code and other policies and programs that affect agricultural land values. If you are transferring your farm business along with the property, you'll likely want to get an estimate of the value of the business—that is, the intangible assets associated with the farm or ranch, such as customer lists. Business valuation methods range widely, so you will want to ensure you are working with someone who is knowledgeable about the local agricultural economy. Farm Credit or another qualified business valuation specialist can help.

### HOW TO FIND AN APPRAISER

- To find a licensed/certified real property appraiser and learn more about the licensure and certification requirements for your state, you can contact your [State Appraisal Regulatory Board](#).
- The [American Society of Farm Managers and Rural Appraisers](#) is a national association for rural property professionals that provides education and accreditation. The Society maintains a nationwide membership directory that can be filtered by location and accreditation.
- [The Appraisal Institute](#) maintains a directory of valuation professionals credentialed by the Institute, including real property appraisers and business valuers.
- [National Association of Certified Valuers and Analysts'](#) online directory lists members, including certified business valuers, and if they have an active credential and are in good standing.
- The Appraiser Hub's [National Internet Directory](#) allows users to search for real estate appraisers by zip code or state.
- Some [Farm Credit institutions](#) have the capacity to offer appraisals on a fee for service basis. Your local lender might also be able to share the names of appraisers they work with.
- The [National Registry of Real Property Appraisers in Good Standing](#) maintains a listing of appraisers in compliance with state licensure requirements. Users can search by location or by name.

## ATTORNEY

Attorneys provide legal support and representation for their clients. Your attorney can identify transfer tools that meet your specific needs, help draft a proposal to use during negotiations, and prepare documents to execute your plan. Documents could include a purchase and sale agreement, leases, closing documents, or a will or other estate planning documents. Attorneys usually specialize in specific areas of law—look for one who specializes in agricultural law, business entities, real estate law, trusts and estates, and/or tax law. You may need to hire more than one attorney depending on the specialization needed.

An attorney has a law degree, passed the bar exam, and is licensed to practice law. A lawyer, in contrast, only has a law degree. You will need an attorney to complete any legal transactions. Designated state agencies—a board of bar overseers, the state bar, or the state's judicial branch—license attorneys. Most maintain an online database that shows which attorneys meet the state's standards and whether any ethical complaints have been filed.

### HOW TO FIND AN ATTORNEY

Start by finding out if your state's bar association has a directory of attorneys licensed in the state or contact a local law school clinic related to agriculture.

- The American Bar Association (ABA) maintains a [directory of lawyer referral services](#) by location and language, as well as a list of links to [local bar association directories](#).
- Some law associations are industry-specific, such as the American Agricultural Law Association which maintains a [member directory](#) or the [Real Estate Bar Association](#).
- Once you have identified a prospective attorney, check to make sure they are in good standing by checking with the state's licensing agency. This website directory lists which agency in each state is responsible for maintaining status: [Lawyer Legion Attorney Licensing Organizations in the U.S.](#)

## FINANCIAL PLANNER

A financial planner is a type of financial advisor who can help you create a comprehensive financial plan to address future needs. They provide personalized guidance on investment and retirement strategies, as well as helping to manage savings and debt. In the context of your farm or ranch transfer, a financial planner can help you determine what you need to get out of the transfer to meet your future financial goals. They can also help you assess what funds you may need to cover transaction costs when transferring your farm or ranch.

Certified Financial Planners (CFP) are a subset of planners who have passed an exam and met certain education and experience requirements. They are also fiduciaries, meaning they are legally required to work with your best interests in mind.

## HOW TO FIND A FINANCIAL PLANNER

To find a financial planner, you can contact your state or local [Farm Bureau](#) or [Farm Credit](#) institution. Commercial banks often offer financial advising services, but depending on where you are located, they may not know much about agriculture. If you already have an accountant, they may also be able to recommend a financial planner.

- Use the [Certified Financial Planner Board of Standards directory](#) to find a board-certified financial planner or check a professional's certification. The directory lists the types of services offered by each planner.
- The Financial Planning Association's [PlannerSearch](#) tool lists board-certified Association members.
- The National Association of Personal Financial Advisors (NAPFA) maintains a [Find an Advisor](#) tool listing financial advisors beyond CFPs by location and specialty.

## MEDIATOR

Mediators are neutral third parties who help facilitate discussions and resolve disagreements. Mediators foster communication and collaboration to help parties find mutually satisfactory solutions. Unlike a judge or arbitrator, they do not have the authority to impose any decision on the parties. In a farm transfer process, a mediator helps parties identify shared interests, preserve relationships, and agree on a joint, voluntary decision based on informed choices. Mediator services are paid for in equal parts by the group (unless otherwise decided) and chosen by the group.

There are no formal certifications or licenses for mediators in most states, though some private organizations offer certification after completing a training course. If a mediator claims to have a certification, ask which organization provided it and what the requirements for that certification are. In general, look for a mediator who has demonstrated experience, especially in the areas of farm business and/or family mediation. In addition, any mediator you hire should have strong interpersonal skills and be able to serve without bias.

## HOW TO FIND A MEDIATOR

Start your search for a mediator by asking your network for leads. If you or another party are working with an attorney, you can ask if they have worked with any well-qualified mediators in the past. Other agricultural organizations, especially university extension services and state departments of agriculture, may also work with mediators they can recommend.

- USDA Farm Service Agency maintains a [list of state mediation programs](#)
- The Coalition of Agricultural Mediation Programs has a [directory of state and other programs focused on agricultural mediation](#).
- There are also private companies who have mediator members available for hire. These include, but are not limited to, the [American Arbitration Association \(AAA\)](#) and [JAMS](#).

## KEY CONSIDERATIONS

### **How can I find a professional who is the right fit for me?**

First and foremost, hire someone whom you feel comfortable with and trust. You will be sharing personal information about you and your family. Be sure to meet with them in person for an initial consultation. Look for an advisor who communicates clearly and listens to your needs. Ask for references and talk to their other clients about their experience. In addition, be sure that whomever you hire is working for you and not representing other parties. When you are transferring a farm within the family, using the same advisors may offer some efficiencies, but consider hiring separate representatives to avoid conflicts of interest. The one exception among your professional advisors is mediators, who are neutral and engaged jointly by the group.

### **How can I make the most of investing in a professional advisor?**

Accessing free resources ahead of time can help you get familiarized with the subject and ask well-informed questions. You will want to make sure you understand their fee structure and plan for this expense in your transfer budget when assessing your finances. For example, if working with a financial planner, ask whether they are a fee-only advisor—meaning they are paid exclusively by clients—or whether they receive commissions for selling investment or insurance products. Other professional advisors may charge flat fees, or an hourly or per-service rate. It is also a good idea to determine whether they have enough time and availability to support you when you need them. Before hiring an advisor, see if their availability fits with your timeline or whether there are adjustments you can make based on their schedule. You may also want to make sure they will be available to answer questions as they arise and are able to explain complex concepts to you clearly so you can make the most of your meetings with them.

### **Do they have relevant experience?**

Find someone who has experience working with farmers and farm businesses, especially with similar types of operations to yours. It is also helpful if they have relationships with local agricultural organizations, such as university extension services or agricultural commissions. To get a sense of their experience, you can ask if they have worked with other farm businesses and may be able to request references from prior clients. You may want to ask if they have taken any recent continuing education courses that would be relevant to your case. For example, if you use a conservation easement to facilitate the farm or ranch transfer, look for an appraiser with experience or education related to valuing easements. Tapping into your existing network, such as by talking to your neighbors and other farmers in your community, is one way of finding a professional who is familiar with agriculture in your area. If you belong to a farm organization, you can also ask which experts frequently serve their members.

**Are they qualified to practice in my state?**

Many professions require, or have the option to pursue, licensure or certification to serve in their capacity, which are often state-specific. Many states have registries listing professionals who have met state certification requirements. Once you have identified a prospective advisor, be sure to check the status of their license with the appropriate state agency. As you vet professionals to work with, you can also ask specific questions about their qualifications. For example, you may want to ask an appraiser if any of their prior appraisals or estimates have been disputed or ask an attorney if former clients have filed an ethics complaint against them (and if so, for what). For financial planners and accountants, you will want to make sure they are a fiduciary and ask them to put that in writing. For any professional, you can ask how long they have been practicing to get a sense of their experience.

**Other Experts**

The following are additional experts who may help inform your farm or ranch transfer.

**Conservation professionals** can help you set conservation goals for your land and create a plan to address natural resource concerns. NRCS offers a certification for conservation professionals, including conservation district staff, who can provide technical service activities according to NRCS standards and specifications. Cost-share assistance for the development of conservation plans is available through NRCS. Addressing conservation on your land can help make it more viable for the next generation and may be a selling point.

- The NRCS [Technical Service Provider Directory](#) lists certified conservation professionals.
- The [National Association of Conservation Districts Directory](#) provides contact information for conservation district staff across the U.S.

**Cooperative Extension agents** help bring the latest research and resources to farmers, ranchers, small business owners, and their communities, and provide tailored support and advice to agricultural producers. The Cooperative Extension System is a nationwide, non-credit educational network. Each U.S. state and territory has a state office at its land-grant university and a network of local or regional offices with experts. In many states, extension agents have resources and provide direct technical assistance, which may include offering trainings on farm transfer.

- The [USDA Land-grant University Directory](#) allows you to filter for the land grant universities located in your state.

**Farmland protection professionals** include staff at private land trusts or public agencies, such as state and local governments, who work to permanently protect your agricultural land from development. They are versed in how landowners can use conservation easements to protect their land. Farmland protection professionals are also often experienced in farm transfers and may be able to provide more general support beyond easements. Many states have land trust coalitions that maintain their own directories of professionals who are experienced with land transactions, making them a helpful referral resource.

- American Farmland Trust’s [Farmland Protection Directory](#) lists land trusts and public entities working to protect agricultural land.

**Lenders** are financial entities that offer loans to individuals or businesses including farms and ranches. Lenders can include Farm Credit institutions, credit unions, community development financial institutions (CDFIs), and commercial banks, especially community banks. Congress created the Farm Credit System—a nationwide network of member-owned institutions—to establish a reliable source of credit and financial services for farmers and related industries. Credit unions are not-for-profit cooperative financial institutions that offer reduced bank fees, higher savings rates, and lower loan rates to a defined membership group. CDFIs are specialized lenders working to inject capital into under-resourced communities. Community banks are a type of commercial bank that make smaller loans and focus on the needs of the communities in which they are located. In the context of a farm transfer, financing is of greater importance to the entering farmer looking to purchase assets. However, exiting farmers may use bridge loans, lines of credit, or personal loans to help pay for transaction costs, living expenses, or the acquisition of new housing away from the farm.

- You can search by zip code or state to find your [Farm Credit Lender](#).
- Find a local credit union using the National Credit Union Association’s [Credit Union Locator](#).
- Identify a CDFI to work with by using the [CDFI Locator](#).
- Use the Independent Community Bankers of America’s [Community Bank Locator](#) to find a community bank near you.

	ASSESS YOUR FINANCES	CHOOSE YOUR TOOLS	NAVIGATE THE PROCESS	NEGOTIATE AND FINALIZE DECISIONS
ACCOUNTANT	<ul style="list-style-type: none"> <li>• Compile the financial statements to assess your financial position</li> <li>• Assist with preparing balance sheet, income statement, and cash flow statement</li> <li>• Review incoming producer’s financial statements</li> </ul>	<ul style="list-style-type: none"> <li>• Explain the tax implications of different types of transfer arrangements</li> </ul>	<ul style="list-style-type: none"> <li>• Advise what financial information should be shared with other parties</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare documentation for estate tax or gift purposes, including IRS filings</li> </ul>
APPRAISER	<ul style="list-style-type: none"> <li>• Estimate the value of your tangible and business assets</li> </ul>	<ul style="list-style-type: none"> <li>• Appraise the value of land, including its agricultural value, to support use of certain tools, including a conservation easement</li> <li>• Determine a list price, if selling the property</li> </ul>		<ul style="list-style-type: none"> <li>• Update appraisals as needed</li> </ul>
ATTORNEY	<ul style="list-style-type: none"> <li>• Identify present ownership interests of assets</li> </ul>	<ul style="list-style-type: none"> <li>• Describe legal options and available tools based on goals, assets, and liabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Advise what legal information should be shared with other parties</li> </ul>	<ul style="list-style-type: none"> <li>• Help develop a compelling proposal</li> <li>• Directly advocate for proposals or offer support for self-advocacy</li> <li>• Ensure transfer documents are legally valid</li> <li>• Help with executing transfer documents</li> </ul>
FINANCIAL PLANNER	<ul style="list-style-type: none"> <li>• Catalog tangible and financial assets</li> <li>• Assist with goal setting and planning for future financial needs</li> </ul>	<ul style="list-style-type: none"> <li>• Explain which tools will work with financial goals and business structure</li> <li>• Help decide whether to transfer the business in addition to tangible assets</li> <li>• Advise how to structure the transfer to ensure financial stability</li> </ul>		<ul style="list-style-type: none"> <li>• Conduct regular reviews of financial plan to ensure individuals have the resources to address their financial needs</li> </ul>
MEDIATOR			<ul style="list-style-type: none"> <li>• Help the parties communicate their needs</li> <li>• Serve as an objective and empathetic listener</li> <li>• Help build trust and navigate conflict if it arises</li> </ul>	<ul style="list-style-type: none"> <li>• Review areas of mutual interest and highlight what remains to be reconciled</li> <li>• Guide discussions, foster understanding, and encourage creative problem-solving</li> <li>• Upon request, provide written record of points of agreement and final decisions</li> </ul>



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## Build Your Team Worksheet

Use this worksheet to identify professional advisors to support your transfer. Key professionals may include a certified public accountant, an attorney, and an appraiser. Review Build Your Team Information Sheet to learn about various types of experts who can facilitate a successful transfer and when to engage them.

*Before entering information into this worksheet, download the file to your computer so you can save your work.*

NAME OF PROFESSIONAL ADVISOR	TYPE OF EXPERTISE	CONTACT INFORMATION



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## Values Information Sheet

Our values reflect our closely held beliefs and core principles. Review the examples provided below to think about the values you hold that are important to the way you will participate in your farm/ranch transfer process.

Accountability	Fairness	Professionalism
Accuracy	Faith	Purity
Achievement	Family	Purpose
Altruism	Freedom	Quality
Ambition	Fun	Reliability
Assertiveness	Generosity	Resiliency
Bravery	Goodness	Resourcefulness
Calmness	Grace	Responsibility
Carefulness	Grit	Restraint
Cheerfulness	Happiness	Security
Cleverness	Hard Work	Self-control
Commitment	Health	Selflessness
Community	Helping Society	Self-reliance
Compassion	Honesty	Sensitivity
Competitiveness	Honor	Serenity
Consistency	Humility	Service
Control	Independence	Simplicity
Cooperation	Ingenuity	Speed
Courage	Insightfulness	Spontaneity
Courtesy	Intelligence	Stability
Creativity	Intuition	Strategic
Curiosity	Joy	Strength
Decisiveness	Judgement	Structure
Dependability	Justice	Success
Determination	Leadership	Support
Diligence	Legacy	Sustainability
Discipline	Love	Teamwork
Discretion	Loyalty	Temperance
Diversity	Obedience	Thankfulness
Duty	Openness	Thoroughness
Effectiveness	Order	Thoughtfulness
Efficiency	Originality	Timeliness
Empathy	Patriotism	Tolerance
Enthusiasm	Perfection	Traditionalism
Equality	Persuasiveness	Understanding
Excellence	Planning	Unity
Expertise	Positivity	Usefulness
Eloquence	Practicality	Vision



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# Vision, Values and Goals Worksheet

Our values reflect the beliefs which guide our lives and our actions, with friends and family, at work—or on the farm—and in our communities. They are important because they help us live lives of purpose, and to grow and create a meaningful future. Sharing values also can help move the farm or ranch transfer process along.

*Before entering information into this worksheet, download the file to your computer so you can save your work.*

1. Review the examples of values on the Values Information Sheet. List up to five which are most important to you as you move forward in your farm or ranch transfer process. If you hold values that are not found on the Values Information Sheet, please feel free to add your own.

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2. Create a short phrase or sentence combining these and other words to express your values in a values statement related to your farm or ranch transfer. Examples of a values statement:

- *I value health, hard work, and honesty, and want my farm both to make a profit and a positive contribution to my community.*
- *I value educating this generation to be good stewards of the land and to leave my land as a legacy for my family and for future generations.*

3. A vision statement is an inspiring way to express where you want to be and what you hope to achieve in the future. Think of it as your destination at least five years in the future. It should be based on your values and set your direction for planning and implementing strategies.

Here are examples of a vision statement:

- *To operate an economically and ecologically sustainable family farm to ensure future generations can continue in farming.*
- *To run a humane and sustainable livestock operation that produces world-class beef for domestic and global markets.*

Draft a short vision statement of what you want to achieve with your farm or ranch.

4. Goals are specific aims or results which help you achieve your vision, based on your values. In a sentence or two, describe a goal for your farm or ranch transfer process.



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# Goal Ranking Worksheet

Use this worksheet to consider and rank your goals. It includes some examples and leaves room for you to add additional goals. Part 1 is for the owner of the farm or ranch. Part 2 is for the incoming farmer or rancher. Fill out the section which applies to you and rank any goal that applies to you between 1 and 5 where 1 represents your lowest priority and 5 represents your highest. Once you finish, imagine the other party’s goals, as these too will affect the transfer process.

*Before entering information into this worksheet, download the file to your computer so you can save your work.*

PART 1: LANDOWNER GOALS					
Prioritize the importance of each goal. 1 = lowest priority and 5 = highest priority.	1	2	3	4	5
<b>Personal Goals (treatment of heirs)</b>					
Pass down a legacy					
Treat my heirs fairly					
Treat my heirs equally					
Keep ownership of the farm/ranch property in my family					
Keep the farmland/ranchland in active agricultural use whether or not it remains in my family					
Protect the farmland/ranchland for future generations					
Have sufficient financial resources to retire					
Have sufficient financial resources to afford quality healthcare					
<b>Financial Goals</b>					
Provide financial assistance to family members to acquire the farm/ranch land/property					
Provide financial assistance to family members to acquire the farm/ranch business					
Provide financial assistance to someone other than family to acquire the land/property					
Provide financial assistance to someone other than family to acquire the farm/ranch business					
Ensure financial security for my spouse/family members					
Receive full fair market value for the farm/ranch assets					
Reduce or eliminate debt					
<b>Business Goals</b>					
Maintain a decision-making role in the farm/ranch business after the transfer					
Play a mentoring role in the farm/ranch business after the transfer					
Maintain another role in the farm/ranch business after the transfer (specify the role):					
Transfer ownership and management of the farm/ranch business within my family					
Continue the farm/ranch business even if it is not owned or managed by my family					

PART 2: FARM OR RANCH SEEKER GOALS					
Prioritize the importance of each goal. 1 = lowest priority and 5 = highest priority.	1	2	3	4	5
<b>Personal Goals</b>					
Raise a family on a farm/ranch					
Farm or ranch with my spouse or family members					
Farm or ranch with non-relative(s)					
Farm or ranch alone					
Live on the land where I farm/ranch					
Afford childcare					
Afford healthcare					
Take vacations					
<b>Financial Goals</b>					
Be financially secure myself					
Ensure financial security for family members					
Invest everything I have in acquiring a farm/ranch					
Balance household financial goals with investment in a farm/ranch					
Invest in retirement					
Reduce or eliminate debt					
<b>Business Goals</b>					
Farm or ranch full time/support my household					
Farm or ranch part time/supplement household income					
Own cropland land					
Long term lease of cropland					
Own pasture or rangeland					
Long term lease of pasture or rangeland					
Take over an existing farm/ranch business					
Start a new farm/ranch business					
Be the primary decision-maker of the farm/ranch business					
Work with the current owner of the farm/ranch business					

This worksheet was inspired by and adapted from *Cultivating Your Farm's Future—Farm Succession Planning in Wisconsin*.



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## SMART Goals Information Sheet

Goals are targets to help you get where you want to go. They are important both to personal fulfillment and farm or ranch business success.

The best goals are based on your values and advance your vision. They should be simple, yet specific enough to explain what you want and need. They should cover the 5 Ws: Who, What, Where, When, Why, and also the How of what you want to achieve. Example: “To inherit my grandfather’s vegetable farm in Ohio and make it financially viable by diversifying markets and increasing crop yields so that in 5 years I can farm full time and still support my family.”

**SMART** goals are Specific, Measurable, Attainable, Results-focused, and Time bound.

**S = Specific.** Example: To take over my grandfather’s vegetable farm in Ohio and produce a seasonally diverse mix of fruits and vegetables and sell both to wholesale markets and direct-retail through farmers markets and local schools.

**M = Measurable.** Example: To earn an annual gross income of \$250,000 by Year 5 by increasing crop yields 10 percent and sales by \$75,000.

**A = Attainable.** Example: To earn an annual gross income of \$250,000 by increasing annual revenues by \$15,000/year over the next 5 years by improving soil health and boosting sales by adding new farmers’ markets and a local school or university to the marketing portfolio.

**R = Results-Focused.\*** Example: Increase crop yields by 2%/year increase by improving soil health through organic practices and boost sales by \$15,000/year by adding 3 farmers’ markets and securing a contract with a to local school or university.

**T = Timely (or Time-bound).** Example: To increase sales by \$75,000 by adding 1 farmers’ market in years 1, 2, and 3, and having a contract with a to local school or university by year 4.

Setting SMART goals may seem challenging at first. You have to think about what you really want to achieve and what it will take to get there. But with practice, it will become second nature and help you stay focused on the things that will help you get where you want to go.

\* Some people use Realistic or Relevant for the “R” in SMART goals.



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# SMART Goals Worksheet

Identify up to three overarching goals for your farm/ranch transfer from the Goal Ranking Worksheet. Make sure they move your vision forward and reflect your values. Then refer to the SMART Goals Information Sheet to make those goals “SMART.” End by summarizing your goals in a clear statement.

*Before entering information into this worksheet, download the file to your computer so you can save your work.*

## GOAL 1:

1. SPECIFIC: Who? What? Where? Why?

2. MEASURABLE: How much?

3. ATTAINABLE: How? What steps or tools are needed?

4. RESULTS-ORIENTED: Does it get me where I want to go?

5. TIMELY: By When?

Summarize the goal in one sentence:

## GOAL 2:

1. SPECIFIC: Who? What? Where? Why?

2. MEASURABLE: How much?

3. ATTAINABLE: How? What steps or tools are needed?

4. RESULTS-ORIENTED: Does it get me where I want to go?

5. TIMELY: By When?

Summarize the goal in one sentence:

**GOAL 3:**

1. SPECIFIC: Who? What? Where? Why?

2. MEASURABLE: How much?

3. ATTAINABLE: How? What steps or tools are needed?

4. RESULTS-ORIENTED: Does it get me where I want to go?

5. TIMELY: By When?

Summarize the goal in one sentence:



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## Asset Inventory Worksheet

Assets are things that have value. They include tangible or physical things like land and money. They also include intangible or nonphysical things like knowledge and experience. Both may play a role in your transfer.

EXAMPLES OF TANGIBLE ASSETS	EXAMPLES OF INTANGIBLE ASSETS
Cash	Business acumen
Crops/orchards/vineyards	Client/vendor lists
Equipment	Communication skills
Farm structures	Farm/management experience
Investments/savings	Healthy soil
Land	Relationships
Livestock	Your brand
Other	Other

Based on the examples above, list the different types of assets involved in your transfer. Use the left column to identify the assets you would like to transfer. Use the right column to name any assets you would like to acquire through the transfer.

*Before entering information into this worksheet, download the file to your computer so you can save your work.*

ASSETS TO TRANSFER	ASSETS TO ACQUIRE

Now, consider the transfer from the other party’s point of view. What assets do they want to acquire? What do you think they want to transfer to you?

ASSETS TO TRANSFER	ASSETS TO ACQUIRE



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# Needs Assessment Worksheet

Think about your current situation. In Part 1, use the checklists to identify things you need to achieve your goals. Start with your tangible needs – the physical assets involved in your transfer. They may include real estate, equipment, and other agricultural assets, as well as financial needs like income.

Then consider your deeper personal needs. How do you feel about the transfer process and what lies ahead? Follow the 3-step process to connect your feelings to your needs so that you can achieve the goals of your transfer process.

In Part 2, list the main parties involved in your transfer situation. Think about the transfer from their point of view. Use the checklist in Part 3 to identify their needs. Circle the items where you are not sure, which suggest the need for future conversations. Use Part 4 to list some ways that your transfer could meet both your needs and the needs of the other parties involved.

*Before entering information into this worksheet, download the file to your computer so you can save your work*

## Part 1: Your Needs

### TANGIBLE NEEDS

Think about your current situation. What physical assets do you need to achieve your goals? What else do you need to feel comfortable passing on your farm? Check the items below that reflect things you need and add any other needs that are not on the list.

Cash

Commitment to conservation of the land

Equipment—SPECIFY AS NEEDED:

Farm/Ranch infrastructure

Health care

Housing

Income

Investments

Land

Long term care

Reduce or eliminate debt

Role in farm/ranch management

Vacations

Vehicles

Other needs (please describe):

**DEEPER PERSONAL NEEDS**

Transferring your farm may mean changes in multiple areas of your life, not just a change in your career or business role. This kind of life change can evoke a wide range of feelings. Your feelings provide information—they are a window into your deeper personal needs. The following steps lead you through a process to identify your feelings and needs and decide how to address them in your transfer.

**Step 1: Name Your Feelings**

The following list offers examples of feelings. In the first table, circle or check the positive feelings you have when you think about your transfer process and your changing roles. Use the last two spaces to add any other feelings you may have about the process. These are the kinds of feelings that arise when needs are met:

Calm	Excited	Proud
Confident	Enthusiastic	Relieved
Content	Fulfilled	Trusting
Delighted	Grateful	
Engaged	Hopeful	

Now circle or check the negative feelings you have when you think about the transfer process. These are examples of feelings that arise when your needs are not met. Use the last row to add feelings this list may have missed.

Angry	Discouraged	Overwhelmed
Anxious	Distrustful	Sad
Bitter	Exhausted	Sad
Cantankerous	Frustrated	Stressed
Confused	Heartbroken	Worried

**Step 2: Connect Your Feelings to Needs**

Now that you have named some of your feelings, what can you learn from them? Feelings reveal whether or not your deeper personal needs are being met. Beyond achieving material needs like housing and income, do you need social connections or to leave a legacy? Or for the process to go smoothly, do you need to be recognized and respected?

In the following table, circle any deeper personal needs that are central to your transfer goals. Use the bottom row to add any that are not included in this list of examples.

Acceptance	Family relationships	Respect
Affection	Legacy	Rest
Belonging	Love	Security
Clarity	Meaning	Support
Communication	Peace of mind	Trust
Community	Power	Understanding
Connection	Purpose	Wellbeing

Add the feelings you circled in Step 1 to the left column of the box below. Then, for each feeling, identify the deeper need it signifies. Consider the example in the box to get started.

FEELINGS	NEEDS
<i>Overwhelmed: I feel overwhelmed and frustrated by the transfer process.</i>	<i>I need security and more power to move forward.</i>

**Step 3: Ensure your deeper personal needs are reflected in your Vision and Goals.**

Refer to the needs you identified above. Fill out the table below to explore how you are meeting your deeper personal needs now, and how you might meet them after the transfer. Consider the example in the box to get started.

DEEPER PERSONAL NEEDS	HOW ARE NEEDS BEING MET NOW?	HOW CAN NEEDS BE MET IN THE FUTURE?
<i>A sense of meaning and purpose</i>	<i>Producing food for my family and community</i>	<i>Stay active in Farm Bureau and volunteer on local boards</i>
<i>Family relationships and connection</i>	<i>Farming with family members</i>	<i>I will move to a smaller house on the property so my daughter can move her growing family into the main farmhouse. I'll help out on the farm and with childcare.</i>

Once you have filled out the table above, revisit your original vision and goals. If necessary, update them to make sure they reflect all of your needs.

### Part 2: Needs of People Involved in Your Transfer

Now let's take a moment to think about the needs of the other people involved in the transfer. What are their material needs? Check off things you know for sure, add anything that is not included in the list, and circle any items you are not sure about so you can talk to them about it.

- Cash
- Commitment to conservation of the land
- Equipment—*SPECIFY AS NEEDED:*
- Farm/Ranch infrastructure
- Health care
- Housing
- Income
- Investments

- Land
- Long term care
- Reduce or eliminate debt
- Role in farm/ranch management
- Vacations
- Vehicles
- Other needs—*PLEASE DESCRIBE:*

List any follow up conversations you need to have.

Next think about their feelings. What is most important to them. If you haven't had a chance to discuss it, make a few guesses. List the feelings in the left column of the box below. Then, for each feeling, identify the deeper need it signifies. Consider the example in the box to get started.

FEELINGS	NEEDS
<i>Worried: I feel anxious about how long this process will take.</i>	<i>I need clarity and communication about how to move forward.</i>

**Part 3: Alignment of Needs**

As you look at both lists of needs. Can you think of some ways that your transfer situation can meet both your needs and the needs of those involved? List your ideas here.



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## Tab 2 | Assess Your Financial Position

It is good to have a solid understanding of your financial position to know what you need to get out of the transfer. If you work with a financial advisor, they can help you assess your position.

### Use Financial Statements

Basic financial statements include the balance sheet, income statement and cash flow statement. Use them to confirm your financial position. You also could ask to review the incoming producer's financial statements to assess their ability to complete the transfer.

A **balance sheet** lists your tangible assets and your liabilities—any amounts owed to others. It shows your net worth (the value of your assets minus your liabilities) to provide a snapshot of your current financial position.

An **income statement** is a summary of all sources of revenue and expenditures for a specific time period. A farm's income statement is typically generated annually and used to calculate the net profit or loss for the entire year. However, some farmers

might generate them more frequently for internal analysis.

The difference between your income and expenses represents your **net income**—in other words, your bottom line. If income exceeds expenses, the farm or ranch is generating profit; if expenses outstrip income the operation has a loss. Use the income statement to show your business is profitable and has value and to determine how much income you will need to replace after the transfer.

A **cash flow statement** records sources of cash and details how it is spent over a time. It includes cash flows from operating, investment and financing activities essentially showing how much liquid cash the business has generated or used throughout the reporting period.

Typically, on a farm or ranch cash flow statements are prepared monthly because cash flow can vary widely from month to month during a calendar year. Use your cash flow statement to show how you spend money over time, based on how much cash is flowing in and out of your business.

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## Budget for Future Needs

A budget is basically a forward-looking cash flow statement. It estimates future expenses relative to expected income. The easiest way to develop a budget is to look at past spending and think about what is going to change once the farm or ranch transfer is complete. You can fill out the worksheet below to get started.

Use your budget to determine the amount you need to net from the sale of your assets. Consider the costs to execute the transfer, like hiring advisors, providing for heirs, and/or transaction costs (e.g. attorney's fees, recording fees, taxes, etc). Things could change considerably after you transfer your farm or ranch. Consider which will stay the same while also anticipating future needs including health care, housing, and so on.

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## Estimate the Value of the Assets Being Transferred

Once you have identified and prioritized the assets you plan to transfer, estimate their value. This will help you prepare for future conversations with your advisors and key stakeholders. You can use preliminary numbers in your budget to get a sense of your bottom line. Fill out the Financial Assets Inventory Worksheet to describe your assets and estimate their value.

Think about the value of the asset to the incoming producer. Is it something they need for their farm or ranch enterprise? If not, you may need to sell it to someone else. Also consider the condition of the asset.

Places where the numbers are far apart will need further conversation. Formal appraisals can fill in gaps and inform talks later in the process.

## Valuing Land and Infrastructure

A good place to begin is by consulting the [Census of Agriculture](#) and other reports on [Land Values](#) and [Cash Rents](#) compiled by the USDA National Agricultural Statistics Service. Consult [Cooperative Extension](#) and county and municipal experts, such as assessors and building inspectors, who can provide specific, localized information. Private sources include real estate agents and listing services, like Zillow or Trulia. You also can gather information by talking to other producers and/or agricultural service providers. Review the Assets Inventory Information Sheet to find common sources of information. For a more definitive assessment later in your process, hire an appraiser.

## Valuing a Business

Assigning value to a farm or ranch business is both art and science. Valuation methods range from financial estimates to approximate net profit to estimating each tangible asset separately. This could be based on current market value or the book value from the balance sheet. They include inventorying assets like grain, feed, supplies, and livestock usually determined by current local market prices and other real-life valuations. Other approaches analyze comparable businesses or assess the capitalization rate by estimating the potential return on investment by dividing a property's net operating income by its market value. Farm Credit or another qualified business valuation specialist can help.

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## Sample Financial Statements

**Vegetable Grower**  
**Vegetable Farm LLC • Business Balance Sheet**  
 As of 12/31/2022

ASSETS	
Cash - Checking Account	\$1,000
Accounts Receivable	\$5,000
Inventory of Finished Goods	\$10,000
Tractors and Farm Equipment	\$20,000
Buildings and Leasehold Improvements	\$50,000
Land	\$200,000
<b>Total Assets</b>	<b>\$286,000</b>
LIABILITIES	
Accounts Payable	\$5,000
Equipment Loan	\$5,000
Mortgage	\$110,000
<b>Total Liabilities</b>	<b>\$120,000</b>
<b>Net Worth (Owner's Equity)</b>	<b>\$166,000</b>
Percent Net Worth	58%

**Corn/Soybean Grower**  
**Cash Crop Farm LLC • Business Balance Sheet**  
 As of 12/31/2022

CURRENT ASSETS	
Cash and Savings	\$21,730
Accounts Receivable	33,697
Products Held for Sale/Finished Inventory	56,082
Supplies	8,438
Prepaid Expenses	12,038
<b>Total Current Assets</b>	<b>131,985</b>
INTERMEDIATE ASSETS	
Vehicles	36,829
Machinery & Equipment	403,044
Less: Accumulated Depreciation	(131,962)
<b>Total Intermediate Assets</b>	<b>307,911</b>
LONG TERM/FIXED ASSETS	
Farm Real Estate	830,859
Leasehold Improvements	10,963
Total Long-Term Assets	841,822
<b>Total Assets</b>	<b>1,281,718</b>
CURRENT LIABILITIES	
Accounts Payable	12,537
Credit Card Balance	3,257
Operating Loan	32,798
Current Portion of Long Term Loans	20,852
<b>Total Current Liabilities</b>	<b>69,444</b>
INTERMEDIATE LIABILITIES	
Equipment Loan	62,763
Capital Leases	24,953
<b>Total Intermediate Liabilities</b>	<b>87,716</b>
LONG TERM LIABILITIES	
Real Estate Mortgage	102,778
Other Long-Term Loans	40,837
Total Long-Term Liabilities	143,615
<b>Total Liabilities</b>	<b>300,775</b>
<b>Net Worth</b>	<b>980,943</b>
Percent Net Worth	77%

**Dairy Producer**  
**Dairy LLC • Business Balance Sheet**  
As of 12/31/2022

CURRENT ASSETS	
Cash and Savings	\$22,580
Accounts Receivable	20,623
Feed Inventory	77,524
Supplies	2,496
Prepaid Expenses	8,478
<b>Total Current Assets</b>	<b>131,701</b>
INTERMEDIATE ASSETS	
Livestock	148,916
Cooperative Stock	11,594
Vehicles	24,538
Machinery & Equipment	256,997
Less: Accumulated Depreciation	(36,273)
<b>Total Intermediate Assets</b>	<b>405,772</b>
LONG TERM/FIXED ASSETS	
Farm Real Estate	583,286
Leasehold Improvements	2,436
Total Long-Term Assets	585,722
<b>Total Assets</b>	<b>1,123,195</b>
CURRENT LIABILITIES	
Accounts Payable	5,928
Credit Card Balance	3,257
Operating Loan	3,847
Current Portion of Long Term Loans	29,543
<b>Total Current Liabilities</b>	<b>42,575</b>
INTERMEDIATE LIABILITIES	
Equipment Loan	85,786
Capital Leases	2,953
<b>Total Intermediate Liabilities</b>	<b>88,739</b>
LONG TERM LIABILITIES	
Real Estate Mortgage	186,754
Other Long-Term Loans	28,002
Total Long-Term Liabilities	214,756
<b>Total Liabilities</b>	<b>346,070</b>
<b>Net Worth</b>	<b>777,125</b>
Percent Net Worth	69%

**Vegetable Grower**  
**2022 Vegetable Farm • Income Statement**  
 Year Ending 12/31/2022

FARM INCOME		% SALES
Total Farm Sales	165,231	100.0%
VARIABLE EXPENSES		
Chemicals and fertilizers	4,074	2.5%
Custom Hire	5,328	3.2%
Employee Benefit Package	5,740	3.5%
Freight and Trucking	1,943	1.2%
Gasoline, Fuel, and Oil	4,791	2.9%
Labor Hired	43,224	26.2%
Seeds and Plants Purchased	11,848	7.2%
Supplies Purchased	17,333	10.5%
Cost of Goods Sold	2,874	1.7%
<b>Total Variable Expenses</b>	<b>97,155</b>	<b>58.8%</b>
<b>Gross Margin</b>	<b>68,076</b>	<b>41.2%</b>
Gross Margin as % of Sales	41.20%	
FIXED EXPENSES		
Car & Truck Expenses	1,538	0.9%
Deprec./Amort./Depl.	12,710	7.7%
Insurance	3,917	2.4%
Interest Expense	1,685	1.0%
Rent or Lease	7,947	4.8%
Repairs and Maintenance	7,536	4.6%
Property & Excise Taxes	2,782	1.7%
Utilities	1,873	1.1%
Other Expenses	8,983	5.4%
<b>Total Fixed Expenses</b>	<b>48,971</b>	<b>29.6%</b>
<b>Net Margin</b>	<b>19,105</b>	<b>11.6%</b>
Net Margin as % of Sales	11.56%	0.0%

**Corn/Soybean Grower**  
**Cash Crop Farm LLC • Business Income Statement**  
 1/1/2022 - 12/31/2022

FARM INCOME	
Crop Sales	\$352,402
Other Income	41,945
<b>Total Farm Income (a)</b>	<b>394,347</b>
VARIABLE EXPENSES	
Chemicals / Crop Protection	25,181
Custom Hire	6,572
Fertilizers and Lime	52,967
Freight and Trucking	2,864
Gasoline, Fuel and Oil	14,195
Labor Hired & Related Expenses	10,058
Seeds and Plants Purchased	32,691
Supplies Purchased	10,336
Total Variable Expenses (b)	154,864
<b>Gross Margin (a-b)</b>	<b>239,483</b>
Gross Margin as % of Sales	61%
FIXED EXPENSES	
Insurance	13,871
Interest Expense	9,922
Rent or Lease	28,597
Repairs and Maintenance	29,058
Property and Excise Taxes	11,130
Utilities	5,136
Other Expenses	10,197
Depreciation	65,938
<b>Total Fixed Expenses (c)</b>	<b>173,849</b>
<b>Total Expenses (b+c)</b>	<b>328,713</b>
<b>Net Margin/Profit (a-b-c)</b>	<b>65,634</b>
Net Margin as % of Sales	17%

**Dairy Producer**  
**Dairy LLC • Business Income Statement**  
 1/1/2022 - 12/31/2022

FARM INCOME	
Milk Sales	\$245,348
Livestock Sales	37,128
Other Income	31,144
<b>Total Farm Income (a)</b>	<b>313,620</b>
VARIABLE EXPENSES	
Chemicals/Crop Protection	4,012
Custom Hire	7,072
Feed Purchased	81,396
Fertilizers and Lime	9,316
Freight and Trucking	15,844
Gasoline, Fuel and Oil	9,724
Labor Hired & Related Expenses	19,856
Seeds and Plants Purchased	8,772
Supplies Purchased	30,804
<b>Total Variable Expenses (b)</b>	<b>186,796</b>
<b>Gross Margin (a-b)</b>	<b>126,824</b>
Gross Margin as % of Sales	40%
FIXED EXPENSES	
Insurance	5,848
Interest Expense	9,520
Rent or Lease	4,896
Repairs and Maintenance	19,652
Property and Excise Taxes	8,092
Utilities	8,228
Other Expenses	7,548
Depreciation	36,652
<b>Total Fixed Expenses (c)</b>	<b>100,436</b>
<b>Total Expenses (b+c)</b>	<b>287,232</b>
<b>Net Margin/Profit (a-b-c)</b>	<b>26,388</b>
Net Margin as % of Sales	8%

**Vegetable Grower**  
**Vegetable Farm, LLC • Business Cash Flow Statement**  
 1/1/2022 - 12/31/2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$146,000
Cash payments to employees and suppliers	(\$120,000)
<b>Cash generated from operations</b>	<b>\$26,000</b>
CASH FLOWS FROM INVESTMENT ACTIVITIES	
Equipment purchased	\$(10,000)
Proceeds from Sales of Equipment	\$5,000
<b>Net cash flow from investment activities</b>	<b>\$(5,000)</b>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from paid-in capital investment	\$5,000
Proceeds from loan	\$10,000
Repayment of loans	\$(7,000)
<b>Net cash flow from financing activities</b>	<b>\$8,000</b>
<b>Net Increase (Decrease) in Cash</b>	<b>\$29,000</b>
Cash on hand January 1, 2017	\$5,000
Cash on hand December 31, 2017	\$34,000

**Corn/Soybean Grower**  
**Cash Crop Farm LLC • Statement of Cash Flows**  
 1/1/2022 – 12/31/2022

<b>Net Cash Flow from Operating Activities (Net Income + Depreciation*)</b>	<b>\$131,572</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Money Borrowed (Equipment Loan)	100,000
Principal Paid	(24,109)
<b>Net Cash Flow from Financing Activities</b>	<b>75,891</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	
Equipment Sold	11,500
Equipment Purchased	(120,000)
<b>Net Cash Flow from Investment Activities:</b>	<b>(108,500)</b>
<b>Net Cash Flow</b>	<b>\$98,963</b>

\* For a more complex business, this would also take into account changes in inventory, as well as changes in accounts payable and receivables.

**Dairy Producer**  
**Dairy LLC • Statement of Cash Flows**  
 1/1/2022-12/31/2022

<b>Net Cash Flow from Operating Activities (Net Income + Depreciation*)</b>	<b>\$63,040</b>
<b>Cash Flow from Financing Activities</b>	
Money Borrowed (Equipment Loan)	50,000
Principal Paid	(32,800)
<b>Net Cash Flow from Financing Activities</b>	<b>17,200</b>
<b>Cash Flow from Investment Activities</b>	
Equipment Sold	6,200
Equipment Purchased	(76,000)
<b>Net Cash Flow from Investment Activities</b>	<b>(69,800)</b>
<b>Net Cash Flow</b>	<b>\$10,440</b>

\* For a more complex business, this would also take into account changes in inventory, as well as changes in accounts payable and receivables.



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# Balance Sheet Worksheet

Use this worksheet to list your assets and liabilities and calculate your net worth.

*Before entering information into this worksheet, download the file to your computer so you can save your work.*

ASSETS		LIABILITIES	
Current Assets		Current Liabilities	
Cash		Accounts Payable	
Notes Receivable		Credit Cards (specify)	
Savings Account		Notes payable (specify)	
Crops held for resale			
Inventory		Line of Credit	
Other current assets:		Other liabilities	
Subtotal Current Assets		Subtotal Current Liabilities	
Non Current Assets		Non Current Liabilities	
Cars/Trucks/Boats		Current portion of long term debt	
Machinery & Equipment		Mortgages (specify)	
Shops & Supplies		Land	
Dairy/Livestock		House	
Breeding livestock		Other real estate	
Other livestock		Other long term loans	
Farm, Forest and/or Ranch Land		Other	
Acres			
Acres			
Acres			
Residence			
Other real estate			
IRA/401k or other retirement account			
Other			
Subtotal Non Current Assets		Subtotal Non Current Liabilities	
<b>TOTAL ASSETS</b>		<b>TOTAL LIABILITIES</b>	
Your net worth equals Total Assets (above) MINUS Total Liabilities (above):			
<b>NET WORTH</b>			



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## Glossary of Business, Financial and Legal Terms

**Accrual:** A method of accounting that matches expenses with revenues. Under accrual accounting, inventory purchased in one season, but not used until the next, will be expensed only when used, even though it might have been paid for in the previous year.

**Affidavit:** A sworn statement.

**Amortization:** Similar to depreciation, this is the erosion in value over time of an asset. Usually used for intangible assets including prepaid expenses, patents, loans, and the like.

**Appurtenance:** A fixed or immovable structure, such as a barn or a shed, which is passed along with the sale or transfer of a property.

**Assessed value:** The value of the land and buildings/structures used to calculate property taxes.

**Assets:** Assets are things of value. They may be tangible or intangible. Tangible assets are physical property that have monetary value. Examples include land, buildings, and equipment. Intangible Assets are things of value that are not physical property like a valued brand name, a patent, a customer list, or intellectual property.

**Balance Sheet:** A financial statement that provides a “snapshot” of your financial position by listing assets and liabilities at a specific point in time, usually at the end of the quarter or year.

**Basis:** The cost of an item, for tax purposes. This may be different than the actual purchase price. Often comes into play in an estate tax or capital gains situation.

**Beneficiary:** The person or people named to receive a benefit in a will, trust, or insurance policy.

**Bequest:** A gift made as part of a will or trust that transfers at death.

**Budget:** A spending plan based on estimated income and expenses over a set period of time.

**Business Plan:** A plan that describes the type of business you want to build and how it will make money.

**Buy/Sell agreements:** Formal agreements that spell out terms of ownership transfer in the event of death, divorce, disability, dissolution, or disaster. They often address valuation, discounts, terms of sale, and possible restrictions on asset transfers.

**Capital gains:** A type of income generated when an asset is sold for more than its basis (usually its purchase price). This can include land, stocks, or other appreciating assets not part of the business's core operations and held for an extended period. It does not include inventory. Capital gains are generally taxed at a lower rate than ordinary income.

**Cash Flow Statement:** A basic financial statement that summarizes incoming and outgoing cash over a specific period—like a month, a quarter, or a year. It details how much cash is available and used for operations, investments, and financing to measure a business' financial health.

**Certificate of title:** A legal statement indicating that the title to property like real estate or a vehicle is legally held by the current owner and is free and clear of any encumbrances.

**Collateral:** Property pledged to secure a bank loan.

**Comparative market analysis:** A realtor's analysis used to estimate a competitive sales price for a property. It reviews factors including recent sales of comparable properties, pending sales and listings of similar properties to arrive at "Fair Market Value."

**Conservation easement:** A voluntary deed restriction placed on a property to limit development and to conserve natural resources. An **agricultural conservation easement** is specifically designed to protect farmland and ranchland.

**Corporation:** An organization that is recognized as a separate legal entity and distinct from its owners including nonprofits and cooperatives (see Business Structure Information Sheet). Many farms operate as Subchapter-S Corporations or LLCs. There can be tax, liability, and legal advantages to forming a corporation.

**Debt-to-asset ratio:** Measures total liabilities against total assets.

**Deed:** A legal document that conveys title (ownership) to real property including land and buildings.

**Deed restrictions:** Provisions placed in deeds to control how future owners may or may not use the property.

**Depreciation:** The loss of an asset's value over time.

**Encumbrance:** A claim against real estate or other assets by a person or entity that does not own the asset. Common real estate encumbrances include liens, leases, mortgages, easements and other deed restrictions or covenants.

**Estate:** All assets that a person owns while living or at the time of death.

**Estate plan:** A plan to transfer an individual's assets (and debts) upon their death.

**Estate settlement:** See probate process.

**Estate tax:** Also known as inheritance or death taxes, estate taxes are levied by the state and/or federal government to the person who inherits the descendant's property.

**Equity:** In real estate, equity refers to how much property a holder owns, including the difference between a property's market value and the amount owed on a mortgage or other loans. In business, it refers to the value of shares issued by a corporation and is calculated by the company's total assets minus its total liabilities. Legally, including in transfer planning, it refers to being fair and just.

**Equity-to-asset ratio:** Measures the percentage of business assets that you own, net of any borrowing.

**Executor:** A person named in a will to carry out its instructions. Female executors are called executrix. Depending on the state, this role may be referred to as the administrator or personal representative.

**“Fair vs. Equal”:** In transfer or estate planning, an “equal” distribution means that property is divided in equal percentages among heirs. In a “fair” or equitable distribution, property may be divided based upon the contributions and needs of beneficiaries so the economic value of shares may be different.

**Farm succession:** The process of transferring ownership of the farm/ranch business and real property from one generation to the next.

**Financial Statements:** The basic trio of Balance Sheet, Income and Cash Flow Statements.

**Fixed costs:** Business expenses that are constant whatever the quantity of goods or services produced.

**Fractionated Ownership** (Fractionation): When a trust parcel is owned by more than one owner as undivided interests. Fractionated ownership results from interests being divided when an owner dies without a will leading to numerous owners who must agree on how to use the land.

**Gift:** A transfer of an asset without any payment, or where the payment is less than full market value.

**Gross Margin:** Money left over from variable costs to cover fixed costs and profits.

**Ground Lease:** A long-term lease agreement where a tenant may own improvements they make on a piece of property but not the property itself.

**Heirs:** People designated by law to receive a deceased person’s property either by the terms of a will or by state law.

**Heirs’ property:** When an owner dies without a will their land is owned “in common” by all the heirs and state law decides who will inherit the land. When land is passed down through the generations without a will, each of these co-owners own a fractional—or partial interest in the land. Because these interests are undivided no co-owner can claim ownership of a specific portion of the land.

**Inheritance tax:** See estate tax.

**Income Statement:** The financial statement that shows a business’s performance over a period of time, such as a month or year depicting profit or loss.

**Intestate:** Leaving no legally valid will.

**Intestacy Laws:** State laws that decide how an estate is distributed among surviving heirs when the owner dies without a will.

**Joint Tenants, Tenants by the Entirety or Joint Tenancy:** Shared ownership. At the death of one owner, the property passes to the survivor(s) regardless of what is in the will. Tenants by the entirety is specific to married couples.

**Liabilities:** Debts, loans, legal obligations or risks.

**Lien:** A security interest in a property. Liens must generally be satisfied before a property can be sold.

**Limited Liability Company (LLC):** A business structure that combines the benefits of a corporation and a partnership. It offers limited liability protection so that the owners' personal assets are protected from business debts and lawsuits while also allowing for flexible management and taxation options.

**Liquidity:** The measure of a business' cash position or the ability of an asset to be converted to cash.

**Net Present Value:** A method to measure the present-day value of an investment. Future costs and benefits are plotted out on a timeline, then discounted by taking the **time value of money** into account (the loss in value of future returns due to interest costs and inflation).

**Opportunity Cost:** The loss of potential gain when one alternative is chosen over another.

**Option to Purchase:** An agreement which gives a buyer the sole right to buy property within a set time period for a fixed or sometimes variable price. During the option period, the seller is not allowed to work with any other potential buyers.

**Probate:** The process of settling the affairs of a deceased person. A **probate court** is a court of law with the authority to verify the legality of a will and carry out its instructions.

**Real Property:** Land and everything that is fixed or permanently attached to it including buildings and other structures.

**Return on Investment (ROI):** The amount of money a given investment is projected to yield calculated by: Net earnings/Value of investment. Similar equations measure return on assets and equity.

**Sale:** A transaction between two or more parties where assets are exchanged for a price. Sales can happen all at once, through installment payments over time, or phased by selling portions of the assets.

**Sole Proprietorship:** A basic business structure where all income and obligations of the farm flow through to the owner.

**Sunk Costs:** Money that already has been spent and cannot be recovered and/or assets that already have been purchased and are difficult or impossible to resell.

**Tax basis:** The amount of the landowner's capital investment in property (including value or cost when acquired) for tax purposes and is used to figure depreciation, amortization, depletion, casualty losses and any gain or loss on the sale, exchange or other disposition of the property.

**Tenancy in Common:** Shared ownership with undivided interests, meaning each owner possesses a share of the whole, but not a specific piece of the parcel. Owners have equal rights as long as they live. They can transfer their share—or interest by gift, sale or will, and decide who will own it when they pass away. But because their interests are undivided, they can't claim ownership of a specific portion of the land.

**Testate:** Having made a legally valid will.

**Title:** The right to or ownership of something.

**Transfer on death (TOD):** Designation of property to transfer upon death to someone according to the terms of the deed, will or trust documents, or “intestate” for someone who dies without a will.

**Trust:** Ownership and control of assets by a third party (*a fiduciary*) who manages the property and pays its income to a named person or people—or beneficiary—according to instructions given by the *trustor* who set up the trust. A *trustee* is the person or institution who holds the property in trust.

**Will:** A legal document directing the disposal of one’s property after death

**Variable costs:** Expenses that change in proportion to the level of production or sales.

**Working Capital:** Available cash that can be used to fund day-to-day operations of your farm.



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## Budget Assessment Worksheet

Use the table below to assess whether proceeds from the sale of assets or income from an operating agreement is enough to support your future needs. Consider whether you have money in hand or need to borrow money to acquire expertise or other assets. Identify information gaps that may require further conversation with the incoming producer, family, or a professional advisor.

*Before entering information into this worksheet, download the file to your computer so you can save your work.*

ASSETS INVOLVED IN THE TRANSFER	ASSESSMENT	INFORMATION NEEDED
Land		
Buildings		
Equipment		
Crops, orchards, livestock		
Intangible business assets		
Housing		
Professional advisors: accountant, appraiser, financial advisor, lawyer, mediator		
Other		



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# Budget Worksheet

Fill out the Budget Worksheet to estimate future income and expenses.

*Before entering information into this worksheet, download the file to your computer so you can save your work.*

INCOME	ANNUAL	AVERAGE MONTHLY	NOTE IMPACT PF FARM TRANSFER
Cash draw from farm/ranch	\$	\$	
Off-farm income	\$	\$	
Spouse or partner's income	\$	\$	
Social Security	\$	\$	
Pension	\$	\$	
Sale of land and equipment	\$	\$	
Other (specify)	\$	\$	
Total Income	\$	\$	
<b>PERSONAL EXPENSES</b>			
PERSONAL EXPENSES	ANNUAL	AVERAGE MONTHLY	NOTE IMPACT PF FARM TRANSFER
Personal Expenses	\$	\$	
Clothing	\$	\$	
Credit cards	\$	\$	
Food/groceries	\$	\$	
Education	\$	\$	
Entertainment	\$	\$	
Health care	\$	\$	
Housing (mortgage/rent)	\$	\$	
Insurance	\$	\$	
Professional advisors	\$	\$	
Retirement accounts	\$	\$	
Telephone/cable/internet	\$	\$	
Utilities	\$	\$	
Other	\$	\$	
Total Personal Expenses	\$	\$	
<b>BUSINESS EXPENSES</b>			
BUSINESS EXPENSES	AVERAGE MONTHLY	AVERAGE MONTHLY	NOTE IMPACT PF FARM TRANSFER
Fuel	\$	\$	
Insurance	\$	\$	
Interest	\$	\$	
Land purchase or rent	\$	\$	
Management advice	\$	\$	
Marketing	\$	\$	
Owner draw (salary)	\$	\$	
Professional advisors	\$	\$	
Real estate taxes	\$	\$	
Repairs	\$	\$	
Seed and inputs	\$	\$	
Utilities	\$	\$	
Other	\$	\$	
Total Business Expenses	\$	\$	
<b>TOTAL EXPENSES</b>	\$	\$	

## Financial Asset Information Sheet

Below are sources of information to help you estimate the value of the assets involved in your farm/ranch transfer. Information readily available from public and private sources to help you make initial estimates. You also can gather information by talking to other producers and/or agricultural service providers in your community. Later in your process, you may need to determine values using qualified appraisers.

### Cooperative Extension System

The Cooperative Extension System is a nationwide, non-credit educational network. Each state and U.S. territory has a state office at its land-grant university and a network of field offices with specialists who provide useful, research-based information about local agriculture including land values and rental rates and may assist with farm transfer. Use this link to find Extension specialists: <https://nifa.usda.gov/land-grant-colleges-and-universities-partner-website-directory>

### Farm Credit

The Farm Credit System is a nationwide network of borrower-owned lending institutions and specialized service organizations that provide loans and other services to agricultural producers, rural homeowners and agricultural businesses. Branch offices typically offer appraisal services that can help you determine the value of agricultural land, buildings, equipment and/or an ongoing business. To locate a branch office website visit: <https://farmcredit.com/locations>

### Local Government Offices

County and municipal offices house a wealth of information on local land use policy as well as individual parcels. They also have experts, such as assessors and building inspectors, who can provide information about specific properties including property taxes paid and property valuations and ordinances, zoning and other local policies that affect agricultural land values.

### Real Estate Agents

Real estate agents are licensed to help customers buy, sell and rent properties. They can provide parcel specific information and data about sale prices, local tax rates and community amenities.

### Real Estate Listing Services

There are many online real estate listing services under the umbrella of the National Multiple Listing Service (MLS). These services provide a listing of homes, farms and land available for sale or rent plus information on demographics, average sale prices, trends, tax rates and community services.

- Lands of America: <https://www.landsofamerica.com>
- National Multiple Listing Service: <http://www.mls.com>
- Realtor.com: <https://www.realtor.com>
- Trulia: <https://www.trulia.com>
- Zillow: <https://www.zillow.com>

### **Society of Rural Appraisers and Farm Managers**

The American Society of Farm Managers and Rural Appraisers is a professional association for rural property land experts. Members can help determine the value of agricultural land, buildings, equipment and/or an ongoing business. To find a professional use the society's online directory:

<http://www.asfmra.org/directory/find-experts2>

### **USDA National Agricultural Statistics Service**

The National Agricultural Statistics Service (NASS) conducts regular surveys of agricultural producers and landowners and publishes information about land values and cash rents. NASS data can provide a solid starting point for estimating asset values. Several data sources and publications are listed below.

#### **Census of Agriculture**

The Census of Agriculture provides a comprehensive summary of agricultural activity nationwide. It is the only source of uniform, comprehensive data about U.S. farms and ranches at the state and county level, including information about the value of land and buildings by county.

[https://www.nass.usda.gov/Publications/AgCensus/2022/Full\\_Report/Volume\\_1,\\_Chapter\\_1\\_US](https://www.nass.usda.gov/Publications/AgCensus/2022/Full_Report/Volume_1,_Chapter_1_US)

#### **Cash Rents Survey**

The Cash Rents Survey provides the basis for county estimates of the cash rent paid for irrigated cropland, non-irrigated cropland, and pasture. NASS conducts the county-level Cash Rents survey every year in all states except Alaska. U.S. and state estimates are released in August every year.

[https://www.nass.usda.gov/Surveys/Guide\\_to\\_NASS\\_Surveys/Cash\\_Rents\\_by\\_County/index.php](https://www.nass.usda.gov/Surveys/Guide_to_NASS_Surveys/Cash_Rents_by_County/index.php)

#### **Land Values 2025 Summary, USDA National Agricultural Statistics Service**

This annual report, released in August, provides data on average farm real estate values including land and buildings with average values for cropland and pasture broken out. Average values are provided by state, region and nationwide. <https://downloads.usda.library.cornell.edu/usda-esmis/files/pn89d6567/2n49w148w/m039n441h/land0825.pdf>



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## Financial Assets Inventory Worksheet

Use this worksheet to list the assets that will be transferred or acquired. This might include land, buildings, equipment, and/or aspects of the existing farm or ranch business. Think about the relevance of the asset to the new enterprise. Consider the condition of the asset. Estimate the value and note your source of information. For homework, try to find out what the other party thinks it is worth. Places where the numbers are far apart will need further conversation. There may be assets that are not of interest to the other party. If so, you may need to find another buyer. Formal appraisals can fill in gaps and inform talks later in the process.

ASSET (describe)	YOUR ESTIMATE OF VALUE (note basis of value; sources of information supporting the estimate)	WHAT THE OTHER PARTY THINKS IT IS WORTH (note basis of value; sources of information supporting the estimate)
Land		
Buildings		
Equipment		
Crops/Orchards/Livestock		

<p><b>Intangible business assets</b> (e.g., customer lists)</p>		
<p><b>Housing</b></p>		
<p><b>Other</b></p>		



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## Tab 3 | Choose Your Tools

The four main ways to transfer assets are through **gift, sale, inheritance, or lease**. You may use one or all of these depending on your situation.

A **gift** is an asset transfer where the giver receives no payment—or payment less than full market value. A **sale** is an exchange where the buyer pays the owner something to acquire assets, goods and/or services. Sales are the most common type of exchange. The buyer may pay the full value of the property, or the parties may agree to a partial or discounted amount. Payment may be made in a lump sum or in installments. **“A bargain sale”** is part gift and part sale when land or other assets are sold for less than its fair market value. An **inheritance** is when assets are passed on to heirs after the owner’s death. A **lease** is a temporary transfer of some of the rights of ownership. However, lease-to-own and other provisions like written, long-term leases can make leasing a viable tool to gradually transfer the ownership of an asset. Leases also are used for transferring machinery and other assets.

### Tools to Transfer Assets

Each transfer is unique. Understanding your own situation and consulting with your professional advisors will inform which tools to use. What follows is an alphabetical list of common tools used to transfer real estate and farm or ranch business assets. Refer to the Transfer Tools Information Sheet for more details.

Transferring real estate and other tangible assets is more straightforward than transferring the business itself. When transferring a business, it also is important to consider how to transfer intangible assets like management skills and responsibility. Refer to the **Business Structures Information Sheet** for more details.

### Business Structure

There are four main types of a business structure: Sole proprietorships, partnerships, Limited Liability Companies (LLC), and corporations, including cooperatives and nonprofits. See the **Business Structures Information Sheet** for a detailed description

of these types and how they impact the transfer process.

Business structure affects ownership of land and other assets as well as the people and activities involved in the farm/ranch operation. It can limit liability and determine how decisions are made. It affects how assets can be transferred to someone else and may allow gradual transfer over time.

### **Buy-Sell Agreements**

Buy-sell agreements are contracts that enable one business owner to buy all or a portion of a shared business upon the retirement, death or disability of another business owner. It can help determine asset values, outline the process for transferring the business, and provide payment and/or financing terms. The contract specifies who will buy the ownership interest, how much it will cost, when it will happen, and the terms of the sale. There are three main ways to fund a buy-sell agreement: savings, life insurance, and loans. Buy-Sell agreements help ensure an orderly transfer of farm and ranch assets and outline what will happen in the event of dissolution, divorce, disability, disaster, and death.

### **Conservation Easements**

Conservation Easements are voluntary deed restrictions landowners place on their land to protect natural resources. An agricultural conservation easement protects working farmland, grassland, and rangeland to keep it available for agriculture.

Selling a conservation easement can generate cash to buy out business partners or other family members, help fund retirement, and create equity among heirs. The donation or sale of an easement can lower the value of your estate which helps make the land more affordable for the next generation.

### **Heirship Affidavit**

The heirship affidavit is a type of sworn statement made to establish the deceased person's heirs. It describes the relationship of the person making the statement to the deceased party and can be used to transfer property ownership.

Heir's property refers to land that's inherited without a will—or inherited by multiple people in equal shares through a will. Heirs hold the land as tenants in common. In this situation, all heirs share an undivided—or equal—interest in the property whether or not they live there, are farming it, or even are aware of their ownership interest.

### **Life Insurance Policy**

Life insurance is a contract that pays a landowner's designated beneficiaries a cash benefit when the landowner dies. It can provide heirs with immediate liquidity to cover estate taxes and ensure non-farming heirs are fairly compensated. It can facilitate buy-sell agreements if there are multiple owners and otherwise offset financial burdens associated with inheritance and ownership transfer. It also can replace the value of assets that have transferred to another family member, establish trusts, provide for non-farm heirs, or pay estate taxes.

There are two basic types of life insurance policies: Term and Whole Life. Term life insurance is a contract that pays benefits when the insured person dies during the term of the contract; it is the less expensive of the two kinds of insurance. Whole life insurance provides death benefits similar to those of term insurance, but also builds cash value over time.

### **Operating Agreements**

Operating agreements come in many forms depending on business structure. In

agriculture they are used when two or more parties have a stake in a farm or ranch by investing capital, contributing labor and management, and sharing income from the operation. Although shared, these are not necessarily shared equally. The operating agreement spells out the terms so that the parties know what to expect and are treated fairly.

Farm Business Operating Agreements often are used between generations working together on a farm or ranch. Often the senior party supplies land and/or other tangible assets, and the junior party contributes more of the labor, but there are many ways to share ownership of assets, like equipment or livestock.

### **Standard Operating Procedures**

Standard Operating Procedures are step-by-step protocols to outline how to complete routine processes and tasks performed on the farm or ranch. They help employees learn how to complete tasks without the need for constant supervision. If the farm or ranch business is being transferred, SOPs can be used to transfer knowledge and skills.

### **Trusts**

Trusts are legal arrangements where assets are managed by a Trustee on behalf of heirs, receivers, or other beneficiaries. They provide legal protection for assets and ensure assets are distributed according to the wishes of the person or entity that created the trust. They also can save time by avoiding probate and in some cases reducing inheritance or estate taxes. The Trust document spells out who will receive assets and when, and what happens to the assets when the Trust period ends. In this way, they are used to transfer assets and provide financial security for surviving spouses, children and grandchildren. With agricultural assets like land, structures,

livestock and equipment, it is critical to designate a trustee who is familiar with the operating needs of the agricultural business.

### **Will**

A Will is a legal document that expresses a person's wishes as to how their property will be distributed after their death. Its use should be coordinated with other tools and the owner's other planning efforts.

If a person dies without a will—known as *intestate*—a probate court applies the state's intestacy laws to determine distribution among heirs.

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## **Tools for Financial Security and Health Care**

Both the landowner and the incoming farmer share the goal of financial security and peace of mind. But these may mean different things depending on whether they are entering or exiting. A successful transfer should meet the needs of both parties. In addition to the tools listed above, the following tools can help you plan for future security.

### **Health Care Proxy**

A health care proxy—aka health care agent, representative, or surrogate—is a person who is legally authorized to make health care decisions for someone who is unable to do so themselves. The person works with the patient's health care team to ensure they receive appropriate medical treatment. It is a useful tool to handle unexpected medical situations, such as a serious car accident or a stroke.

### **Health Insurance**

Many farmers and ranchers worry about how to pay for health care, especially as they age

and retire. This can have affect their transfer plans. Health insurance is the best way to prepare for unexpected medical costs as well as preventive services. The Health Care Information Sheet outlines options including Medicare, Medicaid, and the Affordable Care Act (Need to INCLUDE).

### **Life Insurance**

Life insurance can provide immediate liquidity and can be used to replace the value of assets that have transferred to another family member, establish trusts, provide for non-farm heirs, or pay estate taxes.

There are two basic types of life insurance policies: Term and Whole Life. Term life insurance is a contract that pays benefits when the insured person dies during the term of the contract; it is the less expensive of the two kinds of insurance. Whole life insurance provides death benefits similar to those of term insurance, but also builds cash value over time.

### **Living Will**

A living will states your wishes for treatment if you become terminally ill or injured. Like a health care proxy, it is a useful tool to handle unexpected medical situations.

### **Long Term Care Insurance**

Long term care insurance covers a host of services that are not covered by regular

health insurance including help with routine activities and the costs of caring for chronic conditions. Most policies reimburse for home care as well as for care in professional facilities.

### **Power of attorney**

Power of attorney is a legal document that gives someone else authority to act on your behalf if you are unable to. It can cover financial matters, including making gifts and handling your business affairs, and managing your real estate interests.

### **Retirement savings accounts**

Retirement savings accounts are tax-advantaged savings accounts that help people accumulate wealth for retirement. Both are subject to annual contribution limits. Common types include Individual Retirement Accounts (IRAs) and 401ks. IRAs can be opened by anyone with earned income, including self-employed individuals. The most common types of IRAs for individuals are **Traditional** and **Roth**. Traditional IRAs are tax-deferred, meaning you don't pay income tax on the money in the account until it's withdrawn. **401(k)** plans are sponsored by an employer. A 401(k) allows the employees to contribute a certain dollar amount or percentage of a paycheck to the account. **Roth IRAs** and Roth 401 (k)s are funded by after-tax income so money withdrawn from the account during retirement won't be taxed.

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## Transfer Tools Information Sheet

Understanding how assets can be transferred will help you choose the best options for your farm transfer situation. What follows is more information about the four main ways to transfer assets like land and buildings, the farm/ranch business, and personal property and the tools to carry out each approach. This information can help prepare you for conversations with your professional advisors.

### Ways to Transfer Assets

**Gift:** A gift is a transfer of an asset where the giver receives no payment, or less than full market value payment, in return. Gifts can be full or partial. They can include any kind of asset from land to the business to personal assets. They also are a way for owners to reduce the value of their estate to lessen the tax burden on their heirs. A **bargain sale** (see below) is part sale, part gift.

**Sale:** A sale is a transaction between two or more parties where the buyer pays the seller to receive assets, goods, and/or services. Sales can be partial or discounted, made in installments, or transferred gradually over time, and can include everything from land to equipment to the entire farm or ranch business. A **bargain sale** is a discounted sale where land or other appreciated property is sold at less than its fair market value. It generally is used for a sale to a land trust or other nonprofit organization and combines the benefit of receiving payment from a sale with the benefit of tax reduction from a charitable donation.

**Inheritance:** Inheritance occurs when assets—as well as debts and other obligations—transfer to heirs or other named beneficiaries after the asset owner dies. Usually this occurs within a farm family according to a **will**. A will can name who specifically is entitled to receive certain assets and does not need to be limited to family members. If the owner did not leave a valid will, assets will be transferred to their heirs according to state inheritance laws.

**Lease:** A lease is a temporary transfer of some ownership rights in exchange for payment. A tenant pays the owner to use their assets for a long or short period of time. Leases also can be written with an option to purchase the asset. In this way, they can lead to ownership after certain conditions are met. A **ground lease** allows a tenant to build structures and otherwise develop property during the lease period. In some cases, the tenant can keep the equity of their investment, in other cases the property owner keeps them at the end of the lease period. Ground leases tend to be as long as 50 to 99 years.

### Tools to Implement Your Plan

**Business Structure:** Business structure plays a role in farm transfer especially if the transfer involves some or all aspects of the farm or ranch business. There are four main types of business structure: Sole proprietorships, partnerships, Limited Liability Companies, and Corporations including cooperatives and nonprofits. See the Business Structures Information Sheet for more details.

**Buy-Sell Agreements:** Buy-Sell agreements are contracts used to ensure an orderly transfer of farm and ranch assets among business owners. They spell out what will happen in the event of the 5 Ds: Dissolution, divorce, disability, disaster, and death and specify who will buy the ownership interest, how much it will cost, when it will happen, and the terms of the sale.

**Conservation Easements:** A conservation easement is a voluntary deed restriction landowners place on their land to protect conservation values such as farmland, wetlands, wildlife habitat, scenic views, and so on. An agricultural conservation easement protects working farmland, grassland, and rangeland to keep it available for agriculture by restricting nonagricultural development and/or subdivision.

Agricultural conservation easements can be donated or sold to a public Purchase of Agricultural Conservation Easement program (aka Purchase of Development Rights) and to a qualified conservation organization, like a land trust. They can facilitate transfer by keeping land available for farming and ranching and reducing the value of the land to its agricultural or restricted value. This makes it more affordable for a new farmer or rancher to buy. Selling an agricultural conservation easement creates equity for family members who don't want to farm by generating income for them while making the land available to family members who want to continue farming. Selling an easement also can help fund retirement.

**Gifts:** Well-planned gifts are an effective way to transfer assets and can be done gradually over time as compensation for sweat equity. Gifts need to be balanced with other strategies and potential impacts on retirement and health planning need to be considered.

**Job Descriptions:** Written job descriptions are useful if you are involved with the transfer of a farm or ranch business that has employees. They should clearly communicate expectations, skills, and job requirements to ensure all parties understand what the position entails. Key elements include:

- A job title that captures but does not limit the scope of the position.
- The name of the person the position reports to.
- A concise summary of primary responsibilities.
- A list of core duties, including day-to-day activities.
- A description of the knowledge, education/training, and experience needed to do the job effectively. This should include technical requirements (hard skills), personality traits (soft skills), and physical requirements as farm work is often physically demanding.

**Life insurance:** Life insurance is a contract that pays beneficiaries a cash benefit at death. It can be an important tool for both business and personal goals and is often a key part of an estate plan. It can be used to fund buy/sell agreements, replace the value of assets that have transferred to another family member, establish trusts, provide for non-farm heirs, or pay estate taxes. There are two basic types of life insurance policies: Term and Whole Life. **Term life insurance** is a contract that pays benefits when the insured person dies during the term of the contract; it is the less expensive of the two kinds of insurance. **Whole life insurance** provides death benefits similar to those of term insurance, but also builds cash value over time.

**Long-term Lease:** Most leases are annual, hand-shake type leases. These short-term leases provide flexibility but little security and aren't really a transfer tool. But long-term leases—like ground leases—can be transferred. They also may include an option to purchase and other provisions which make leasing a viable transfer tool. When considering leases as a farm or ranch transfer tool, it's a good idea to think about 5-year or longer-term leases and to make sure they are in writing.

**Operating Agreement:** Operating Agreements are like contracts between the people involved in the business and the business itself. They address issues like how income and expenses are shared, and how to handle things like someone leaving the business or passing away. They can be incorporated into a partnership agreement, corporate bylaws, or an LLC operating agreement. In agriculture they are used when two or more parties have a stake in a farm or ranch by investing capital, contributing labor and management, and sharing income from the operation. Although shared, these are not necessarily shared equally. The Operating Agreement spells out the terms so that the parties know what to expect and are treated fairly.

**Option to Purchase:** An option to purchase agreement gives a buyer the sole right to buy property within a set time period. Usually, the price is fixed but often it is determined by a mutually agreed process or method such as an appraisal. During the option period, the seller may not work with any other potential buyers

**Purchase and Sale Agreement:** Just as it sounds, a purchase and sale (P&S) agreement lays out the terms of the purchase in a legally enforceable document. It generally addresses key terms such as any outstanding conditions that must be satisfied before completion of the sale, the purchase price and allocation of closing costs, whether a deposit is due upon signing the P&S, how long the buyer has to inspect the property, the closing process, and so on.

**Standard Operating Procedures:** Standard operating procedures are step-by-step protocols to outline how to complete routine processes and tasks performed on the farm or ranch. They help employees learn how to complete tasks without the need for constant supervision.

**Title:** Title is the legal right to ownership of something; in real estate, it refers to the ownership of a home or other property.

**Transfer on Death:** Transfer on Death—or TOD—is a substitute for a will. TODs are a simple and low-cost way to transfer assets like joint bank accounts, annuities, and life insurance as well as joint real estate owned with survivorship rights. The transfer occurs at the time of death without the need for probate and specifies how these assets pass on to designated beneficiaries.

**Trusts:** Trusts are legal arrangements where assets are managed by a Trustee on behalf of heirs, receivers, or other beneficiaries. They provide legal protection for the trustor's assets, ensure their assets are distributed according to their wishes, and can save time, by avoiding probate for a will, (in which case, trusts serve as a **TOD** mechanism or **will substitute**) reduce paperwork and, in some cases, avoid or reduce inheritance or estate taxes. The Trust document spells out who will receive assets and when, and what happens to the assets when the Trust period ends. In this way they

are used to transfer assets as well as providing financial security for surviving spouses, children and grandchildren.

**Will:** A will is a legal document that expresses a person's wishes as to how their property will be distributed after their death. Its use should be coordinated with other tools and the owner's other planning efforts. **Intestate** means the person dies without a will. In this case, a probate court applies the state's intestacy laws to determine distribution among heirs. **Heir's property** refers to land that's been passed down without a will. In this situation, all heirs share an undivided interest in the property whether or not they live there, are farming it, or even are aware of their ownership interest.

**Written lease agreement:** Having a written lease makes the lease terms more definite, leaving less chance for misunderstandings which can lead to disagreements. They encourage both parties to think through their needs before the lease period begins and provide a basis for changing things down the road when conditions change. They also provide documentation for settling an estate. There are many kinds of leases but any type of lease agreement should include an accurate property description, a specific time-period, the type and amount of rent, and time and type of payment. It also should include if—and if how, production, USDA payments, and input costs will be shared.



This resource is part of American Farmland Trust's [Farm Transfer Toolkit](#) which is available on AFT's [Farmland Information Center website](#). The toolkit walks agricultural landowners through key steps in a farm transfer process. It contains information, worksheets and other tools to help users set goals, assess their finances, communicate with stakeholders, and work with professionals to finalize decisions and implement a transfer plan.

## Business Structures Information Sheet

The way a farm or ranch business is legally structured can affect farm transfer. So it is important to understand the different kinds of structures and what protections they may or may not provide. This is especially important if the transfer includes some or all of the farm or ranch business, along with land and other real estate assets.

There are four main types of business structure: **Sole proprietorships, partnerships, limited liability companies**, and **corporations** including cooperatives and nonprofits. This information sheet briefly summarizes what they are.

### Sole Proprietorship

In sole proprietorships, the business is owned and run by one person. Legally there is no difference between the owner and the business. They are pass-through or flow-through entities, which means that business income is treated as the owner's income and is reported on the owner's personal tax return.

Sole proprietorships are the simplest and cheapest type of business to create. But they have unlimited liability, which means they do not offer the owner any legal protections for personal assets. This leaves the owner solely responsible for all business activity, including lawsuits and debt, leaving the owner's personal assets—even their home—at risk. Further, because their assets are undivided, it may be more difficult for an owner to transfer individual assets to different people. This can be challenging and time consuming if the owner wants to create a transfer plan that involves multiple successors

### Partnership

Partnerships are the easiest way to allow two or more people to be in business together. They also are pass through entities. In **General Partnerships**, owners have equal power and share profits and losses. In **Limited Partnerships**, one main partner may play the primary role managing the business and daily operations. Typically, profits and losses are shared between partners based on the amount of their involvement in the business.

In a partnership, assets can be sold, gifted, or passed through an estate over time. Stretching out the transfer gradually can spread out income and reduce taxes, lowering the capital needs of the incoming producer and making it possible for them to acquire assets over time.

### Limited Liability Company (LLC)

LLCs are also pass through entities but unlike sole proprietorships and partnerships, the business entity is separate from its owners. LLCs are fairly easy to create and provide limited liability so they protect owners from lawsuits and debt. LLCs often are the structure of choice for a farm or ranch business because they offer protections but are flexible and a good way to transfer both management and ownership.

## Corporations

Corporations are organizations that are a separate legal entity and distinct from their owners. Authorized by the state and recognized by law to act as a single entity, they are owned by stockholders—or shareholders—who share in businesses' profits and losses. Because they are separate from their owners, they are taxed separately. Owners are not personally liable for company debt, and their personal assets are not at risk if the company fails or is sued.

A corporate structure can facilitate the process of transferring a farm business to the next generation. Shares can be sold, gifted, or passed through an estate as, eliminating the need to transfer separate, individual assets and spreading out income (and taxes). This makes it easier for the incoming producer to acquire assets over time, reducing their need for large amounts of capital

There are five types of corporations. **C Corps** are usually large corporations, while **S Corps** only allow up to 100 shareholders and provide for pass through income, so are a common option for farm or ranch businesses. **Cooperatives** are owned and operated by the employees or people who use the product or service the business produces. They are managed equally by the owners and profits are distributed equally among all members. Nonprofit organizations are considered corporations because they file articles of incorporation in the state where they are registered. But they are considered non-business entities because their purpose is to serve a charitable mission or cause, not to earn profit. By claiming 501(c) status with the IRS, they are exempt from paying federal income taxes.

Less common forms of corporations include **B Corps**, which focus on a triple bottom line of profit, people, planet. They can register as either C Corps or S Corps but must show they are committed to social and environmental sustainability, public transparency and legal accountability. Close corporations are more like partnerships but allow for some corporate benefits with certain limitations. Shareholders are capped between 30 and 35, depending on the state, and stocks cannot be made public. Close corporations must register with the state in which they are incorporated, and not all states recognize them. They are more expensive to create because they also must have a written shareholder agreement to outline the relationship between the corporation and its shareholders.



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# Wills and Trusts Information Sheet

## Wills

A will is a basic and important legal document that provides instructions on how an estate will be distributed after death. If the owner dies without a will this leads to **intestacy** where the state decides how to distribute their assets.

Most advisors recommend that wills be reviewed and potentially updated every five years or so. This is especially important when family or financial circumstances change, such as a marriage, birth or death, or when a person important to the farm or ranch leaves the operation.

When preparing a will, landowners often are faced with the challenge of deciding what is fair vs. equal for their heirs. Treating heirs fairly does not mean treating them all the same way. Instead, it means treating them according to their interests and needs. Dividing assets equally generally makes it harder to pass farms or ranches on to the next generation.

## Transfers on Death

Also known as will substitutes, the Transfer on Death or TOD designation is a simple and low-cost way to transfer assets like joint bank accounts, annuities, and life insurance as well as joint real estate owned with a survivorship rights, usually for spouses and other family members. As the name suggests, the transfer occurs at death without the need for probate and applies to assets that have a named beneficiary. This gives the asset holder a way to specify how much of each of their assets to pass on to their designated beneficiaries. TODs are relatively simple to put into effect without additional actions such as creating a will or trust. It is important to note, however, that TODs do not allow for gradual transfers of assets.

## Trusts

A trust is a legal tool which allows a third party—or **trustee**—to hold and manage assets on behalf of heirs, receivers, or other beneficiaries. The **trustee** pays income to the named beneficiaries according to the instructions of the **trustor**—or person who set up the trust.

Trusts provide legal protection for the trustor's assets, ensure assets are distributed according to their wishes, and can save time, by avoiding probate for a will, reduce paperwork and, in some cases, avoid or reduce inheritance or estate taxes. They are flexible and can be a useful tool for estate planning and to avoid probate especially for large estates and in situations that involve multiple generations. But even with smaller estates, owners often place their assets in trusts so they can receive professional management.

The trust document spells out who will receive which assets and when, and what happens to the assets when the Trust period ends. In this way, they are used to transfer assets as well as providing financial security for surviving spouses, children, grandchildren, and other beneficiaries. Almost any kind of asset can be placed in a trust but some assets are easier to manage—like stocks and bonds—than others, like farm or ranch land.

There are many kinds of trusts set up for different periods of time and different purposes. The two main types are living (or inter-vivos) trusts and testamentary trusts. **Living trusts** are created by a person who is alive. They can be revocable or irrevocable. A **revocable trust** is flexible and the most common. Included as part of the taxable estate, it can be cancelled at any time. An **irrevocable trust** is not counted as part of the taxable estate. Once assets are put into it, they cannot be removed, and the owner loses access to and control of them. A **testamentary trust** is created in a will and comes into play at death. Its purpose is to provide for the management of property after death.

Other kinds of common trusts include:

- **Generation-skipping trusts:** Trusts that are used to provide income to a generation or two of heirs, with the property eventually passing to individuals two or three generations down the line.
- **Life insurance trust:** This is a special irrevocable trust that holds life insurance policies to exclude them from the gross estate. When a policy is not in the irrevocable trust and the decedent-maintained control, it is counted as part of the gross estate.
- **Special-needs trust:** This can be a revocable or irrevocable trust that is formed for a special needs child, pet, business, real estate, or other property that requires specific and special attention post death.
- **Charitable remainder trust:** A tax-exempt irrevocable trust designed to reduce the taxable income of individuals by first dispersing income to the beneficiaries of the trust for a specified period of time and then donating the remainder of the trust to the designated charity.



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## Health Care Information Sheet

Health care is a major concern for both owners and incoming farmers and ranchers. Its potentially high costs should be addressed in the context of farm or ranch transfer.

Many older farmers worry about how they will pay for health care when they retire. This can have an impact on their transfer plans. Out of pocket health care costs often are the largest expense in retirement, especially if nursing home care is needed, so it is important to balance your goals for asset protection with potential health care needs. High costs also are concerns for incoming producers.

**Health insurance** is the best way to prepare for catastrophic costs in the case of a serious accident or chronic illness. Most health insurance policies also cover preventive services, like shots and screening tests, doctor's visits, pain management, and so on. Some offer dental and vision care.

Health insurance can be a significant expense. Costs depend on where you live, your income, and the size of your household. They include a premium—the amount you pay for your insurance plan—and out-of-pocket costs including deductibles, coinsurance, and copayments, so it is important to shop around to find a policy that is right for you.

According to [data from USDA Economic Research Service](#), most farm households have an operator or spouse employed off the farm and receive health insurance through an outside employer. They are more likely to buy health insurance directly from an insurance company and less likely to receive health insurance from a government-provided program, such as Medicare or Medicaid.

Others buy private insurance or receive insurance through the Health Insurance Marketplace.

- **Health Insurance Marketplace**<sup>®</sup> is the federal Affordable Care Act (ACA) program to help people find health insurance options. It offers a wide range of plans and provides patient protections including no lifetime or annual limits on coverage for essential health benefits. Insurers cannot refuse coverage based on gender or a pre-existing condition and young adults can stay on their family's insurance plan until age 26. It is open to anyone living in the U.S. who is a U.S. citizen or national, or otherwise lawfully present, and is not incarcerated. It provides tax credits to reduce monthly premiums for individuals and businesses that qualify under the Small Business Health Insurance Options Program. To find out about choosing a plan, what services different plans cover, and to estimate costs, [go to Healthcare.gov to find your state Health Insurance Marketplace](#). Note, each state's Marketplace has its own enrollment instructions.
- **Medicare** is the federal health insurance program for people aged 65 or older and some younger people with disabilities or End-Stage Renal Disease. It provides several options including insurance just for hospitalization (Part A, usually free), medical (Part B, with a fee) and prescription drug insurance (Part D, also with a fee). Making choices for Parts B and D can be complicated so it is wise to consult with an advisor. <https://www.usa.gov/medicare>

- **Medicaid** is a federal and state program that helps with healthcare costs for people with limited income. It also offers benefits not normally covered by Medicare, including nursing home care and personal care services. However, as “means tested” public health insurance, it requires spend-down of assets for eligibility. This means that applicants must use their own assets and spend them down to qualify as limited income before applying for Medicaid. There are limited exclusions for a personal residence, but not for business assets like agricultural land.  
<https://www.medicaid.gov>

**Durable Power of Attorney** gives someone you designate legal authority to act on your behalf, and it continues in force even if you lose mental or physical capacity.

**A Health Care Proxy**, or living will, is a document used to name a trusted person to serve as your proxy, or agent, and make health care decisions for you if you can't speak for yourself.

**Long term care insurance** includes a host of services that are not covered by regular health insurance. These include help with routine activities, like bathing or dressing, and the costs of care for chronic medical conditions, disabilities, or disorders. Most policies reimburse for care in a variety of settings, including a personal residence, a nursing home, or an assisted living facility.



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## Tab 4 | Navigate the Process

Navigating the transfer process requires effective communication and actions to build trust and maintain relationships. These lay the groundwork for negotiating terms and finalizing transfer documents. They also are essential to ensuring that all your transfer needs are met.

### Communicate Effectively

Communication is the process of exchanging information, ideas, and feelings with other people. It's essential to the transfer process. Communicating effectively takes time, practice, and preparation. You'll need to:

- Know your audience
- Decide what to share
- Express yourself clearly
- Listen for meaning and
- Make requests not demands

Whether it is to convey needs and motivations, make a pitch, tell your story, or address stressful topics, clear communication builds respect, trust and understanding which lead to successful negotiations.

### Know Your Audience

Communication is a two-way street. It is not just about *you* getting *your* message across to another person; it's about them, too. So think about *who* you are communicating with. Your audiences likely will include the stakeholders on your lists including family members, to the incoming producer, professional advisors, and so on.

As you consider your audiences, put yourself in their shoes. What do they need? What do they want to know? What is their point of view? If you don't know, you can ask. Also, consider their age and preferred means of communication. Nationwide, five generations are actively involved in farming and ranching and they each communicate in different ways—see the **Communicating Across Generations Information Sheet**. Will they respond best to a text, phone call, or face-to-face conversation? Finally, reflect on what your audience wants to know. Tailor your message and how you deliver it to be best understood.

### Decide What to Share

Once you have thought about your audiences, decide what you will share with them to achieve your goals. You likely will start with the details and logistics of the transaction. Review worksheet and be prepared to share information about the assets being transferred, how much they are worth, the means of transfer, and a schedule for transferring them.

Remember to address your deeper personal needs and invite the other party to share theirs. Refer to your updated Goal Ranking worksheet and step 3 on the Feelings and Needs worksheet. Consider an iceberg. The visible portion only represents a small part of the issues at play. The part below the surface, the motivations and values, may actually be more important. If you don't address deeper needs, they may sink the entire transfer process.

### Express Yourself Clearly

People convey information using verbal and nonverbal communication. **Verbal communication** uses words and includes speaking and writing. **Body language** and eye contact are forms of non-verbal communication.

When speaking to others, think before you speak. Use familiar words and active language. In a formal situation, make sure you are prepared. It may help to start with an outline or bulleted list for the main points you want to make. If you are making a presentation, practice with another person or in front of a mirror. Follow your talking points to be sure you share important information.

When you communicate through writing—whether a text or a contract—reread what you've written to make sure clearly states what you mean to say. Check for spelling or grammatical errors; don't rely on spell check.

Also pay attention to body language.

Consider what you may be communicating through eye contact, posture, gestures, and facial expressions. How you enter a room, lean forward or back, nod or shake your head may put your audience at ease or make them uncomfortable. If you don't know what puts them at ease, mirror their body language. Also pay attention to what the other person's body language is telling you.

### Listen for Meaning

Listening for meaning helps you understand what is important to others. Pay attention to what the other person is really trying to say, to their tone and body language, not just to their words. Remember the iceberg analogy. Listen for what is above and below the surface.

To show the speaker you are listening, wait until they finish speaking before preparing a response. Look at them and keep your body language open. You also can show you're interested by asking clarifying questions to learn more and encourage dialogue. To confirm you understand what they've said, repeat back what you heard.

### Make Requests, Not Demands

An effective communicator asks for things in a way that encourages the other person to be open to what you are saying. Making requests help the other person understand what they can do to meet your needs. Effective requests are specific, doable, and result in a positive action. In general, requests are framed by using "I" instead of "you" messages.

### Share Your Story

During the transfer process, you probably will need to explain what you are trying to accomplish and why. Describing the history

of your farm or ranch, how you built your business, or why you placed a conservation easement on your land conveys your values and goals in a compelling way.

As you develop your story, consider sharing your personal history and the legacy of the land. Highlight key moments, challenges overcome, the values you instilled in the farm, and the future vision you hope to see carried on by the next generation. Anecdotes can make your story relatable and memorable. Use the Letter to Supporters template to outline and practice sharing your story.

## Build Trust

Building trust leads to successful transfers. Trust gives people a sense of security and confidence when dealing with each other. It is based on honest communication and considering each person's point of view. It can be given and taken, earned and broken so it is important to build trust with the people involved in your negotiation. To build trust, practice the following behaviors:

- **Be Transparent:** Being open about what you want, need, and plan to do—transparency.
- **Tell the Truth:** be honest with yourself and with others.
- **Show Respect** and consider the other person's point of view
- **Be Accountable:** take responsibility for your actions and words. Apologize for any missteps or mistakes.
- **Keep Promises:** Keep your word. Don't overextend and commit to doing things you will not or cannot do just to reach agreement.
- **Give Appreciation and credit to others:** Give credit where credit is due. Show you care.

## Manage Stress

Farm and ranch transfers can be stressful. Stress can interfere with the brain's ability to use logic and reasoning. It limits your ability to receive and absorb new information or really hear another person's point of view. The Hand Model of the Brain, developed by Dr. Dan Siegel, explains how the brain functions to help manage stress. The following strategies can help you regulate your emotions and maintain calm by restoring the connection between the rational and emotional centers of the brain. You also can use these strategies to support other people involved in your transfer.

- **Breathe.** Deep, slow breathing can reduce stress because it activates the body's parasympathetic nervous system. This slows the heart rate, decreases blood pressure, and results in a more relaxed state of mind.
- **Exercise.** Exercise has a positive impact on the nervous system by influencing hormone levels and neurotransmitter activity, promoting relaxation and reducing stress and anxiety.
- **Identify your feelings.** Name your emotions and physical sensations—either out loud or in your thoughts. This helps re-engage the logical part of your brain.
- **Reframe to the big picture.** If you encounter tension or conflict, step back to look at the broader context—like the impact on family or friends. Shifting your focus can relieve stress.
- **Take a break or meditate.** Shift your focus to something else, spend some time in nature, or simply walk away to calm down your nervous system.
- **Be with someone who understands.** An empathetic listener can help calm you down. This can be a trusted friend or family member, or a trained professional.

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# Communication Skills Information Sheet

Clear communication is key to a successful farm or ranch transfer. It helps landowners express their needs and motivations, helps incoming producers understand them, and vice versa. It also helps build respect and trust between stakeholders.

## The Basics

Communication is how we share information, ideas, and feelings. Both verbal and non-verbal, it involves listening and expressing messages. **Verbal communication** includes speaking and writing. **Non-verbal** includes body language and tone. **The message** is the information and ideas being shared. **Expressing** is the act of sharing messages. **Listening** is the act of receiving them. This may sound simple, but clear communication takes practice. Personality, feelings, needs, expectations, bias, culture, power, all play roles.

Context is important. The audience and formality of the situation affect how messages are shared and the choice of **delivery channels**—all the various platforms people use to share ideas and information—from kitchen table conversations to formal presentations, legal documents, letters, phone calls, emails, texts, social media, and so on. Use formal communication with a lawyer or a lender, and informal with family and friends.

Listening is just as important as expressing. Listen for meaning—not just to words but to the full intent and emotion behind them. Active listening is a technique to give the speaker your undivided attention. It requires focus, avoiding distractions and preconceived ideas, and paying attention to body language. The goal is to really understand the message and to reflect that understanding back to foster trust and strengthen relationships.

## Know Your Audience

**Tailor your message:** Knowing your audience is crucial for effective communication because it helps you to tailor your message to their needs, personality, and preferences. This makes it easier for them to understand and receive your ideas and information and avoids misunderstandings or negative responses.

**Choose the right channel:** Farm transfers typically include people of different generations and personality traits who communicate in different ways. Take time to think about the type of information you want to share and which delivery channels will work best with them. What do you know about their personality, culture, style, and preferences? Consider, for example, that in 1920, ~35% of American households had telephones. By 2020, over 80% had Smartphones. While you may prefer in-person meetings and phone calls, the incoming producer may rely on texting. See the Communicating Across Generations Information Sheet.

**Explore Personality Assessment Tools:** A variety of personality and communication style tools can help you assess communication styles and preferences. The Myers-Briggs Type Indicator (MBTI) is a quantitative assessment that has been widely used for over 70 years. It identifies 16 personality

types which result from different preferences to help people understand their natural way of interacting with the world and foster deeper appreciation of one another. You can take a free test at [16personalities.com](https://www.16personalities.com) to find out about your personality type. True Colors™ is another popular indicator. It classifies personality types with colors to indicate four temperaments and is often used by Extension educators to guide succession planning.

**Know Yourself:** Consider your own communication style, its strengths and weaknesses, and how you come across to others. This will help you adapt and improve your expression to reach different audiences.

### Express yourself clearly

**Choose clear, concise language:** Avoid jargon. Use simple, specific words and active language that puts the subject in front of the action. For example: “I signed the papers” instead of “The papers were signed by me.”

**Be Prepared:** Think before you speak—or write, even with something as simple as a text. To check that you are clear about your message, jot down bullet points, draft a script, proposal, or email. For formal writing and presentations, start with an outline which includes topic sentences for the main points you want to make.

**Proofread or Practice:** If you write something, edit your work for clarity, consistency, grammar, and style. Proofread and don’t rely on spell check. If you are making a pitch, negotiating terms, or making a presentation, practice your talking points. It helps to practice in front of a mirror, time yourself, and/or ask someone to listen to you and give you feedback.

**Pay attention to your body language and tone:** When speaking, be aware of your pitch, tempo, and tone, as these shape how well your message is received and understood. Also pay attention to your body language. Leaning forward and direct eye contact express interest and connection while leaning back and looking down or away can suggest boredom, discomfort, or distrust.

**Use “I messages”:** When speaking, “I messages” or “I statements” focus attention on the person expressing the message instead of on the person receiving it. Saying “I want/need/feel/believe” vs. “you do or don’t this or that, or you make me feel...” helps build stronger relationships, avoid conflicts, and de-escalate tense situations.

**Show appreciation:** Acknowledging others and expressing appreciation and gratitude are signs of respect. Combined with keeping small agreements, these help build empathy and trust, reducing conflict and stress and leading to more positive outcomes.

### Listen for meaning

**Apply active listening:** Active listening is a communication technique where you give the speaker your undivided attention to understand their complete message, both verbally and nonverbally. When someone else is talking, focus on the meaning they are trying to convey, not on preparing your response. This deepens connection, builds trust, and avoids conflict. Show interest, ask

clarifying questions, and reflect back what you hear to make sure you truly understand them. You can summarize what think you've heard by saying things like "Sounds like what you're saying is..." or "What I hear you say is..."

**Read body language:** Observe facial expressions, posture, gestures, eye contact, and movements. Pay attention to inconsistencies between their words and what their bodies' convey, especially if they suggest anxiety, discomfort, or defensiveness like clenched fists, crossed arms, fidgeting, or broken eye contact.



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## Communicating Across Generations Information Sheet

Communicating across generations is challenging in any field. It is especially challenging in farm and ranch transfer situations because they often are emotionally charged. Today five generations are actively involved in farming and ranching and it can be tricky to balance beliefs and expectations between them.

Between the Traditionalists who were born before 1946, and the Zoomers who were born after 1996, communication channels have changed dramatically. No longer limited to being in person, writing letters and using land line telephones, today people communicate virtually and digitally, through a computer screen, internet, text messages and social media platforms.

Yet with as much as 40 percent of American farmland owned by seniors aged 65 and older, successful farm and ranch transfers often rely on intergenerational exchange. Embracing differences and moving beyond them builds empathy and trust, cornerstones of successful relationships which lead to successful farm and ranch transfers. Other ways to build relationships include things like sharing family stories, preparing a favorite meal, teaching a new skill, or sharing life experiences.

Each generation is shaped by history and brings a set of social beliefs and filters through which it sees the world. While not every person will share them, each generation has its own personality. When building relationships between people of different generations, it is helpful to keep in mind their common traits and the ways they prefer to communicate.

The chart on the following page summarizes the common traits, communication styles, and preferred modes of communication between the five generations:

1. Traditionalists, born between ~1927 and 1945.
2. Baby Boomers, born between ~1946 and 1964.
3. Gen X, born between ~1965 and 1980.
4. Millennials, born between ~1981 and 1996.
5. Gen Z, born between ~1997 and 2012.

SNAPSHOT OF KEY TRAITS OF 5 GENERATIONS

Generation	Roughly Born Between	Common Traits	Communication Style	Communication Modes
<b>Traditionalists</b> aka The Silent Generation	1927-1945	Conservative and comfortable with “command and control” leadership, Traditionals have a strong work ethic, are disciplined, risk and conflict averse, and hierarchical. They tend to be private, respect rules and authority and believe in duty and sacrifice.	Appreciate being consulted Formal Grammatical Respectful Silent	One-on-one Telephone Written
<b>Baby Boomers</b> aka Boomers	1946-1964	Accepting of diversity and more liberal than Traditionalists, Baby Boomers tend to follow the “chain of command.” Competitive, optimistic, and goal oriented, they coined the term “workaholic.” Team players, they are loyal, favor group decision-making and self-sacrifice, and appreciate security.	Appreciate background information Direct Formal Outspoken Use digital technology but technically challenged	Email Face to face In-person meetings Telephone Voicemail
<b>Gen X</b> aka Baby Bust	1965-1980	Gen Xers tend to be adaptable and entrepreneurial. While favoring collaborative processes, they are independent, individualistic and pragmatic. They seek work/life balance and are skeptical of authority.	Appreciate continuous feedback Courteous Informal Restrained	Email Telephone Texting Social media Voicemail
<b>Millennials</b> aka Gen Y	1981-1996	Adaptable, collaborative, and entrepreneurial, Millennials are confident, comfortable with technology, and thought to be demanding. Fast paced, fun loving and flexible, they seek work/life balance. Independent, tech savvy multitaskers, they are socially responsible and value teamwork and collective action.	Appreciate daily communication and continuous feedback Authentic Informal Outspoken	Coordination technology Email Social media Texting
<b>Gen Z</b> aka Zoomers	1997-2015	The most diverse generation, Zoomers are authentic and inclusive. They use gender neutral pronouns and are tuned into social and environmental causes. Fast paced and tech savvy, they process large amounts of information quickly, expect instant feedback and use technology as an extension of themselves.	Appreciate frank, to-the-point, “in-person” interactions Authentic Avoid confrontation Casual Concise Visual	Coordination technology Face to face Social media Texting



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## Prepare to Tell Your Story Worksheet

During the transfer process, you will need to explain what you are trying to accomplish and why. Sharing information through a story can help you build understanding and discover common values and goals to move the process forward. It helps to bring your story to life by including details about things like the history of your farm or ranch or how you built your business. Use this worksheet to help you prepare to tell a story about your farm.

*Before entering information into this worksheet, download the file to your computer so you can save your work.*

1. You may want to tell a story to the incoming producer, heirs and other family members, and advisors like your financial planner and attorney. Fill out the table below to outline what you know about your key audiences. What do you think they want to know? What do you know about them? Things like their age, personality, and culture will affect the story you tell.

WHO IS THE AUDIENCE?	WHAT DO THEY WANT TO KNOW?	WHAT DO YOU KNOW ABOUT THEM?

2. For each of the audiences you have identified, consider what you want to share with them. Reflect on the history of your farm. What is it known for or what makes it special? How has it changed over time? What does it mean to you, your family, and the community? What are your hopes for its future? Now list the three most important things you want to share.

1.
2.
3.

3. In the space below, draft a few paragraphs describing events or experiences about your farm and your values and goals for the transfer. Customize your story for each audience to address what they would want to know like the name of your farm or ranch, where it is located, and what you produce as well as the important things you want to share from the list above.

- 4. If you plan to tell your story in writing, it doesn't have to be formal. To get started, try drafting a letter or an email to the incoming producer or your heirs in the space below. Share what you think you can accomplish together and what you appreciate about their role in your transfer.

- 5. Given what you know about your audience’s age, personality, and culture, how will you share your story? Will it be a conversation at the kitchen table or a formal presentation? Will you share something in writing or create a slideshow or video?

- 6. When and where will you share your story?



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## Cultivate Trust Worksheet

Use this worksheet to reflect on the importance of trust between you and the people involved in your farm or ranch transfer. Then identify some specific instances where trust has been built, and others where it needs to be.

*Before entering information into this worksheet, download the file to your computer so you can save your work.*

1. Describe a recent interaction with a key party in your transfer process where trust was important. Who was involved and what was the situation?

2. Which actions did you take to build trust with the other party?

- Being honest
- Showing respect and care
- Being transparent
- Admitting if I was wrong
- Being accountable
- Keeping promises
- Giving appreciation

Describe in a sentence or two examples of those actions:

3. Which actions did the other party take to gain your trust?

- Telling the truth
- Showing respect
- Being transparent
- Facing reality
- Being accountable
- Keeping promises
- Giving appreciation

Describe in a sentence or two examples of actions the other party has taken using these skills:

- 4. Are there situations where greater trust needs to be built? If yes, describe actions you could ask the other party to take in your next interaction to build greater trust in your relationship.

- 5. What information could be shared that would help build trust?

- 6. What additional actions could you taken to help build trust?



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## Tab 5 | Negotiate and Finalize Decisions

The final steps are to draft a proposal, arrange the negotiation, decide on terms, and finalize key agreements and documents. Once a baseline plan is in place, you will need to review it on a regular basis until the transfer of assets is complete. Plans can take years to fully implement.

### Prepare to Negotiate

Negotiation is a strategic discussion to reach an agreement on matters of mutual interest. Build on the work you've done to build trust, communicate your needs, and learn about the people you are negotiating with. This will increase the likelihood of success by ensuring the transfer meets the needs of everyone involved. Genuine understanding of each other's needs—both the material and deeper personal needs will help you as you move towards negotiating a deal.

Draft a proposal. Use the Prepare to Negotiate Worksheet to outline specifics including assets being transferred, price, details of the transaction, ownership structure and a timeline for the transfer. Make sure you can articulate what matters most to you and

why. This will help sustain understanding and connection throughout the process.

For a negotiation to succeed, both parties need to reach agreement. Will your proposal address the other parties' needs? Consider the common outcome you both wish to achieve. If there are areas of disagreement, brainstorm solutions. But don't forget your bottom line. Sometimes negotiations don't work out. If not, the sooner you recognize this, the sooner you can move on.

### Plan Logistics

Once you have initial agreement, conversations can turn to the logistics of the negotiation. Decide who will schedule the meeting and where it will take place. If you are concerned that the negotiations may be difficult, consider holding them in a neutral place, like a professional advisor's office.

Identify the people who have authority to make decisions. If multiple people are involved, it is helpful to agree on how decisions will be made. Several models can be used to guide group decisions. See the

Prepare to Negotiate information sheet. Also identify the professional advisors you need to complete transactions. Confirm any supporting documents you need to bring to the negotiation.

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## Negotiate Terms and Record Decisions

Now it's time to agree on the specifics: which assets will be transferred, how much they are worth, the means of transfer, and a schedule for transferring them. Keep your budget and deeper personal needs in mind to make sure you are clear about areas where you can compromise and where you might have to walk away.

You still may need to go back and forth before you come to a final agreement. To get to “win-win” use effective communication, trust-building behaviors, and strategies to manage stress. Remember your vision, values and goals and rely on your support network to get you across the finish line.

Once you've reached agreement, be sure to write down and record your decisions.

You will need different types of documents depending on the tools you are using to transfer assets. Use the Transfer Action Plan to list the documents you need to execute the transfer. Indicate who is responsible for preparing the documents, steps needed to finalize, and a date to complete them.

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## Implement the Plan

It is not enough to finalize terms and agreements. You also need to implement your plan. Be sure to follow through on your decisions and ensure documents are signed. Implementation can take several years, especially if you are transferring a farm or ranch business, or if you are transferring assets as part of your estate.

Until all your assets are transferred, it is important to revisit your plan. You may need to revise it, especially after major life events. It is a good idea to check in with your advisors to help you stay on track.

## Tab 5 | Information Sheets and Worksheets

### Prepare to Negotiate

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## Prepare to Negotiate Worksheet

For a negotiation to succeed, both parties need to reach agreement. Use this worksheet to prepare. It includes three sections to help you draft a proposal, reach agreement, and plan logistics. Refer to the worksheets identified below to help you fill this out.

*Before entering information into this worksheet, download the file to your computer so you can save your work.*

### Part 1: Draft a Proposal

1. Describe your ideal outcome. Use the Needs Assessment and SMART Goals worksheets to identify what you would like to get out of the negotiation.

2. Decide on a budget for the transfer of assets. Use the Budget Worksheet to determine how much revenue do you need to get from a sale or lease and how much you can afford to spend to complete the transfer.

3. Set a date for the transfer. When do you need a decision? Build a timeline back from that date. List the events that need to happen, making note that you may need more than one conversation.

4. Now outline a proposal. Consult with your professional advisors as needed. Make sure to consider your deeper personal needs and include specifics about the following:

- Assets being transferred
- Details of the transaction, e.g. how assets will be transferred
- Price—including payment structure if applicable
- Who will pay for maintenance, insurance, taxes, and utilities (MITU)
- Ownership structure
- Timeline for transfer
- Any conditions (especially in the event of a bequest)

**Part 2: Move forward to reach agreement**

- 5. Describe areas where you see common ground with the other party. What are the shared outcomes you wish to achieve? Depending on your relationship, you may not know all of the other party's needs. It will move things along faster if you can find out. If not, be prepared for more back and forth during the negotiation as you explore shared interests.

- 6. Remember to consider the personality of the people you are negotiating with. What do you know about their communication styles, culture, or values that might affect the negotiation?

- 7. If you can't get everything you want, what is an acceptable outcome? Use Needs Assessment Worksheet to prioritize both your tangible and deeper personal needs.

### Part 3: Plan the Logistics

After spending time on the substance of your proposal, it is time to plan the logistics of the negotiation.

- 8. Identify who you are negotiating with. This might include the other party and/or their attorney or proxy.

- 9. Name who will initiate and schedule the negotiation.

- 10. Decide how and/or where negotiations will take place. Will it be conducted remotely or in person?

- 11. Agree on how decisions be made on both sides. For instance, will one person decide, or will it be a family or group decision?

- 12. Do you need a trusted third-party? If yes, who are they and how will you ensure all parties agree to have them present?

- 13. List any supporting documents needed to inform the negotiation. These might include appraisals, land surveys, cash flow statements, and similar documents. Consult with the other party, professional advisors, and/or family members as needed.



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## Tab 6 | Farm Transfer Action Plan

The Farm Transfer Action Plan builds on the toolkit to help you get and stay organized. It also may be useful for your advisors and other key stakeholders like family members and incoming producers.

The plan is organized into five sections that draw on toolkit content but present the information in a different order. This encourages you to integrate key concepts, like communicating effectively, and to apply what you learn.

Section 1 asks you to identify the main people involved in your transfer process and to list actions to take to build and sustain trust with them.

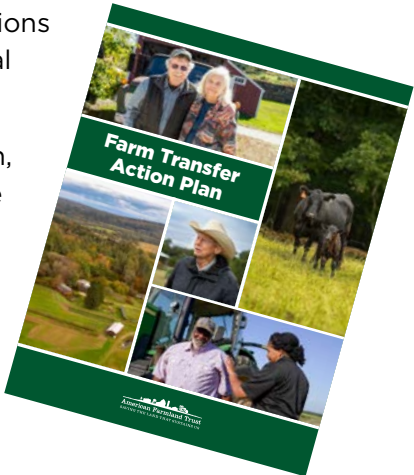
Section 2 encourages you to take stock of where you are and clarify what you want to achieve through the transfer.

Section 3 supports drafting a proposal that addresses your needs.

Section 4 helps you plan important conversations and develop strategies to manage stress.

Section 5 prepares you to finalize discussions and negotiate final terms.

To access the plan, go to **Tab 6** of the online toolkit. You can print out the plan if you prefer hard copies! Or, you can choose to work online.



American Farmland Trust developed the Farm Transfer Toolkit and Action Plan with support from the USDA Natural Resources Conservation Service as part of its Land Transfer Navigators program. To learn more about the Land Transfer Navigators program visit: <https://farmland.org/land-transfer-navigators>

