



The last couple years in agriculture has felt like a fast pace race. We have experienced above average yields and prices in most areas, government payments and/or subsidies even when we were not expecting it, and input costs and land values

unlike we have seen before. With all the cash injected into the U.S. and global economy, the one thing we can't outsource (yet) is American agriculture production. Agriculture has been one of the things saving our national economy. Agriculture is 5% of the GDP in 2020. The share of Agriculture in GDP as of 2021 increased to \$0.199 from \$0.178 in 2020. Last time Agriculture was near \$0.20 of GDP was 2003-2004. As most of you have seen in your own operation, there is liquidity and growth taking place.

With the average age of the farmer being over 57 and the average age of a beginning farmer at 47, it is evident that most farmers are not retiring at 65 or 67 like in other industries. They continue the operation and, in some cases, grow their operation instead of cutting back or downsizing. Knowing this is an industry that takes generations to develop, it is also important to plan for future generations.

### What is going to be your succession plan?

Every business owner has put their blood, sweat, and tears into their operation, and it is truly a part of their purpose in life. There also comes a time, within our control or out of our control, when we need to implement a succession or transition plan.

The old saying goes, "there are two things we cannot avoid in life - death and taxes". Both of these unavoidable things can alter the farm operation and dictate if the operation's core structure will continue to exist or be changed. Knowing we someday will all be faced with these two variables, we can help minimize disruption of the business by having a well thought out succession plan in place.

Most people want to see their hard work and legacy carried on with the operation that they created. In this case, **succession planning is something that is built upon trust and should be started sooner rather than later.**

- The first step in this process is **communication**. Communication is vital for all individuals involved. Believe it or not, the most important part of communication is maintaining a clear mind and listening to

all view points before responding. This gives everyone a chance to voice their thoughts, ideas, and in some cases, concerns. Once the dialog is started many assumptions can be eliminated and people can gather the facts from the others involved.

- After communication has been established, it's time to implement a **plan of action and set goals** that all parties involved feel are measurable and realistic to making the succession planning successful. During this stage you will probably have family meetings and invite all family members that are impacted by the decisions being made to ensure no concerns or aspects get overlooked. Once you have accomplished the communication, plan of action, and goals setting phases, you have built the foundation of your succession planning and eliminated some potential obstacles to insure you are moving in the right direction.
- It is also beneficial for you and your family to **build an advisory group** of individuals you would consider professional experts to help along the way. This advisory group could be made up of your CPA, attorney, your UBI loan officer, or even some individuals from our other UBI affiliated departments such as our Farm Management, Trust, or United Investments & Insurance. This advisory group will be a group that you trust and feel comfortable with to help guide you through any or all stages of the process.
- As world and local events change, you may need to **revisit your succession and estate plans**. Economic factors, estate tax laws, and personal or family situations change over time and, as a result, the plan you put in place 5, 10, or 15 years ago might not be an ideal plan today. Given the rapid increase in asset values over the past few years, many estates are considerably larger than anticipated at the time a plan was initially developed. Visit with your attorney or tax professional to determine if your plan should be amended.

I hope this article helps start the dialog on a topic that many might be thinking about in the back of their mind as they are getting ready for harvest. Over the years of lending, I have learned that **it is never too early to start succession planning**. Most importantly, please remember the staff at United Bank of Iowa values the relationship we have built with you over the years. We are always willing to assist you with your planning needs. Have a great and safe upcoming harvest.

Jim Friel  
V.P. Regional Branch Manager Carroll Office



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