

Skip taxes without skipping the children



Estate-Plan Edge
By CURT FERGUSON

As you finish up the holidays with the family, I have a great way to get the absolute, undivided attention of your children. Mention to them that you are thinking about doing "generation skipping trusts" in your estate planning. They'll think you've decided

to disinherit them and leave everything to the grandchildren, confirming their false suspicions that you love the grandchildren more than them.

After you observe and enjoy their reaction, calm their fears and put their false suspicions to rest. Generation skipping planning means skipping taxation, not skipping your children.

Traditional estate planning often has a short-range view. People tend to look only at the need to transfer their

estate from their own generation to the next one, typically their children. They focus on avoiding things like taxes and probate. Beyond that, they cross their fingers and hope that what they give the children will last longer than two years (the time in which the average inheritance is spent).

Farm families may have more hope that the farm will not be "spent" by the children's generation. If you have at least one child who is farming, and

if you provide for a fair distribution to other children, but keep the farm available to the one who is farming, there may be a good chance that at least the inherited farm will remain in the family to be given to another generation.

Traditional estate plan

Dick and Jane create a traditional estate plan — no generation skipping trust provisions. They leave their farm, worth \$2,250,000, to their farming son George. They leave other assets to George's two siblings. At the time, George had his own farm started, worth \$250,000. Fast forward now, as George lives another 28 years. During that time, he teaches his own children the value of land as a stable, long-term investment, and instills in them his love of the farm life.

If the farm appreciates during George's lifetime at about 5% per year, when George dies his farm will be worth nearly \$10 million. Around 90% of that was inherited, and 10% was his own purchase. Under current tax laws (i.e., unless our current Congress passes new legislation to increase the estate tax exemption) at George's death almost \$5 million will be due in estate taxes on that farm. This will create a huge problem for George to try to pass the farm and the rest of his estate to Dick and Jane's grandchildren.

Generation skipping trust plan

Bill and Mary plan to leave a similar farm to their son, Tom. Like George, Tom has a \$250,000 estate of his own. Bill and Mary, however, include generation skipping trust provisions in their planning.

Tom gratefully receives the \$2,250,000 farm in trust. The trust protects the farm from lawsuits, divorce and similar predators. Tom can farm it and keep the income. If he needs to, he can even sell land and spend the proceeds.

Tom, like George, keeps the farm intact for 28 years and instills the love of farming in his children. At Tom's death, his farm is also worth \$10 million, and he can leave it to any of Bill and Mary's grandchildren, under any conditions Tom chooses. However, the \$9 million in property that came from Tom's parents will incur no estate taxes. Zero. His additional \$1 million in land (purchased for \$250,000) will pass free of estate tax, as well.

Now, are you sitting down? That \$10 million that passed to grandchildren can grow for another generation, and pass to Tom's grandchildren tax free.

This generation skipping trust principle applies to all the children, not just the farmer. If you have any children you think might grow (not blow) their inheritance, consider generation skipping trust planning. Whatever you pass on, plus all growth during the life of the child, passes estate tax free to another generation.

Illinois law allows your children to apply the same principle for the next generation, and the next, and the next forever, which is a very long time to avoid estate tax on the family farm.

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This information provided by DEKALB®

Head-to-Head Field Comparison Favors DEKALB® over Pioneer®

High-Quality Germplasm Credited for Healthier Corn Ears, Higher Yield

When Nebraska farmer Kent Duffy conducted a side-by-side comparison of DEKALB® and Pioneer® stacked corn hybrids this season, he was surprised by what he calls "pretty amazing" results: a dramatic difference in corn ears and overall plant health favoring DEKALB, even though both products were grown under identical conditions.

That ear difference was also reflected in harvest results. The DEKALB product outyielded the Pioneer hybrid by 30 bushels per acre, more than one would expect.

Like most farmers, Duffy is continually evaluating new seed hybrid products on his farm near Guide Rock, Nebraska — always searching for the ideal agronomic fit and best possible corn yields. Duffy pays attention to the results of university yield trials and works closely with his local farm retailer, Ely Grain, Inc., to further his farming skills by testing the latest seed and biotechnology products.

Duffy split a 100-acre field, planting DEKALB DKC64-77 with YieldGard® Plus on half of the field and Pioneer 33B53 with Herculex® XTRA on the other half.

Extremely dry conditions made the field comparison between the Pioneer and DEKALB products all the more interesting. "The DEKALB corn looked much healthier, even though we had four straight weeks of 100-degree-plus temperatures this summer," Duffy says.

The differences in ear size and kernel fill between the two competing hybrids were quite visible, according to the farmer and to Duffy's local agricultural suppliers and seed dealers, Rod and John Ely. John Ely credits the DEKALB high-quality germplasm for the superior performance.



In the DEKALB®-Pioneer® field comparison, the Pioneer corn ears (right) were tipped back, smaller in length and diameter, and suffered from incomplete kernel fill.

"The DEKALB corn ears were fully filled, longer and larger in diameter, compared with the Pioneer ears," says John Ely, who monitored this test field closely throughout the season along with Duffy. "The Pioneer ears, on the other hand, were tipped back, smaller in length and diameter, and suffered from incomplete kernel fill."

The farmer notes that these two corn products were planted in the same field under the same irrigation pivot and, in essence, had identical growing seasons and soil conditions. "To get this type of difference in these corn ears under the same conditions is pretty amazing," Duffy says.

Beyond the difference in corn ears, Duffy said a mid-season comparison also showed that the DEKALB roots and stalks were healthier than the Pioneer hybrid. "We conducted a root dig in July, and the root mass on the DEKALB corn was fuller and more developed compared with the Pioneer corn," Duffy explains. "The DEKALB stalks were also thicker and stronger, despite the stress the corn was under. Even with the lack of moisture, the better roots and stronger stalks of the DEKALB hybrid meant that more moisture and nutrients were taken up by the plant."

Jason Hoag, DEKALB marketing manager, noted that the industry-leading genetics of DEKALB deliver superior root and stalk strength for higher yield potential. John Ely concurred. "There was slightly less corn rootworm feeding on the DEKALB root systems than on the Pioneer roots," he explains, describing the performance of the YieldGard rootworm technology. "The healthier DEKALB plants can most likely be attributed to superior germplasm and the benefits of improved root protection."



Farmer Kent Duffy (right) and John Ely of Ely Grain, Inc., in Guide Rock, Nebraska, monitored their 100-acre field split between DEKALB® and Pioneer® hybrids closely throughout the 2006 season.

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Individual results may vary, and performance may vary from location to location and from year to year. This result may not be an indicator of results you may obtain, as local growing, soil and weather conditions may vary. Growers should evaluate data from multiple locations and years whenever possible. [26648-13 Farm Progress 1/07]