This tool assists in the Estate Planning process by providing an outline and steps to follow.

estate and Business planning



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**Estate and Business Planning Process**

**Personal & Business Goals**

* Be sure all parties involved know what their goals and needs are now, and over a certain planning horizon.

**Communication**

* Be sure each person involved understands the goals and needs of all other involved parties.

**Priorities**

* Prioritize these goals and needs. Define the key objectives of the transition plan.

**Understand the Economics of Your Business**

* To establish a plan that can endure changing economic and family conditions, you must clearly understand:
* How much of the net income of your business is from capital, labor, and management?
* How will these relationships change if farm prices or costs move higher or lower?
* What are the present production efficiency levels and financial efficiency levels?
* Are there changes that need to be made for this farm to reach its full potential? Are all parties willing to work toward these needed changes?
* Is the income adequate now? Will the income be adequate under lower prices?
* If incomes are not adequate at some point, what are the probable solutions?
* Can the present debt level be managed? Do you want to become a partner in a project with this type of debt structure?
* Who is contributing what (capital, labor, management) to the business?
* What are the tax implications of the planned configuration?

**Retirement Issues**

* Review level of retirement income from all sources: (Social Security, retirement plans, pensions, annuities, savings, future inheritances, business investment income). Evaluate what is deserved? needed? desired?
* Decide on the desired date to begin drawing Social Security (evaluate the economics of this decision).

**Establish Tax & Entity Strategies**

* Estate Taxes - Are you at Risk?
* Can the risk be eliminated, reduced, or managed?

**Tax Planning**

* Decide which family members should strive to pay in more Social Security taxes and which should strive to pay in less. Send in Form SSA-7004. Complete a personal financial analysis.
* Understand the following tax concepts:
* Income subject to Social Security tax.
* Gain Calculation.
* Income Deferral.
* Leases.
* Employee Administration.
* Earned vs. Unearned Income.
* Depreciation Recapture.
* Installment Sales.
* Retirement Plans.

**Entity Selection**

* Understand and evaluate which business structure or combination of business structures may be most appropriate to accommodate your needs. (Sole Proprietorship, Partnership, Limited Partnership, LLP, Corporation, S Corporation, Trust)

**Business Management**

* Be sure business management authority transfers at a time and in a manner, which is appropriate for your business and consistent with the level of abilities of the parties involved.

**Risk Management**

* Identify key risks to business plan.
* Evaluate alternatives which avoid, control or eliminate the risk.
* Decide which risks you are willing to assume.
* Transfer risks (buy insurance) when appropriate.
* Protecting assets from long term care costs and extraordinary medical expenses.
* Consider financial planning tools which control this risk.
* Asset transfer, or sale.
* Life Estates.
* Durable Power of Attorney.

**Strategic Planning**

* Make sure your transition plan can stand the test of time and changing economic conditions.
* Match your plan to an appropriate planning horizon.
* Incorporate flexibilities and protections as needed.
* Plan for potential reasons which would terminate the proposed financial structure.

**Assessing Your Retirement and Estate Planning**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Yes** | **No** | **Don't Know** | **Action Required** |
| 1) Do you plan to collect Social Security retirement benefits someday? If yes, at what age? \_\_\_\_\_\_\_ |   |   |   |   |
| 2) Are you sure that you will have enough money to maintain a comfortable lifestyle in retirement? |   |   |   |   |
| 3) Have you built adequate liquidity into your retirement financial plan? |   |   |   |   |
| 4) Would the achievement of your retirement goals be jeopardized by a crop failure, herd health problem, or dramatic price drop? |   |   |   |   |
| 5) Do you have a written financial plan for your retirement? |   |   |   |   |
| 6) Do you have children that want to farm? |   |   |   |   |
| 7) Is it important to you to help them achieve their goal to farm? |   |   |   |   |
| 8) Do you plan to help them get started in farming? |   |   |   |   |
| 9) Can you help them get started in farming, while protecting your financial security? |   |   |   |   |
| 10) Do you have a written business succession plan? |   |   |   |   |
| 11) Do you have a will that matches your current needs and estate settlement wishes? |   |   |   |   |
| 12) Does your will include the terms that will allow your estate to maximize the use of the estate tax exemptions that are allowed under the current law? |   |   |   |   |
| 13) Does your will protect the continuity of the succession plans that you might have, while providing equitable treatment for all your heirs? |   |   |   |   |
| 14) Do you have adequate life insurance coverage to provide your estate with the liquidity needed to meet your estate planning goals and concerns? |   |   |   |   |
| 15) Are your life insurance policies held in a manner that will prevent the proceeds from being subject to estate taxes? |   |   |   |   |
| 16) Does your plan adequately address the potential impact that nursing homes costs could have on the finances of your family? |   |   |   |   |
| 17) Have you designated a "power of attorney" to allow for the continuity of your financial plans regardless of your physical or mental condition? |   |   |   |   |
| 18) Have you designated a "medical power of attorney" to allow for decision making in critical medical situations? |   |   |   |   |