Nationwide®
is on your side

A Will does not make a Transition Plan

Why going beyond estate planning is essential for the survival of the family farm or ranch

Brought to you by the Nationwide Retirement Institute®

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Agenda

1. Why Nationwide & the need
2. Typical estate plan
3. True transition planning
4. Summary

Why Nationwide?

Nationwide®

Our Roots run deep

1926

The Ohio Farm Bureau created the Farm Bureau Mutual Automobile Company to provide an affordable car insurance option for the agricultural community.

1955

The Farm Bureau Mutual Automobile Company changed its name to Nationwide.

1982

The Iowa Insurance company started it all, now known as Farmland Insurance, joined the Nationwide family.

2011

We launched the Land As Your Legacy program to help preserve America's family farms and ranches.

Today

We offer a full range of solutions to meet your unique needs.

Tomorrow

We continue to focus on the evolving needs of our members to make sure we can deliver solutions to better protect your clients' family, farm and future.

Nationwide’s board members

A majority of Nationwide's board members are active farmers.

The state of farming today

Today, there are over

2 million family farms across the U.S.[1]

Our nation's farmers

are aging, averaging

57.5 years old.[2]

Only

1/3

of family farms have a transition plans in place.[3]

[1] U.S. Department of Agriculture's Economic Research Service, using data from the USDA's National Agricultural Statistics Service, 2021 Census of Agriculture, and Farms and Land in Farms 2021 Summary (February 2022).

[2] U.S. Department of Agriculture, https://www.usda.gov/media/blog/2021/06/16/allure-farming-irresistible.

[3] "2021 Family Business Survey: US Findings," PwC https://www.pwc.com/us/en/services/trust-solutions/private-company-services/library/family-business-survey.html.

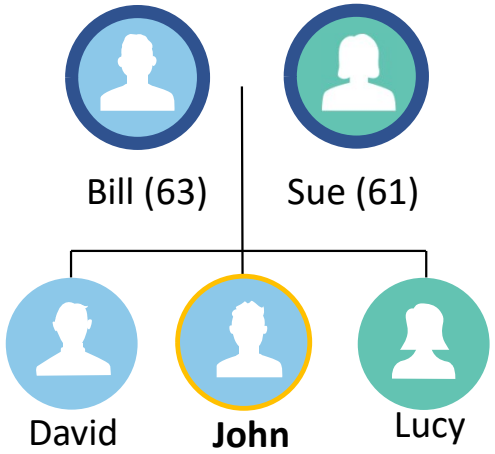
Typical estate plan yields ~~typical~~ results

terrible

Typical Estate Plan

Background

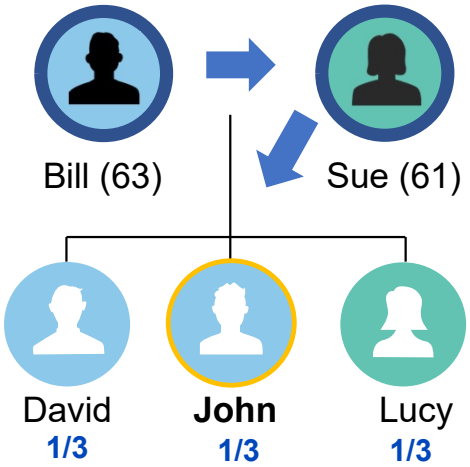
Bill and Sue Jones are the owners and operators of a third-generation farm. They have three adult children, one child (John) currently works on the farm.



Typical Estate Plan

Their Wills

Bill and Sue Jones go to their attorney. They want to treat their children equally. The Wills they sign give everything to the surviving spouse and at the second death everything is divided equally between the three children. If a child predeceases, that child's share will go to that child's children, Bill and Sue's grandchildren, if there are any. If not, everything is divided between the surviving children.



What has happened to ownership?

Property is divided into thirds.

Who manages or controls the farm?

Let's have an organic Yak farm!

I just want to farm…

No, we need to develop and sell!

Who gets the income?

How much is left to put back into the farm?

Income is divided into thirds

So, what happens?

Immediately or over time, it's gone

No problem, our Wills control everything!

Really?

What else can happen?

Our will controls everything…Really?

Beneficiary designations

- Life insurance
- IRA & retirement plans
- Annuities

Boys were named beneficiaries since their daughter was a minor at the time

What else can happen?

Our will controls everything…Really?

Ownership

Mom setup bank accounts “joint with rights of survivorship” with daughter

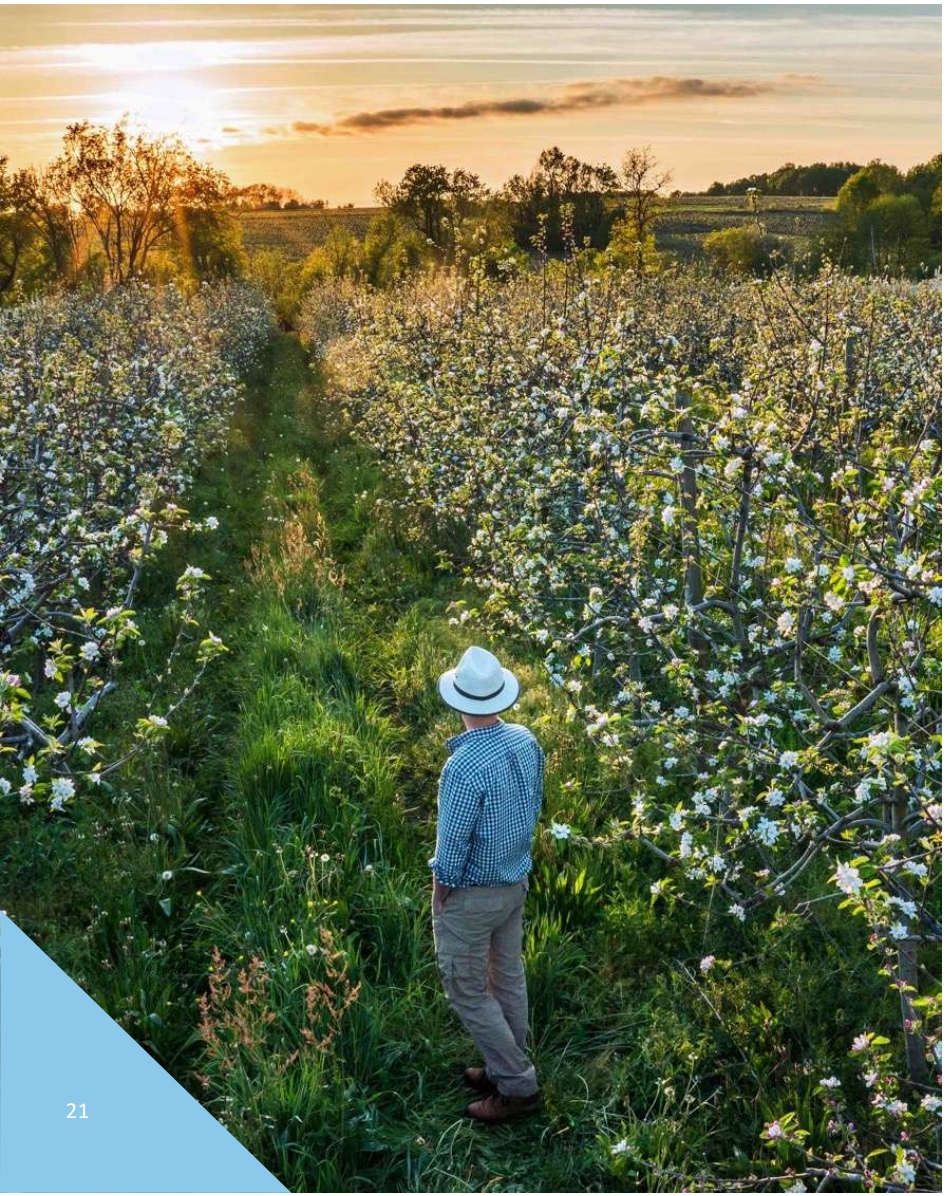
What else can happen?

Our will controls everything…Really?

Contractual obligations

- Loans, mortgages…
- Grain contracts, futures contracts, margin calls…
- Buy-sell agreements
- Leases

A transition plan is more than just a Will or Trust



So, now what?

More than

85%

of farmers have yet to complete their farm transition plans

So why? Not a lack of knowledge or need.

2021: A good year to write your farm transition plan (farmprogress.com)

So, now what?

Are you part of the

85%

or the

15%

Where do you want to be in a year?

2021: A good year to write your farm transition plan (farmprogress.com)

Transition planning yields better results

Transition Planning

Basics for successful transition

- Farms and ranches are businesses and the same principles of transition planning for all closely held businesses apply to farms and ranches. Businesses are only successful if they have:
  - Good management
  - Are financially sound
- Family harmony is crucial to preserving the family farm or ranch

Transition Planning

What's needed to complete and implement the transition plan:

- People
- Plan
- Tools

Transition Planning: People

It takes a team

Transition Planning: People

Communication is needed

- Close family communication leads to succession success
- Shared decision-making and effective communication are critical to a family business's success
- Family alignment is needed on the future of the family business

Transition Planning - Plan

Five key elements of a carefully designed plan

Business Planning

Risk Management

Financial Independence

Succession Planning

Estate Planning

Transition Planning: Plan

Planning steps

A missed step causes a plan to stumble

1. Objectives & goals

Identify, prioritize, get consensus - write down personal & business objectives & goals

2. Data & fact gathering

Current relevant facts, figures & information about the family & business

3. Analysis

Organize, input, calculate & analyze to identify gaps & barriers to accomplishing objectives

4. Options & solutions

Review the options & solutions that can make the objectives attainable

5. Implementation

Use the appropriate professionals & experts to implement the solutions & options selected

6. Periodic reviews

Evaluate regularly to measure progress & to update for changes

Transition checklist

Transition Planning - Tools

Where do you start when it comes to planning the future of your farm or ranch?

Start right here. Your first step is to talk about it with your family and a transition planning professional. This list of questions will be your guide as you begin.

As you are answering the questions, remember to mark "don't know" if you don't know the answer and mark "no" if the answer is partly "yes" and partly "no." Answer the questions from your perspective. Then ask your family members to answer them from their perspectives. You'll get the most benefit if you get together as a family to discuss your answers.

You'll see in some questions that we refer to the "senior generation" and the "next generation." Define those terms so they make sense for your family before you start answering questions.

Generally, the family members who currently own and control the farm or ranch will be the senior generation. Those who would take over ownership and control at the retirement or death of the senior generation will be the next generation.

1. Does the senior generation want to continue the farm or ranch?
   ◯ Yes ◯ No ◯ Don't know or N/A
2. Does the next generation want to continue the farming or ranching operation?
   ◯ Yes ◯ No ◯ Don't know or N/A
3. Is there a mutual agreement on what the farm or ranch will look like in the future?
   ◯ Yes ◯ No ◯ Don't know or N/A
4. Does the next generation currently have input on decisions impacting the farm or ranch?
   ◯ Yes ◯ No ◯ Don't know or N/A
5. Is the next generation capable of assuming ownership and management of the farm or ranch and prepared to do so when the transition occurs?
   ◯ Yes ◯ No ◯ Don't know or N/A
6. Do you have a defined business plan for your farm or ranch that outlines the key people and their roles and responsibilities?
   ◯ Yes ◯ No ◯ Don't know or N/A
7. Is your family able to conduct a productive business meeting pertaining to the farm or ranch without heightened emotions?
   ◯ Yes ◯ No ◯ Don't know or N/A
8. Have you assessed the total value of your business within the past five years?
   ◯ Yes ◯ No ◯ Don't know or N/A
9. Have you planned for the impact that an illness or disability could have on the financial strength and operation of the farm or ranch?
   ◯ Yes ◯ No ◯ Don't know or N/A
10. Have you thought about the effect that a marriage or divorce would have on your operation?
    ◯ Yes ◯ No ◯ Don't know or N/A

Name: Phone: ( ) Email:

Notes:

Identify and prioritize goals

Transition Planning - Tools

Focus on what's most important

To develop the right plan for you and your family, we need to know what's meaningful to you. We've listed some common planning goals below. Check the goals that are important to you and your family and add any we may have missed. Then, rank the top 10 goals in order of importance, with 1 being the most important and 10 being the least important.

RANK	GOAL	RANK	GOAL
____	Successful transition of farm/ranch	____	Provide for the health and long-term care of:
____	**Protect my farm/ranch from divorce, creditors or family disputes**	____	**Successfully invest and manage the taxation and use of "windfall"**
____	Provide independence for myself and my spouse during retirement	____	Take care of aging parents
____	**Expand farming/ranching business**	____	**Provide for a favorite charity or church**
____	Train someone to take over the farm/ranch	____	Pay off debt
____	**Reduce income taxes**	____	**Provide for the education of a family member**
____	Reduce estate and inheritance taxes	____	Accumulate money for:
____	**Minimize estate settlement costs, publicity and time in the handling of my estate**	____	**Retire at age:**
____	Provide for spouse/dependents in the event of death, disability or long-term care	____	Set up an executive benefits program for myself or key persons
____	**Appoint guardians or trustees for minor or special-needs children**	____	**Reduce risks or increase returns of investments**
____	Select the executor/trustee of my estate	____	Other: _____
____	**Make gifts to family members or others** Explain: _____		

Nationwide and its representatives do not give legal or tax advice. Please consult your attorney or tax advisor for answers to specific questions.

Questions?
Visit nationwide.com/YourLand for more tools and resources designed to help get you started.

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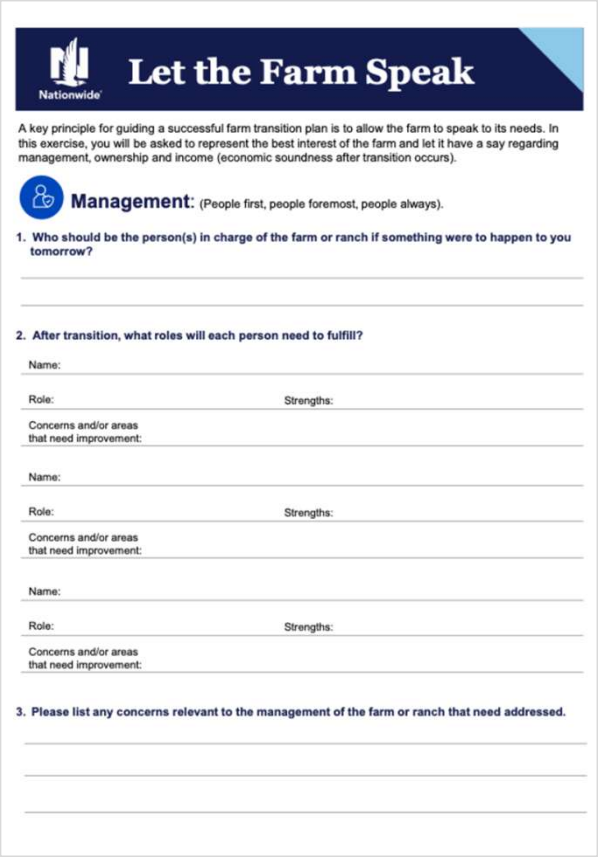
Let the farm speak



Nationwide

Let the Farm Speak

A key principle for guiding a successful farm transition plan is to allow the farm to speak to its needs. In this exercise, you will be asked to represent the best interest of the farm and let it have a say regarding management, ownership and income (economic soundness after transition occurs).

Management: (People first, people foremost, people always).

1. **Who should be the person(s) in charge of the farm or ranch if something were to happen to you tomorrow?**

2. **After transition, what roles will each person need to fulfill?**

Name:

Role: Strengths:

Concerns and/or areas that need improvement:

Name:

Role: Strengths:

Concerns and/or areas that need improvement:

Name:

Role: Strengths:

Concerns and/or areas that need improvement:

3. **Please list any concerns relevant to the management of the farm or ranch that need addressed.**

Transition Planning - Tools

Summary

- Why Nationwide
- Typical estate plan
- More than just a Will
- Starting the transition planning
  - People
  - Plan
  - Tools
- Summary

Land as Your Legacy is here when you need us.

Contact the team at:

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Or call toll-free at
1-855-529-2729

Thank You!

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