



ALABAMA

Ensuring Continuation of Farm Operations in Alabama Through Effective Retirement, Estate and Succession Planning

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Project Introduction

Expended Amount: \$29,790

This project had two main objectives. One was to provide education in a workshop setting to give students information on how to develop an estate plan, succession plan or retirement plan. The second objective was to help individual farmers and/or ranchers develop a written plan of their choosing. We felt from the outset that more of the students would develop a plan if they had someone to sit down with them and help them put the plan on paper.

Project Participants

Project participant demographics were 48% male and 52% female; 24% African American and 76% Caucasian; 49% aged 35 to 64 and 51% 65 and older; and 86% still active in farm or ranch businesses. Almost all held farm, timber or ranch land in their estate. Workshops were held in rural Alabama counties. Almost all participants (96%) had timber interests; eleven had converted their farmland into timber operations; timber operations are much less labor intensive and their children were not interested in farming. Six ladies reported that their husbands had died within the last year or two and they were not sure how to handle the estate. The workshop gave needed information to develop a plan to keep land in the family, protecting it from fragmentation, judgment lien creditors and divorce actions. All plan to use trusts as their estate tool.

Project Area

The project covered four counties in Alabama: Mobile, Fayette, Monroe and Clarke. Mobile, Clarke and Monroe are in Southwest Alabama, and Fayette County is in Northwest Alabama. Mobile has a large metropolitan area, but numerous cattle farms are in the county. The other counties had a mixture of ranch, farm and timber land. A farm owner in Brewton, Alabama, who did not attend the workshop, also asked for help with an estate plan. Two additional people in Escambia and Conecuh Counties are completing an estate plan after the project ended on December 31.

Project Outcomes

Post-workshop evaluations revealed 53% had a will, 8% had a trust and 10% had a living will; 100% reported their general knowledge of estate planning increased and that they learned the difference between a will and a trust and how a living will is used; and 97% learned steps to create an estate plan. A three-month followup was done to assess specific outcomes. Participants reported 75% will complete a trust as their primary estate tool; 38% will develop a succession plan; and 50% will also do a will as part of their plan. Eighty-six percent of participants will be better able to manage risk; 63% stated they will now be able to use tools provided to preserve their land as agricultural rather than being fragmented by surviving generations; and 50% stated that they can now ensure that the farm, ranch or timber land would stay in their family. Participants reported that 75% used the information to solve a personal family problem or 38% to solve an inheritance problem.

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■ Quotes

Positive feedback from participants of Alabama rural areas included:

“We have wills but were made aware that the ones we have were of no value for what issues we thought we had covered at our deaths.”

M/M C. Smith, Thomasville

“My husband had just died and I needed direction on how to handle his estate; this program has been very helpful.”

S. Jones, Dixon Mills

“It gave us insight on how to move forward in our senior planning years. It was very informative and I was so pleased to attend.”

M/M W. Law, McIntosh

“Rick helped me understand more about wills, trusts and how to decide what to do now that my husband has died, to develop a plan to keep our farmland in our family forever by using a trust.”

C. Cannon, Fayette

“My children do not want to farm; I am getting too old to keep up the land by myself. We developed a plan to use the property as income and set up a Charitable Remainder Trust to sell our timber and other property and without paying capital gains taxes, saving around one hundred thousand on taxes alone.”

M/M R. Dobbs, Berry

■ Project Success Story

One of the participants was a 47-year-old mother of three teenage children who has farmland that is now certified through USDA as an organic farm. At this location she sells organic fruits and vegetables and also has a side business that is non-farm. The farmland is located in a nearby community, and it was passed down to her from her parents and grandparents. She and her husband hold joint titles on four pieces of real estate with rights of survivorship.

After the project, she decided to set up an LLC for the organic farm business, an LLC for the organic sales business and an LLC for the non-farm business, greatly reducing her risk from being sued. She was introduced to the AgPlan web site to do a long-term business plan and the AgTransitions web site to complete an estate and succession plan for her businesses.

To further reduce her business and farm risks, she developed an asset protection plan using a Family Trust to shield farm and business assets from potential creditors. This trust will also serve to provide a long-term solution for her estate plan. In her estate plan it is her wish for the farmland to stay in her family forever. By using the trust as her estate tool, she can protect the family land from land fragmentation through inheritance.

***Sandra Martini, H. L. Goodwin** and **Ronald L. Rainey**, Grant Coordinator and Co-Directors, respectively, of the Southern Risk Management Education Center, serve as editors of this report series. To learn more about risk management education programs and resources, visit the Southern Center web site (<http://srmec.uark.edu>) or the Extension Risk Management Education Program link (www.extensionrme.org).

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