

Topic 5: Retiring Generation

Very early in the transition process, it's important to **write down** your initial thoughts on retirement, the transfer of your ownership and management and your estate distribution.

Why is this relevant?

Getting an early handle on what family members involved in the transition process expect or envision can immediately identify priorities, common and divergent ideas and where more research and thought is needed.

Living Costs

How much money you will need in retirement and what lifestyle you will want are important questions. In most situations, the retiring generation will take money out of the business to provide for their retirement. MAFRD has a retirement calculator that based on a few assumptions, shows how much money you will need in retirement. It shows whether what you have planned will be enough to meet those needs. You can access this calculator by searching www.manitoba.ca/agriculture.

How will this aid in transition planning?

1. Writing down initial thoughts on retirement:
 - a. requires that people take the time to think through what's really important to them
 - b. helps to get the retiring generation(s) on the same page
 - c. helps to identify things and/or raise questions that require additional information
 - d. helps to ensure that things don't fall through the cracks
2. Identifying living costs in retirement helps to make sure that the retirement generation has enough money for their retirement.
3. Identifying how much money needs to come from the business helps the business plan for the withdrawals.
4. Identifying and discussing your initial thoughts on retirement helps to ensure that all family members are more likely to be on the same page.
5. Identifying and discussing your initial thoughts on retirement helps to ensure that non-farming family members are informed and included in the discussion.

Instructions

The exercise includes a series of broad questions within more specific categories that require some thinking and discussion during the transition planning process. There are no right or wrong answers.

1. Have all members of the retiring generation complete the questionnaire. This activity can be completed individually or together.
2. NOTE: Topic 6: Succeeding generation exercise should be completed at the same time.
3. The retiring generation should download the retirement calculator from www.manitoba.ca/agriculture and work through the retirement calculator exercise.
4. Write down your answers to each of the questions or mark them as N/A if they are not applicable to your specific situation.
5. Review the answers between the retiring generation(s).
6. Include a discussion about your initial retirement needs at the next succession planning meeting.
7. Compare and contrast your answers with the answers by the succeeding generation in their corresponding questionnaire.
8. Follow-up where you have identified a need for additional information.
9. Store the documents for future reference.



EXAMPLES:

To give you an idea of what your answers should look like, here are a few examples of answers for each section.

Personal and Lifestyle:

1. What do you envision yourselves doing in retirement?
Spend more time with our grandkids and taking more vacations.
2. How much income will you need to live this way?
\$40,000 - \$50,000 per year.

Successor:

1. Who is taking over the family business?
We know that our daughter and son-in-law will be involved. There may be others.
2. Will he/she/they need additional training to do so and if so, what type(s)?
Our son comes from a farm background and has an Agriculture business Degree and our daughter is an Occupational Therapist. They will have good educations, but will require on-the-job training as it pertains to our specific farm operations and financial recordkeeping.

Communication:

1. Have you spoken with the successor(s) regarding the transfer of the farm?
 - Yes.
 - a. If yes, what has been specifically discussed?

We've spoken about the timeline for our transition out of managing the farm, but not much more than that.
 - b. If yes, have the discussions been formal (ex: with notes recorded)?

No.

How does this apply?

As you share your answers with the succeeding generation:

- Are you discovering needs and wants from the succeeding generation that you were not aware of?
- What things will require more exploration, research or discussion?
- Are there areas that will require compromise?
- Are there areas where you are absolutely not willing to compromise?



PLANNING POINTERS:

- There are no right or wrong answers to this exercise.
- Family members actively involved in the business should complete the exercise.
- Family members who might be actively involved in the business at some point in the future should complete the exercise.
- Family members who are not currently actively involved, or who do not plan being involved in the business, can optionally be included in the exercise.
- Remember, the examples you see in the guide are based on the case study found at start of the guide pages d-j and also in the appendix on pages 217-218.



WHAT TO WATCH FOR:

- Consider using an external facilitator if you are concerned about some potential for conflict during the discussion.

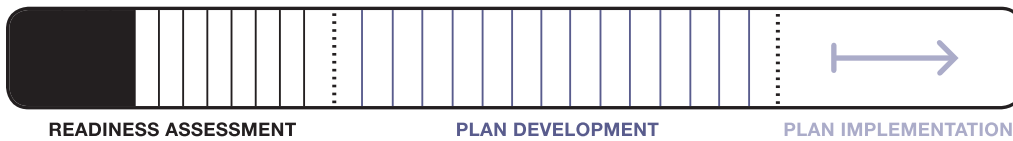


EXERCISE: Go to the forms appendix at the back of this guide for a copy of the Retiring Generation exercise on pages 217-218.

Next steps

Congratulations on completing this topic. You are now a step closer to having a transition plan for your farm. Please proceed to the next topic area on your Transition Plan, but don't forget to add any assigned tasks that were generated by working through this topic.

Planning progress



READINESS ASSESSMENT

PLAN DEVELOPMENT

PLAN IMPLEMENTATION

Retiring Generation

Personal and Lifestyle:

1. What do you envision yourselves doing in retirement?
2. How much income will you need to live this way?
3. Do you have (or plan to have) retirement income sources other than the farm? If so, what percentage will come from the farm?
4. Have you thought about inflation pressures on costs of living and how this might impact on your retirement needs?
5. Are you planning to purchase any big ticket items in the five years post retirement? (house, cottage, extensive travel)
6. Do you wish to create a legacy as part of your transition?
7. Have you thought about yourself first?

Successor:

1. Who is taking over the family business?
2. Will he/she/they need additional training to do so and if so, what type(s)?

Communication:

1. Have you spoken with the successor(s) regarding the transfer of the farm?
 - a. If yes, what has been specifically discussed?
 - b. If yes, have the discussions been formal (ex: with notes recorded)?
2. Have you spoken to any other advisors regarding the transfer of the farm?
 - a. If yes, what has been specifically discussed?
3. Do you have regular business or family meetings about business in general?
 - a. Specifically about transition?
4. Have you spoken to your non-farming children regarding the transfer of the farm?
 - a. Is it important that all family members be given the opportunity to talk about their own expectations, goals and objectives — both personal and for the farm?
5. Are you worried about the potential for conflict?

Estate:

1. What does your current will say?
2. Does it accurately reflect your thoughts on transition?
3. Have you appointed powers of attorney?
4. Are you considering using (or do you have in place) life insurance as a vehicle to assist with transition?
5. Are you considering passing some of your estate to grandchildren?
6. Are you concerned about being fair and equitable?

Ownership, Labour and Management:

1. Who will own the farm assets post transition?
2. Who will be working on the farm?
 - a. Specifically, what role(s) will you have?
3. Who will be the manager of the farm?
4. What are the expectations for involvement from the rest of the family?
5. Are considerations required for non-family involvement — either in management or ownership?

Farm Financial:

1. Does the farm have a current business plan?
2. Do you know if the farm can financially support everyone's needs or wants including family living costs for the next farming generation?
3. How will the transition be financed?
4. Do you know what tax implications are related to your transition?

Timeline:

1. When will you retire?
2. When do you want your transition plan to be completed?
3. When will the actual farm transition begin (implementation of your transition plan)?
 - a. When will the transition be completed?