Farm Estate GPS
Generational Planning Strategies

103: Does Your Plan Cash Flow?

Study Guide

1.) Do you currently have anything in your plan that proactively addresses your farming heir's cash flow concern?

If so, what is it? (Discounted buyout option, gifted assets, life insurance)

Have you specifically calculated what it would cost your farming heir per acre to maintain the farm after you pass away?

2.) Do you think fair market value is "fair"?

Who is it fair to?

Who is it not fair to?

Your Transition Cost Worksheet:

a. Total acres that you own ______________
b. Value per acre (appraised price) ________________
c. Purchase option in Will (% of appraised value or enter 100%) ______________
d. Value of land to be purchased (Lines 1 x 2 x 3) _____________
e. Total number of heirs __________
f. Farmland value per heir (line 4 divided by line 5) ___________
g. Number of non-farming heirs __________
h. Cash needed for buyout (line 6 x line 7) _____________
i. Annual land payment – Assuming 20-year note at 5% interest (Line 8 x .08) __________
j. Farm heir's 20-year cost per acre to keep land together (Line 9 divided by line 1) _________
k. Machinery/Corp/Operation Market Value ________________
l. Purchase option in Estate Documents (% of appraised value or enter 100%) ____________
m. Value of machinery/corp after discount (line 11 x Line 12) _____________
n. Value of machinery/corp per heir (Line 13 divided by line 5) __________
o. Total cash needed to buy out machinery/corporation (Line 14 x Line 7) ___________
p. Annual loan payment for machinery/corp – 6 year note at 5% (line 15 x .2) __________
q. Farming heir's cost per acre to buy out machinery / corp (line 16 divided by line 1) ________
r. Total transition cost per acre (land and machinery/corp) (line 10 + Line 17) _________

3.) Will that transition cost (Line 18) cash flow?

4.) What is your biggest concern with discounting your assets to help make things cash flow?

5.) If you added a "claw back" provision to your plan, would that help ease the "discounting" concern?