



National Cattlemen's  
Beef Association

# SUCCESSION PLANNING WORKBOOK

*Continuing the Legacy—From One Generation's  
Vision to the Next Generation's Opportunity*



## Step 1: Inventory

Every farm/ranch succession journey starts with one step forward. Taking that first step gives you an early win that will help motivate you to keep going, and it puts you one step closer to your goal. You can take this first step by asking yourself some basic questions about why you're on the ranch succession journey and where you want it to take you and your operation.

### 1.1 Building your inventory

What is my vision for the future of my ranch? Picture, in as much detail as possible, what your ranch and the people connected to it are doing if everything went as well as it possibly could in your ranch succession process.

What are some of the values that are important to you in the ranch succession process? For example, is important that the entirety of your ranch assets be kept together or would you prefer to transfer assets to children or other successors in groupings?

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If some of your goals come into conflict (such as having to choose between keeping assets together or preserving family relationships), what values or principles should guide those choices?

What standard of living do you want to preserve for yourself as you move through the transition? What standard of living would you want to preserve for your spouse if they were to outlive you?

Are there gifts you want to make during your life or in your estate that are separate from the continuation of the ranch business, such as gifts to non-ranching children, charitable groups, etc?

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These answers hopefully helped you start thinking about where you want the ranch succession process to take you, your family, and your ranch. You've started thinking about your destination; now it is time to think about the place from which you're starting. You need to create a clear and complete picture of all the resources you and your ranch possess.

We'll start that process with the most important resource on your ranch: the human resource. List everyone who has some "stake" in your ranch, whether it is an emotional or economic one (and in many cases, both). Include anyone in your immediate family, anyone who has an ownership interest in any of the farm/ranch assets, and anyone who receives some kind of compensation from the farm/ranch such as your employees and investors. If anyone you list will be included in your business planning documents or estate planning documents, you will need their full name and often a taxpayer identification number such as a Social Security number. If that is the case, be sure you keep that information in a safe place.

### Stakeholders

Name	Relationship	Emergency Contact?	Phone	Email	Permanent address

We also need to round up the people with whom you do business on a regular basis. Who are the vendors and customers who would need immediate attention if something were to happen to you? Be sure to include your lender(s) and insurance providers.

### Vendors and Customers

Name	Vendor/ customer?	Product / service provided (providing)	Phone	Email	Mailing address

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Who are your advisors? These include your accountant, attorney, investment advisors, and other professionals.

### Advisors / Professionals

Name	Expertise (ex. accountant, attorney)	Phone	Email	Mailing address

Now that we have identified the people involved in your ranch succession, it is time to identify the assets. This needs to be a very thorough inventory, and we likely won't have room for everything you need here, but consider this outline a place to start.

Let's start with the asset class that tends to be the largest in terms of dollar value: land. First, specify the land that is your homestead, i.e. where your home is located. Also indicate the land with your "headquarters" if you have one, and any lands with livestock handling facilities or other important non-movable equipment.

### Owned real property used in the ranching business

Parcel name	Acreage and legal description	Address	Crop / pasture use	Facilities / equipment	Fair market value	Tax basis

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Although it is not an owned asset, leased land is also critical for many ranches. Include information about your leased property here.

### Leased real property

Parcel name	Acreage and legal description	Address	Type of interest (i.e. mineral right, water right)	If minerals, net mineral acres	Fair market value	Tax basis

You've identified your real property assets. Now it is time to move on to personal property (or put another way, non-real estate) assets. We'll start with personal property assets used in the ranching business. This can range from vehicles and trailers to livestock handling equipment and tools. Again, there will not be enough space in this table for all these assets, but use this format to list all these assets.

### Non-real estate assets used in ranch business

Description	Registration / serial number	Model and/or date of manufacturing	Fair market value	Tax basis

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This brings us to the asset at the heart of the farming/ranching enterprise: your livestock. You may have a livestock record-keeping system that would provide plentiful information about all the members of your herd, and if so, that is fantastic – make sure you have that information in a form that you can share with your professionals and successors if needed. It’s impossible to put an adequate herd inventory in this space, but your listing needs to include this information (and if you can provide it on a head-by-head basis, that is even better).

Livestock Gender/Type (bull, cow, heifer, steer/purebred, commercial)	Animal ID Number	Breed	Current Location on Operation	Dam/Sire Information	Tax Basis

Cattle aren’t the only valuable commodities on your ranch. What other commodity inventories do you have? Include information on any other domestic species on your ranch, inventories of feed and forage, other crops, supply inventories, and pre-purchased inventories if not yet in your possession.

### Commodity inventories

Description	Amount	Location of storage	Fair market value	Tax basis

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Now we need to gather as much of your financial information as possible. You need to get your most recent versions of these statements and documents. If you don't have them, that is OK but make it a priority to work with your financial professionals to develop them, as both you and your stakeholders will need the information they provide as you move through the succession process.

✓	Personal	✓	Farm/Ranch	✓	Farm/Ranch Profitability Ratios
	Balance Sheet		Balance Sheet		Operating Profit Margin Ratio
	Income Statement		Income Statement		Rate of Return on Operation Assets (Owned)
	Cash Flow Statement		Cash Flow Statement		Rate of Return on Operation Assets (Rented/Leased)
	Monthly / Annual Budget		Annual Budget		Rate of Return on Operation Equity
			Whole Operation Plan		
✓	Farm/Ranch General Financial Ratios			✓	Farm/Ranch Financial History Ratios
	Repayment				Operating Expense/Revenue Ratio (Owned Assets)
	Term Debt and Lease Coverage Ratio				Operating Expense/Revenue Ratio (Rented/Leased Assets)
	Debt Payment/Income Ratio				Interest Expense Ratio
	Liquidity				Depreciation Expense Ratio
	Current Ratio				Asset Turnover Ratio
	Working Capital				Net Farm Income from Operations Ratio
✓	Farm/Ranch Solvency Ratios				
	Debt to Asset Ratio				
	Equity to Asset Ratio				
	Debt to Equity Ratio				

We now start to move away from the assets of the ranch business to your personal assets (with the understanding that you may well personally own many of the ranch assets unless the ranch is organized as a separate entity such as a corporation or limited liability company (LLC)). Again, designate if a piece of land is used as your homestead.

### Owned real property not used in the ranching business

Parcel name	Acreage and legal description	Address	Crop / pasture use	Facilities / equipment	Fair market value	Tax basis

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You may also have other interests in property such as water rights, mineral leases, wind and solar generation easements, rights-of-way, and other interests.

### Other interests in real property

Parcel name	Acreage and legal description	Address	Type of interest (i.e. mineral right, water right)	If minerals, net mineral acres	Fair market value	Tax basis

Now comes the non-real estate assets. We'll start with the physical assets. This includes everything from cars to recreational vehicles, from household goods to collections – basically anything with any appreciable value.

### Physical assets

Description	Registration / serial number	Model and/or date of manufacturing	Fair market value	Tax basis

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Next comes financial assets. This includes everything from bank accounts to stock investments. Include any accounts, instruments, employee benefit plans – essentially, any form of financial asset.

### Financial assets

Description	Account number	Institution	Current value	Tax basis

While insurance policies can be considered financial assets, it may be useful to think of them as a separate class of asset. Be sure to include all kinds of policies: life, disability, long term care, health, specific ailment types (such as cancer insurance policies), vision, dental, and prescription policies.

### Insurance policies

Description/type	Policy number	Insurance carrier	Contact phone number	Cash value (if any)

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Lastly, before moving on to Step 2, we need to gather information about any debts you may have. These can include mortgages, loans for automobiles or equipment, revolving lines of credit, credit cards, store credits, personal guaranties for loans, or loans on which you are a co-signer.

### Debts

Description/type	Loan number	Creditor	Outstanding balance	Collateral (if any)

## 1.2 Building your professional team

Your succession journey is far too important to take alone. You'll need a team of professionals to help you out, each one bringing their unique skills to bear on your transition challenges. Here are just a few of the professionals you will likely want to add to your team.

Professional	Jobs
<b>Accountant</b>	Determine the ranch's current financial performance; evaluating feasibility of alternative business arrangements/enterprises to implement transition plan.
<b>Tax professional</b>	(If different from accounting professional) Evaluate income and estate tax implications of plan; suggest tax management strategies.
<b>Attorney</b>	Suggest transactions and entity structures needed to accomplish transition objectives; draft documentation needed to implement transition plan.
<b>Production consultant</b>	Evaluate alternatives their feasibility.
<b>Investment advisor</b>	Craft investment goals and selection of appropriate investment vehicles to accomplish goals; design benefit plans for employees if needed
<b>Human resources advisor</b>	Develop position descriptions; consult on training programs and other actions needed to acclimate stakeholders to new roles.
<b>Mediator/ family communication specialist</b>	Facilitate transition meeting discussions; aid in gathering stakeholder input for transition process; provide continuing support in discussions to implement selected transition plan

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Which of these professionals do you already have engaged, or who would be a likely candidate?

Professional	Candidate
Accountant	
Tax professional	
Attorney	
Production consultant	
Investment advisor	
Human resources advisor	
Mediator/ family communication specialist	

How do you go about picking your professionals? Consider these steps.

1. **Ask around** – Talk with others who have completed succession planning to learn who they recommend (and who to avoid).
2. **Use professional association directories** – Search association directories by specialty (e.g., agriculture) and location (such as a specific county or city).
3. **Interview the professional** – Ask specific questions about relevant experience, training, and collaboration with other professionals.
4. **Ask for references, and follow up** – Contact past clients and request additional (“indirect references”) contacts when possible.
5. **Check professional credentials** – Confirm licenses are current and check for disciplinary history with governing boards (ask for governing board information).
6. **Ask for a written engagement agreement:** – Request a written engagement agreement that clearly defines:
  - a. Who is the client – For whom is the professional working for (you or the business as a whole)
  - b. Scope of work – Specific tasks the professional will perform
  - c. Deliverables – Specific products the professional will provide
  - d. Confidentiality – How will the professional protect the information you provide
  - e. Payment terms – How will you be billed
7. **Involve other stakeholders where appropriate** – Seek input if the professional will work closely with family or other stakeholders.

## Step 2: Talk

Let's talk about the future of this operation and your role in it.

Developing your inventory has likely clarified key succession questions: who will own the operation, who will manage it day to day, and how people will transition into those roles. Step 3 will address those answers and how they are implemented. First, however, you need to talk with your stakeholders.

Effective decisions require good information. While final decisions may rest with you, understanding your stakeholders' perspectives on the operation's future and addressing any unresolved issues is essential for meaningful progress.

### 2.1 The right to have the succession discussion

One of the most common barriers to succession planning is reluctance by the senior generation to begin the conversation, despite repeated requests from younger generations. By working through this workbook, you've already recognized the importance of both the discussion and the planning process. Before moving forward, it's helpful for you and your stakeholders to reflect on the following questions about how you feel approaching the succession conversation.

Do you believe every stakeholder has the right to a respectful succession conversation? Why or why not?

How do you feel about the idea that the senior generation retains final decision-making authority as long as they are alive?

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What does “a respectful conversation” look like to you?

What commitments should the senior generation make once a path is agreed upon?

What commitments should the next generation uphold?

How will you ensure “the talk” happens?

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What steps will you take if the conversation is delayed or avoided?

What might happen if the senior generation does not engage in succession planning?

How could this affect the next generation's decisions about staying in the operation?

### 2.2 Have I told you lately that I appreciate you?

This simple act can strengthen relationships, begin healing old wounds, rebuild connections that may be strained and create the trust needed for a smooth transition process.

Let your stakeholders know:

Name	What I value about them	What I appreciate about their contributions to the operation	How their presence and efforts matter

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If past experiences have caused tension or hurt feelings, talk about them gently and honestly. If needed, **ask for forgiveness**. Many farm/ranch families have shared that expressing love, appreciation, or reconciliation early on could have made their succession process smoother or even made it possible in the first place.

### 2.3 The Importance of Communications in the Transition Planning Process

Why does good communication matter in the farm/ranch succession process?

1. **Improves operation performance** - Good communication leads to better decisions, clearer expectations, and fewer surprises.
2. **Strengthens family relationships** - Honest discussions build trust and reduce misunderstandings.
3. **Builds buy-in from stakeholders** - When everyone understands the plan, even those with different interests can support it.
4. **Prevents resentment and secrecy** - Hidden decisions—real or perceived—cause conflict. Open conversation reduces suspicion and tension.
5. **Explains how decisions will be made** - Communication helps stakeholders understand the transition process and the logic behind key choices.
6. **Helps identify and prepare successors** - Dialogue reveals who is interested, capable, and ready to grow into future roles.
7. **Preserves operation history** - Multiple generations sharing stories and experiences keeps your operation’s heritage alive.
8. **Models professionalism** - Well-run meetings show the operation is a real business, encouraging everyone to act professionally.

Clear, intentional communication lays the foundation for a successful transition. Many of the most important discussions and decisions will happen in meetings, making meeting structure and preparation essential. Plan ahead by defining the who, what, when, where, why, and how of your meetings.

Who	Who will be invited to participate?	
	Who will facilitate the conversation?	
What	What will be discussed?	
When and Where	When will the meetings be held?	
	Where will the meetings be held?	
How	How will we start the conversation?	
	How will meetings be run?	
	How will decisions be made?	
	How will a record of those decisions be made and maintained?	
Why	Why does all this matter?	

## 2.4 Starting the Conversation - The Two Big Questions

When beginning succession conversations, whether with individuals or groups, start by **setting the intention clearly**.

**“I want to set a path to the future of this farm/ranch.”**

Then help your stakeholders understand that a key to that goal is understanding their perspectives on **The Two Big Questions**. Present these questions to your stakeholders and give them time to reflect on their answers.

Name	What is your vision of the future of this operation?	What role do you see for yourself in that future?

These two questions are the starting point for every deeper conversation that follows.

## 2.5 Understanding Your Stakeholders, and Helping Them Understand Each Other

Succession means **change**, and change can bring discomfort, uncertainty, and fear. Succession forces individuals to examine aspects of themselves they may not have thought about before. Ask each stakeholder to reflect on these questions.

What is my view of my own control over the operation now, and how might it change in the future?

How do I feel about change in the farm/ranch's operations and risk of transitioning the operation?

What are my core values with respect to how the farm/ranch should operate?

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What knowledge and skill do I bring to the farm/ranch? What knowledge and skills could I develop further?

How would my work habits and preferences align with work on the farm/ranch?

How is my emotional and physical health? Am I in a state of health that would be compatible with a role on the far/ranch?

How do I feel about other stakeholders' roles and investment in the farm/ranch?

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### Tools to Improve Understanding

Building self-awareness and understanding others supports more effective communication. Personality assessments can provide valuable insight for individuals and groups. Helpful tools include:

- **CliftonStrengths** (formerly Strengths Finder)([www.gallup.com/CliftonStrengths](http://www.gallup.com/CliftonStrengths))
- **Real Colors** ([www.realcolors.org](http://www.realcolors.org))
- **Myers–Briggs (MBTI)** ([www.myersbriggs.org](http://www.myersbriggs.org))
- **Enneagram assessments** (there are several enneagram assessments, such as the one offered at [www.truity.com](http://www.truity.com))

Name	Assessment Tool	Personality Type	Key Traits	Communication Tips

### Understanding Generational Differences

Farms and ranches often involve multiple generations, but families don't always take time to understand the traits and values of those generations. Exploring generational traits can help everyone communicate more effectively. A farm/ranch today could conceivably involve six generations: Silents, Boomers, Gen X, Millennials, Gen Z, and Gen Alpha. How does each generation approach management and decision-making, teamwork and independence, financial and personal success, self-expression and family identity?

Name	Generation	Reflections

## 2.6 The Environment for Your Stakeholder Meetings

A successful stakeholder meeting depends less on the agenda and more on whether participants feel **safe, heard, and respected**. Invite **anyone with a legitimate stake** in major decisions to participate in the discussion, at least at key points in the process. These stakeholders could include:

- Current owners and managers
- Potential successors (family or non-related)
- Off-farm heirs
- Spouses of family members
- Key employees

### Creating a respectful, safe, and productive meeting environment

Productive conversations depend on participants feeling respected, safe to speak openly, and confident their input matters. If discussions are likely to be emotionally charged, consider hiring a professional facilitator to remain neutral, enforce agreed-upon ground rules, and keep conversations civil and on topic. Once expectations and format are established, focus on the meeting details.

Timing Considerations	
Who absolutely needs to be present for this meeting?	
What time of year will allow everyone to focus on the meeting?	
What personal or family commitments could conflict?	
What times are stakeholders available that don't conflict with family traditions and holidays?	
How will we communicate the importance of this meeting?	
Would multiple sessions or one long meeting work better?	

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### Location Considerations

What available locations would be neutral and comfortable for everyone?	
What locations are easy for all the participants to access?	
What spaces at those locations would encourage open conversation, and be free from distractions?	
What are our needs for meeting space (seating, table, whiteboard, presentation screen and computer, etc.)?	
What amenities will be needed (refreshments, meals, space for breaks, private huddle rooms, etc.)	

## 2.7 Principles-based succession planning

Once you have established the right environment for your discussions, one of the most important things you can do is to find common ground by crafting agreed principles that will guide the transition process. These are principles that are developed by and agreed to by all the stakeholders in the process. Two examples are provided to get you started.

Short Statement of Principle	What it means
Relationships first	We will place the preservation of our family relationships as our highest priority, recognizing this may mean other goals such as profitability may come second.
Profitability matter	The economic well-being of the operation directly impacts the economic well-being of the people who depend on it.

## 2.8 When the conversation becomes difficult

Even if you have worked tirelessly on developing flawless communication skills, deployed those skills with perfect execution, and agreed to common principles, the conversation still may become heated. Conflict doesn't mean the process is failing, it means people care. When discussions get tense, here's what to remember:

	Considerations	Reflections
Assume Best Intentions	What might they be trying to express beneath the words?	
	Why might they see the issue this way?	
	What assumptions am I making about their intent?	
Recognize the role of emotions	Am I treating emotions as facts right now?	
	Is passion being mistake for certainty in this discussion	
	How might emotions be influencing my perspective or theirs?	
Take a break in the conversation	Would a short break help cool emotions and reset thinking?	
	What will I do during the break to regain clarity?	
	How will we restart the conversation after the break?	

## 2.9 Moving from conversation to action

The last agenda item for any stakeholder business meeting should be a brief discussion regarding the next meeting.

### Key Steps at the End of Every Meeting

	Considerations	Notes
Confirm Details of the Next Meeting	Date	
	Time	
	Location	
Identify the Meeting Facilitator	Who will lead the meeting?	
	What are their responsibilities?	
Outline Proposed Agenda Items	Summarize proposed agenda items	
	Discuss who needs to be included in the meeting	
Confirm how the Agenda will be Created and Shared	Who will draft the agenda?	
	How will the agenda be circulated?	
	When will the agenda be sent out?	
Action!	What are the action items from the meetings	
	Who will be working on the action items	

## Step 3: Plan

Now that you have documented your inventory and had some crucial conversations with your stakeholders, it's time to start putting together the plan for how your ranch will move from its current ownership, management, and operations to its future ownership, management, and operations.

### 3.1 Getting people in the right spot: human resources

As stakeholder roles evolve over time, it is important to clearly define what each role entails. Job descriptions are a practical tool for clarifying responsibilities even in small operations and for setting shared expectations. Use the following outline:

1. **Job title** – Clearly state what the position does (e.g., “Livestock production – feeding and cattle care”).
2. **Job summary** – Briefly describe the operation and how the role supports it.
3. **Core duties** – List key responsibilities, starting with the most important and frequent tasks.
4. **Skills and experience** – Identify the skills, experience, and physical requirements needed to perform the job effectively.

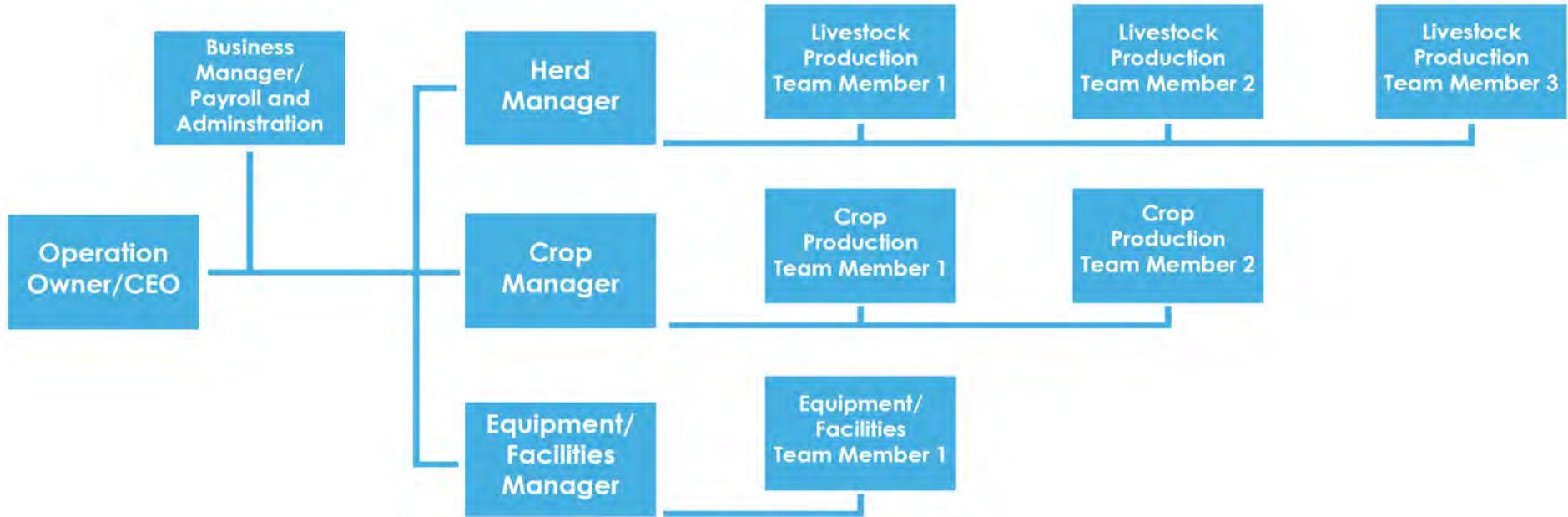
Job descriptions are a critical tool for communicating and managing expectations for every position. We suggest starting with your job descriptions at the top of your organization chart (discussed below) and working your way down.

**Your position description template:**

Job Title	
Job Summary	
Core Duties	
Necessary Skills and Experience	

### 3.2 Decision-making in the business: your farm/ranch organizational chart

Just as job descriptions clarify individual responsibilities, an organizational chart shows how roles fit together and how decision-making and accountability flow.



Even small operations benefit from an organizational chart, and its value increases as the operation grows more complex. An example is shown below. Using the space provided, draw your current organizational chart, and what your organizational chart will look like after your succession plan is implemented.

**Current organizational chart:**

Future organizational chart:

Empty box for drawing the future organizational chart.

3.3 Structuring the business

Should your farm/ranch be operating as a sole proprietorship, a partnership, a limited liability company (LLC), or a corporation? Many ranchers simply choose the sole proprietorship or partnership form without further thought or because they think they are simpler without considering the benefits of an LLC or corporate form. Determining a business form for your ranch is a decision you should undertake with the guidance of your attorney and tax professional. Below are some considerations to work through before engaging your professionals.

Table with 2 columns and 4 rows under the heading 'Ownership'. The rows contain questions about the number of owners, the benefits of an entity, the number of people in operations, and the equality of shares.

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Decision-Making/Voting

How are day-to-day operational decisions handled for the operation now, and how will they be handled in the future?

Benefits

How are strategic, long-range decisions handled for the operation now, and how will they be handled in the future?

Do you envision people having “votes” in decision-making that are proportional to their ownership of the operation, or in some other proportion?

Compensation/Distribution of Earnings

Other than employee wages, who receives some form of compensation or other distributions of earnings from the operation?

If current owners/managers step back from their current responsibilities, do they expect continued distributions of earnings?

If the operation has owners who do not actively work in the farm/ranch operations, what kind of “return on investment” do they expect?

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**Tax Treatment**

Do farm/ranch employees receive benefits that would be tax-deductible for the business with a different entity form?

If an LLC or corporation were formed, what assets would be contributed to it by the current asset owners and what tax consequences would result?

Would the owners and/or stakeholders of the business receive more after-tax benefit from having a separately taxed entity?

**Risk Management**

What liability risks does the business currently face?

What is the liability risk exposure for the current owners of the operation assets?

What is the risk tolerance of the operation asset owners for their current level of liability exposure?

### 3.4 The operating agreement and buy-sell agreement

If you form your ranch as an LLC or corporation, you'll need an operating agreement or bylaws to define ownership, voting, profit distribution, and rules for dissolving or transferring the business. Your earlier answers will help an attorney tailor these documents.

Because owners may want control over who can hold ownership, a buy-sell agreement, often included within the operating agreement or bylaws, sets the conditions and procedures for transferring shares. The questions below will help guide its structure.

Trigger events	
What involuntary events will trigger a requirement for an owner to sell their shares (typically these include an owner's death, divorce, permanent disability, or insolvency/bankruptcy)?	
If an involuntary trigger needs to be defined (such as "permanent disability" or "insolvency"), what definitions should be used?	
Will owners be allowed to voluntarily sell their shares?	
Purchase and sale procedures	
If a trigger event occurs, should the entity itself have the first right of refusal to purchase the shares?	
Should other owners have the first right of refusal to purchase available shares?	
Should shares only be purchased in proportion to the owners' ownership of the farm/ranch to keep ownership equal, or should ownership be allowed to be unequal?	
Valuation	
How will the value of shares be determined? By appraisal, book value, or some other method?	
Will discounts be applied to values? Will those discounts vary depending on the trigger event?	

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### Liquidity / sale terms

If the farm/ranch does not have sufficient cash reserves, how will a purchase by the ranch be paid? If other owners will have first right of refusal, how will they ensure sufficient cash reserves to make a purchase?	
Are some triggers (particularly involuntary) potentially insurable risks? Who should pay for the premiums of such insurance?	
Will a purchase of shares be an installment sale paid over time? If so, what interest rate will be applied?	

### 3.5 Herd transitions

If your farm/ranch operates as an LLC or corporation, herd transition can be managed within the entity’s overall asset strategy. If you operate as a sole proprietorship or partnership, you’ll need a separate plan for transitioning the herd. While you could sell the entire herd at once, a gradual transfer is often preferable. No matter the approach, many operational decisions must be addressed—far too many to list—so the following items represent only a sample of what to consider.

#### Breeding herd

Who will make decisions about the genetics to be incorporated into the breeding herd?	
Who will make cull decisions?	
Who will bear responsibility for calving operations and calf support until calves join the herd or are sold?	

#### Commercial herd

Who makes stocker / feeder purchase decisions?	
Who defines the nutrition program for the herd?	
Who manages grazing rotation and pasture movements?	

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### Expenses

How are all expenses going to be apportioned, and how will those apportionments change over time?

### Facilities maintenance

Who will bear responsibility for inspecting facilities, determining maintenance / upgrade needs, and addressing those needs?

### Marketing

How will decisions about livestock purchases and sales be managed?

How will risk management decisions be made and implemented?

## 3.6 Transitioning land assets

For many farmers/ranches, land represents 70–80% of total asset value and is both essential to the operation and difficult to divide. While transferring all land to a successor is possible, it can create challenges when owners also want to provide value to off-farm/ranch heirs. Transitioning land requires careful consideration, and the following points highlight key factors to evaluate.

Considerations	Reflections
Do I want to gift the land assets either while I am alive or as part of my estate to the operation successor(s)?	
Do I want to sell some or all of the land assets to a successor?	
How could the sale of land assets be made affordable?	
Do I want to transfer some of the land assets to recipients who will not be actively involved in the farm/ranch operations?	
If so, will those assets still be accessible by the farm/ranch operator?	

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Should the land itself be transferred to an entity that will hold it for the benefit of both farm/ranch successors and off-farm/ranch heirs?	
How will access to the land assets by the farm/ranch operation be ensured?	

### 3.7 Shifting Roles in the Senior Generation

For a farm/ranch transition to succeed, some or all ownership and management should transfer during the senior generation's lifetime. This enables experienced operators to mentor incoming successors while the operation gradually shifts from supporting one household to two or more. If the operation cannot yet sustain multiple families, the senior generation will need to find ways to reduce reliance on farm/ranch income. Consider the following factors:

Considerations	Reflections
What is the current amount of family living withdrawal you are drawing from the farm/ranch?	
What expenses covered by that withdrawal would decrease as you transition? What expenses would increase?	
What benefits like vehicles, fuel, housing, utilities, etc. will need to shift to your successor that will now have to be paid out-of-pocket?	
How will the cost of health insurance and related benefits for you and your spouse be paid?	
What additional living expenses may increase (such as travel, hobbies, etc.)?	
What cash flows will you still receive from the operation and how long will they continue (for example, land rents, installment sale proceeds, equity purchase amounts)?	

## Step 4: Will

When ranchers think about “succession planning,” they often focus first on estate matters such as wills, trusts, executors, and tax considerations. Estate planning is indeed essential and is one of the primary reasons family operations succeed or fail in transitioning across generations. Step 4 focuses on how your assets are distributed at your passing, as well as the tools used to manage your affairs if you become ill or incapacitated.

Before outlining those tools, it is important to understand the role of fiduciaries, individuals responsible for managing another person’s affairs and legally obligated to act in that person’s best interests. Examples of fiduciaries are the person to whom you grant a power of attorney, the executor of your estate, the guardian of your children, and the trustee of your trust. When selecting a fiduciary, consider:

For any Potential Fiduciary	
Do they have sufficient experience for their role?	
Do they have the time to handle their role along with their other responsibilities (off operation employment, family responsibilities, etc.)?	
Are they mentally and emotionally capable of handling responsibilities of being a fiduciary?	
If this is their first time in that role, do they fully understand their rights and responsibilities?	
Family Member Fiduciaries	
Will there be emotional stresses associated with the role of trustee and with the decisions made to other family members who are beneficiaries of the trust?	
Will the family member be paid for their services? How will that compensation be viewed by other family members?	
Will the trustee have a bonding requirement / waiver of liability to beneficiaries?	
Non-Family Member Individual	
Will the selection of this person reduce family conflict / emotional stresses?	
How will the person be compensated?	
What is the level of comfort and trust with the individual both with yourself and with your family members?	
Corporate or Institutional Trustee	
What is the compensation structure for the fiduciary?	
Are there provisions for the assignment of duties in the event the corporation or institution is purchased or dissolved?	
Does the institution have experience in managing the type of assets they will have under their charge?	
What provisions govern “self-dealing” issues (for example, if the fiduciary is a bank, can deposits they make in their capacity be held by the bank)?	

## SUCCESSION PLANNING WORKBOOK

### Other Trustee Considerations

Should a successor (or multiple successor) fiduciaries be named?	
If co-fiduciaries are named, what provisions will be used to break deadlocks?	

### 4.1 The Big Six: essential estate planning tools YOU need

There are six estate planning tools everyone) needs. Having all these tools in place are absolutely critical to the care of your family after you pass. If you don't have each of these tools in place, contact your attorney immediately and start the process.

#### Guardian nomination for minor children

Do you have children under the age of 18? (if no, you can skip to beneficiary designations)	
What factors are important in who should get custody of your children if you should pass before they reach 18? This can include culture, faith, location, education, and many other factors?	
With those factors in mind, who would you want to receive custody of your children if both of their parents were to pass?	
Would that person have the time, ability, and resources to care for an additional child or children?	
What resources would you make available through your estate to pay for the care of your children?	

#### Beneficiary designations

Do you have bank accounts, investment accounts, or other financial instruments that allow you to designate a beneficiary to receive the asset upon your death?	
Would you want that asset to be handled through your estate or would you prefer it to be given directly to one or more recipients?	
If you want to use the beneficiary designation, who should receive that asset. If that party or parties passes before you, who should receive the asset then?	
If you have beneficiary designations already in place, have you reviewed them in the past year to make sure they accurately reflect your wishes?	

## SUCCESSION PLANNING WORKBOOK

### Durable power of attorney

Under what conditions would you want someone else to take responsibility for your decisions? How would you define that condition?	
Would you want a physician to certify that those conditions existed? If not, how should those conditions be determined?	
Who would you trust to manage your business affairs in that condition? Do they have the time, talent, and temperament to handle those responsibilities and to deal with your family?	
How extensive would you want that person’s powers to be? Would you want them to only do the minimum business tasks necessary, to do anything you could, or somewhere in between?	
Who would you trust to make your healthcare decisions if you are unable to do so? Do they have the time, talent, and temperament to handle those responsibilities and to deal with your family?	

### Advance directive for healthcare

Do you want life support to be provided if you are in a terminal condition with no reasonable chance of recovery with an acceptable quality of life? If so, what level of life support would you desire? This includes artificial respiration, hydration, and nutrition.	
If your heart stopped beating (“cardiac death”) would you want resuscitation or would you want a “do not resuscitate” order in place?	
In the event of your death, would you want some or all of your organs and tissues to be donated for transplantation? If so, would you want all or only specific tissues to be donated?	
In the event of your death, would you want some or all of your organs and tissues to be donated for research? If so, would you want all or only specific tissues to be donated?	

## SUCCESSION PLANNING WORKBOOK

### Long-term care plan

If you needed long term care such as assisted living, a nursing home, inpatient rehabilitation/physical therapy, memory care, etc., how would you pay for such care?	
In the absence of insurance or sufficient cash, what assets would you want to be sold (and in what order) to pay for your care?	
Do you have a preferred facility that you would want to use for long-term care?	
What cost management tools (such as long-term care insurance, prepaid plans, etc.) are available to you?	

### Will

Who would you want to be the executor of your will? Do they have the time, talent, and temperament to handle those responsibilities and to deal with your family?	
What assets do you anticipate owning at the time of your death, and who should receive ownership of those assets?	
If you have children under the age of 18, who would you want to manage the assets they would receive from your will until they are 18 (or even older)?	
For children under the age of 18, what provisions will you make in your will for their care (see the discussion of guardian nominations above) and what resources will you send to their guardians to support their care?	
If you have a trust, how will your will coordinate with the provisions of the trust to transfer your property upon your death.	

## 4.2 Other estate planning tools

While everyone needs the “big six” tools, there are three other tools that everyone should at least consider.

### 4.2.1 Trust

Everyone should at least consider whether a trust is a tool that should be part of their estate plan. Trusts are very flexible tools that can help minimize (or perhaps eliminate) probate costs and delays, can actively manage assets for long periods, and can hold assets for young or disabled beneficiaries. Following are some considerations to evaluate in determining if a trust is right for you and if so, what the trust agreement should address.

Should I Have a Trust	
What are my concerns with the probate process if my property is handled by my will?	
Do I want to maintain control of assets for a period of time after my death (such as to provide for someone for a period of time after my death)? Or do I simply want my assets to be distributed as quickly as possible after my death?	
Do I have minor children or children with special needs without the ability to manage assets themselves who would need the benefit of assets for an extended period of time?	
Trustee	
Which specific people I should consider for the role of primary trustee and successor trustee?	
What factors should I consider in determining whether to have an individual or an institution be the trustee?	
Will multiple parties share trustee duties, and if so, how will deadlocks be broken?	
Beneficiaries	
Who should receive income and/or property from the trust?	
Will beneficiaries be defined by name or by position (i.e. “my grandchildren”)?	
Are there conditions that should result in suspension or termination of their beneficiary status?	

## SUCCESSION PLANNING WORKBOOK

### Duration of trust

Is the primary objective of the trust to hold and manage assets until a specified event (ex. youngest child turns 35) or simply to avoid probate and distribute assets immediately after your death?

If one purpose of the trust is to manage assets for a beneficiary, how long will the trust need to exist at a minimum?

Is the purpose of the trust to hold assets as long as it legally can?

### Powers and rights of trustee

What specific actions do you want your trustee to take after you die?

Should the trustee only manage the assets you placed in the trust, or should they have the power to add assets after your passing? If so, what powers/restrictions should they have in adding property?

What powers do you want your trustee to have above and beyond the powers commonly held by trustees in your state?

### Uses of trust income and principal

Do you want to provide restrictions for how distributions of trust income and principal can be used by your beneficiaries? For example, do you want to restrict distributions for “health, education, maintenance, and support,” for college education, for purchase of a first home, purchase of farmland, etc.?

## SUCCESSION PLANNING WORKBOOK

### Timing of distributions

Do you want beneficiaries to reach a certain age before they can receive distributions of trust income or property?	
Do you want distributions to be made on a regular basis such as annually or quarterly? If so, what period should be used?	
Do you want certain distributions to be made on the occurrence of certain events such as college, marriage, purchase of a first home, extraordinary medical expense, etc.?	

### Restrictions

What restrictions do you want to place on the trust property and/or its uses?	
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### 4.2.2 Life insurance

For some ranchers, life insurance may be a tool to insure against a low-probability / high consequence event – the loss of someone critical to the farm/ranch and the family. For others, it may be a liquidity tool to help provide value to an off-farm/ranch heir while transferring assets critical to farm/ranch operations to an on-farm/ranch heir. You should consider whether you have a need for life insurance, or whether it might at least serve a useful role in your estate plan.

Considerations	Reflections
What high-cost liquidity needs might occur upon my death?	
What needs are there for non-ranch cash assets to go to off-ranch heirs upon my death?	
What debts would need to be liquidated quickly upon my death to preserve income for my surviving family members? Would there be liquid assets available to cover those debts that could be sold without impacting the ranch or my family?	
Given the answers above, what amount of coverage would be needed?	
Given my age, health, and the amount of coverage needed, what is the most affordable coverage option available to me?	

### 4.2.3 Long-term care insurance

Given the greater than 50/50 odds that a person over the age of 65 will need long-term care, everyone should consider how they would pay for such care. The expense of such care can mount quickly and thus can threaten a farm/ranch asset base unless a plan is in place for managing the cost of long term care. For some people, long term care insurance may be an affordable option.

Considerations	Reflections
What are the estimated costs of the varying types of long-term care (assisted living, inpatient rehabilitation therapy, memory care, etc.) in your area?	
Is long-term care insurance available to you through direct purchase, off-ranch employment benefits, spouse's off-ranch employment benefits, industry group plan, or some other means?	
What would the cost of coverage be right now, and how would that cost of coverage change over time?	
What revenue streams are available to cover such costs now and in the future?	

### 4.3 Providing for Heirs Not Involved in the Operation

Farming/Ranching families often face challenges when providing for heirs who will not be involved in the operation. It is generally appropriate for ranch assets to pass to those who will continue managing the enterprise, and equally prudent to avoid transferring such assets to heirs who may not use them for farm/ranch purposes. However, limited non-ranch assets can make planning for off-farm/ranch heirs complex.

Importantly, equal treatment is not the same as equitable treatment. Allocating farm/ranch assets to heirs who have not contributed to the operation, or who are financially incentivized to sell, can jeopardize the operation's continuity. Such transfers may require an unaffordable buyout or impose significant financial strain on the operation. Thoughtful planning is therefore essential to balance fairness with long-term preservation of the operations.

## SUCCESSION PLANNING WORKBOOK

Considerations	Reflections
Are there financial assets not used directly in the farm/ranch that could be allocated to off-ranch heirs?	
What is the willingness and financial incentive of off-farm/ranch heirs to keep operation assets in that use if they were to? How could the economic incentives of off-farm/ranch and on-farm/ranch heirs be aligned if they both received farm/ranch assets?	
What rate of return would need to be provided to off-farm/ranch heirs to incentivize them to keep their assets in ranch use? Would the ranch be able to consistently provide that rate of return without unduly burdening its financial performance?	
Are there operation assets with additional economic uses that could be allocated to off-ranch heirs (mineral, wind, solar, recreational use rights, etc.)?	
Are there non-ranch enterprises that could be used to generate income for off-farm/ranch heirs or enterprises in which they would want to be involved (horticultural crops, horse ranching, guided hunts, etc.)?	
Would off-farm/ranch heirs be willing to be investors in the farm/ranch enterprise?	
Do off-farm/ranch heirs have the risk tolerance to be an investor in an agricultural enterprise?	

## Step 5: Don't Stop

Preparing your succession plan isn't a "one and done" event – your plan will need constant review and revision to stay relevant. You're also going to need a team to help you through this process.

Go down the list and check off anything that has happened since your last succession plan review.

If you check **even ONE** box... **It's time for a succession plan checkup!**

Circumstance	✓
Birth of a new family member	
Death of a family member	
Marriage of a family member	
Divorce of a family member	
Stakeholder leaves the operation	
Disability of a stakeholder	
Acquisition of an asset of significant value	
Sale or other disposition of an asset with significant value	
Major legal change (such as a change in taxation, estate or business entity laws)	
Been a year since reviewing the plan	

## ACKNOWLEDGMENT

This succession planning workbook was made possible through collaboration with Professor Shannon Ferrell, Oklahoma State University.



This material is based upon work supported by USDA/NIFA under Award Number 2024-70027-42471.



National Institute of Food and Agriculture  
U.S. DEPARTMENT OF AGRICULTURE