

Straighten out that family rift



Beyond the Business

By PENNY LAURITZEN

WALLY needed to sort things out in his own mind, but he wasn't sure where to start. The family farm and current lease arrangement was so tightly interwoven into the family history and resulting relationships that it was difficult to unravel the two.

Now that he had retired, Wally knew he must make time to straighten it out a little. Besides, now that he was on a fixed income and only working part time, he was going to have to be a little more careful with his resources.

The first step Wally took was to simply sit down at the computer to outline his view of the current situation and the events that had created the problems. Wally found a certain amount of relief and had a sense that a burden was being lifted from his shoulders through this exercise.

The process made him take stock of the many advantages he had realized since his days as a boy, growing up on the family farm. It also forced him to realistically look at some things that may have caused the rift between his sisters and himself.

Wally was sure their friends had

Key Points

- Journals or notations in a date book can be useful documentation.
- Agreements are best put into writing relatively soon after created.
- The presence of a neutral third party can defuse a volatile discussion.

noticed that he and his sisters never spoke after the church service at the little country church they all attended.

Aunt Ella had even noticed the friction when she had come in from the West Coast for Wally's mother's 90th birthday.

It was difficult to pinpoint the reasons for the rift. Wally speculated that his sisters may have resented the fact that he finished college and they didn't. His engineering degree allowed him to secure an excellent position with a major agricultural equipment manufacturer in the area.

When their father decided to retire at age 65, Wally was able to cash rent the family farm and continue his full-time job. His dad helped with fieldwork as long as his health allowed.

Wally had bought out his dad's equipment at the appraised value over a five-year period. He never complained when his father would take off with one of the tractors to help his sister's husband

and son finish up. They always seemed to be running behind — whether it was planting, making hay or harvesting corn.

The years seemed to slip through Wally fingers. His parents continued to live in the farmhouse on the home place. The spring that his mom had gone into the nursing home, Wally's dad came to him for help. He needed cash and selling the north 80 on contract to Wally would give him some breathing room.

Later that summer, Wally's dad moved into an apartment close to the nursing home. Wally and his wife moved to the farmhouse. But a year later, she returned to their house in town and filed for divorce. The long hours building his career and then farming in his spare time had taken their toll.

Wally winced as he thought of the next couple of years and the depression he had experienced. Thankfully, his life took a turn for the better when Julie came on the scene.

Turning point

After he married Julie, he had moved to her house and his sister's son and family had moved into the farmhouse. They leased the family farm and Wally's farmland. That put into motion the transition to the next generation ... without a long-term plan or the written agreements needed for a successful transition.

Now that Wally's dad was gone, the escalating costs of his mother's nursing

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home care created even a greater drain on the farm income. Wally knew there needed to be some changes.

His nephew was buying out Wally's machinery, but was always late with payments. The informal sale agreement had never been put in writing. That income was becoming more important now that half of Wally's pension went to his first wife. Besides, he and Julie had things they wanted to do with their grandchildren now that he was only working at the farm when needed.

Wally realized he had a great deal to be thankful for. There were many things that brought him joy. Some things that had happened in the past were so minute that he realized he simply had to let go of them.

It was time to get his family together and put the important things on the table. He was sure it would be helpful to have a third party mediate the issues they needed to resolve.

He walked to the phone to call the attorney who had helped them settle their dad's estate. A meeting of all the family in the attorney's office was the first step. They needed to resolve the business issues; then maybe the relationship issues would not be so difficult to sort through.

Lauritzen is a certified financial planner at Farmers National Co., Lanark.

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Get a handle on fair rental fees

What is a fair price to pay to rent storage for a large combine, 16-row planter and/or other equipment? The whole building is not for rent, just space for certain equipment. This space is available for 12 months, but the combine and planter are both only in the building for nine months.

Erickson: There are other considerations beyond just the rental fee, such as insurance on the building and stored contents, that should be discussed. If you are only using the space for nine months, then the rent should be lowered accordingly. The storage space is probably worth between \$50 and \$100 per month based on the condition of the shed, what type of floor it has and if the building is free of birds and rodents.

Gottschalk: A fair price is 5% of the cost of building a similar structure the size you need.

Myers: Consider the cost to replace that shed space with a structure of your own. Look at new-building cost or depreciated value for the space you need; then divide by 20 years to develop a per-year cost for the shed space. Add on taxes and insurance to calculate what would be rental breakeven. From that point, you can determine what premium there is to be paid for usage.

Figure fair rent for pasture
I have grass pasture with running water and good fences. I'd rate the pas-

ture good to very good. My neighbor has a cow-calf herd and wants to rent my pasture. What is a fair charge per day for cow with calf?

Erickson: I would consider renting by the acre instead of by the head because it is a known quantity for both parties. I would also talk to other landowners with good grass pasture to get their rates if possible. Ask your renter to do the same with other renters.

Negotiate fence repairs, including labor, so both parties know what to expect.

Gottschalk: The rates vary greatly and are often subject to negotiation based on other benefits. A typical cow-calf pair cost would be \$7 to \$15 per month.

Myers: Local Extension offices and universities offer excellent summaries that could fit your area. One formula used is animal units times the price of grass hay per ton times pasture quality equals rate per head per month.

Example: Generally, a cow-calf pair is 1.2 animal units x \$60 per ton x 0.22 (good pasture) = \$15.28 or around 50 cents per head per day.

Meet our panelists

- David Erickson, farmer, Altona, Ill.
- Dan Gottschalk, financial consultant, Delphi, Ind.
- Jim Luzar, Purdue University Extension
- Steve Myers, farm manager, Busey Ag Resources, Leroy, Ill.