

# Plan with your heirs, not for them



## Estate-Plan Edge

By CURT FERGUSON

**A**S anyone with children knows, there is a communication gap between generations.

For an urban family, planning to transfer mutual funds or CDs is a fairly simple process. When transferring a farm — the life and livelihood of multiple generations — the outcome can be disastrous if the transfer is handled poorly.

Some older-generation farmers have the opinion that children should be seen, not heard. However, there is a point where this thinking is no longer acceptable. When children reach their 30s and 40s, and are married with families, it's time they are treated like adults.

### Doing planning 'to' or 'for' heirs

A few years ago, I realized some people do their estate planning "to" their children. They decide — with little or no input from the children — what they want, then draw it up with their lawyer. The children find out what decisions were made only after the parents die.

This sort of planning can be very dictatorial: mandates, restrictions, controlling from the grave. It would be unusual if the heirs embrace such parents' wishes.

Typical heirs will look for a way to break free. If the stipulations are so rigid that they cannot be broken, the heirs will forever resent their parents' heavy handedness. Any favoring of one child will create permanent jealousy and disension in the family.

Another approach is planning "for" the heirs. While it sounds better than dictating it to them, planning for the family can also be destructive.

I remember an instance where a father provided everything to his son: security, steady income, even a hand-picked-and-approved wife! Prior to the father's passing, the son had no worries. His dad took care of all decisions, including how to transfer the farm to the son. However, shortly after the dad died, the son lost the farm. Since he was overly sheltered, the son was not prepared for the responsibility.

### Planning done the right way

A family recently told me when the patriarch is away from the farm, leaving the sons in charge while he's away, there is one rule: If dad is gone, no decision is wrong.

This simple rule gave the sons the authority to make decisions in their father's absence. Even though some decisions probably weren't the best, the father let his sons learn from their mistakes. Plus, he did not second-guess decisions when he returned. Estate planning should involve the same sort of respect and trust.

In many cases, some children pursue off-farm careers while one son is deeply invested in the farm. He probably knows that he cannot expect to inherit all of his parents' estate, so he is trying to make

good investment decisions, buying some land of his own. But as his parents age, his future is uncertain. How should he plan? Should he be prepared to buy out his siblings? Will he inherit most of the farm? Will he have to compete against neighbors for every acre at an auction?

It is imperative that the parents openly discuss their plans with him so

he can position himself appropriately. The parents should also discuss their plans with the other children and should seek their input. When these plans — including thoughtful, considered, yet unequal distributions — are presented by the parents without embarrassment, inviting opinions from everyone, the other children tend to understand and agree.

Don't dictate. Converse.

Estate planning is most effective when it is done with the next generation, rather than "for" them or "to" them.

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