

# Succession Planning Webinar

Clint Bentz, CPA

Chairman, American Forest Foundation

Partner, Boldt Carlisle & Smith, LLC

321 1<sup>st</sup> Ave E, Suite 2A

Albany, OR 97321

(541) 928-6500



# Problems with Property

- What are we going to do with it? (common vision)
- Why should we continue to own it? (passion)
- How will we make decisions? (governance)
- How are we going to maintain it? (management)
- How can we improve it for next gen? (stewardship)
- Who is going to make it happen? (leadership)
- How are we going to pay for it? (financial)
- How will we engage the next generation? (succession)



# Family Life

- Shirtsleeves to shirtsleeves in 3 generations (entropy)
- Movement from land – rise of nuclear families
- Explosion of knowledge – psychology, management
- Families of wealth becoming families of affinity
- Using the land as a tool to help us reconnect as family
- What defines us as a family?
  - Accomplishments/assets/wealth?
  - Social values? (service, social standing)
  - Spiritual values? (stewardship, faith)

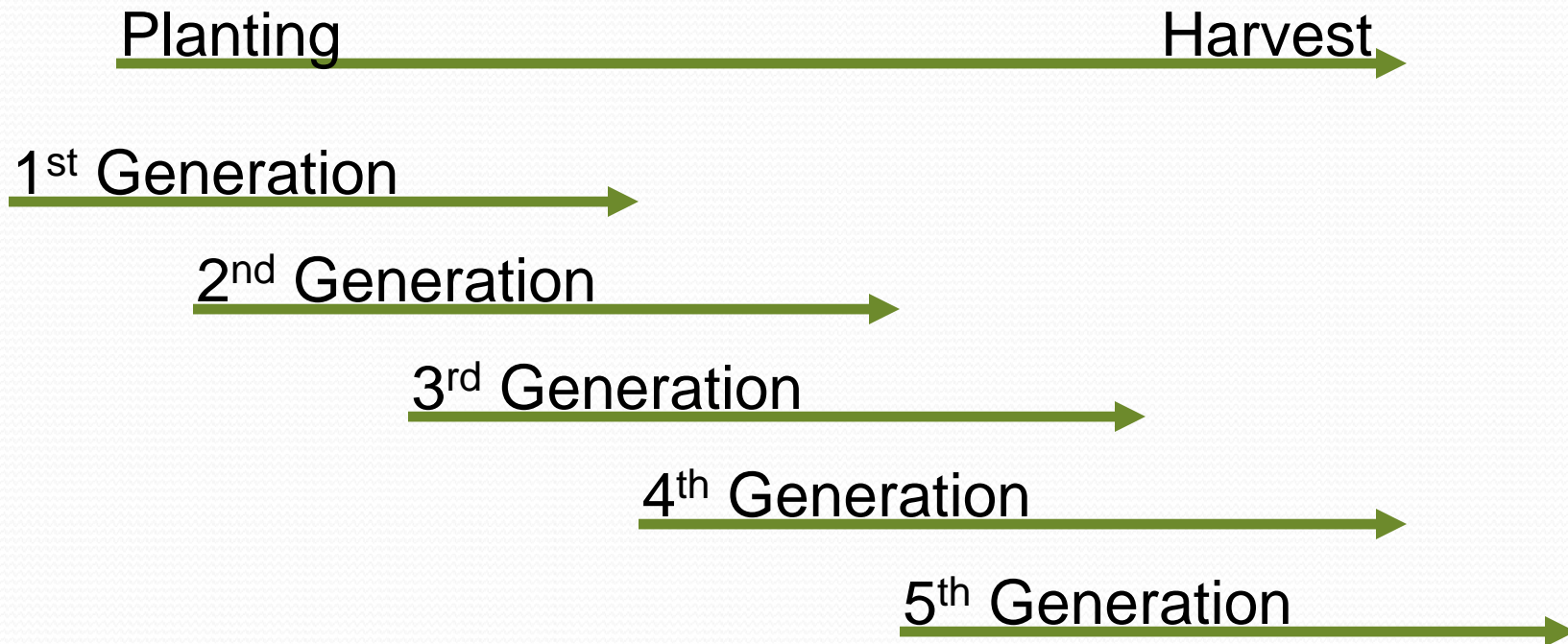




# The Five Options for Property

- Accumulate things during our lives
- Sell now or at death
- Give all or part (easement) away to charity
- Carve up property between children
- Leave to one child & disinherit others
- Leave undivided interests to children (partnership)

# An Intergenerational Affair







# 4 Recurring Generational Types

- William Strauss & William Howe
  - Generations, 13<sup>th</sup> Generation, The Fourth Turning
- Why important? Each of these generations think and act differently and have different value sets.
- Hero generation (G.I. 1901-24, Millennials 1982-200?)
- Artist generation (Silent 1925-42, Post Millennial?)
- Prophet generation (Boomers 1943-60)
- Nomad generation (Lost 1883-1900, Gen X 1961-81)
- Generational types have recurred since 1400's



# Hero Generation

(G.I. 1901-24, Millennials 1982-200?)

- Do big things, team players, builders, “The Borg”, seek order, civic-minded, “Won the War”
- Come of age during secular crisis (War of Roses, Armada, American Revolution, Civil War (died), WWII, ?)
- More protected as children, more indulgent as parents, “baby on board”, self-esteem
- Shakespeare, Thomas Jefferson, John Kennedy, Ronald Reagan, John Wayne, Bob Hope, Olsen twins
- Coming of age triumphs, hubristic elder achievements
- Positive traits: selfless, rational, competent
- Negative traits: unreflective, mechanistic, entitlement
- Endowments: community, affluence, technology





# Artist Generation

(Silent 1925-42, Post Millennial 200?-?)

- Flexible, fair, acquire knowledge, build systems, technical skills, bureaucrat, “Built the Peace”
- Born after a secular crisis has been resolved, live in period of affluence in the shadow of Hero generation
- Over-protected as children, under-protective parents
- Thomas More, Andrew Jackson, Dolly Madison, Woodrow Wilson, MLK Jr, Sandra Day O’Conner, Colin Powell, John McCain
- Quiet, well-behaved youth, flexible consensus-building leaders as adults
- Positive traits: caring, open-minded, expert
- Negative traits: sentimental, complicating, indecisive
- Endowments: pluralism, expertise, due process





# Prophet Generation

(Boomers 1943-60)

- Individualistic, narcissistic, “Change the World”, optimistic, self-motivated
- Come of age during social awakening (Reformation, Puritan, Great Awakening, Transcendental Awakening, Third Awakening, Consciousness Revolution)
- More indulged as children, more protective as parents
- Martin Luther, Anne Boleyn, Abe Lincoln, FDR, Bill Clinton, George W Bush, Hillary Clinton, Barbara Streisand
- Coming of age passion, principled elder stewardship
- Positive traits: principled, resolute, creative
- Negative traits: narcissistic, presumptuous, ruthless
- Endowments: Vision, Values, Religion



# Nomad Generation

(Lost 1883-1900, Gen X 1961-81)

- Latch-key kids, work/life balance, “Top Gun”, skeptical, “Teenage Mutant Ninja Turtles”, “baby bust”
- Come of age in the aftermath of a social awakening, live in period of economic decline, tune-out
- Under-protected as children, “helicopter” parents
- Francis Drake, Nathaniel Bacon, George Washington, Ulysses Grant, Louisa May Alcott, Harry Truman, Dwight Eisenhower, Barack Obama, Sarah Palin, Michael Jordan, Tom Cruise, Brad Pitt, Angelina Jolie, Mike Milken
- Hell raising youth, get-it-done leadership
- Positive traits: savvy, practical, perceptive, risk-takers
- Negative traits: unfeeling, uncultured, amoral
- Endowments: Liberty, Survival, Honor





# 7 Generations living in 2011

- Lost (111-128) Nomad - loners
- G.I. (87-110) Hero (rational, competent, unreflective, secular, team player, builder/acquirer, saver, follows strong leadership)
- Silent (69-86) Artist (indecisive, pluralistic, sentimental, consensus-driven, risk-averse, great managers – weak leaders)
- Boomer (51-68) Prophet (visionary, narcissistic, spiritual, big-picture, spenders, born to lead, not very practical)
- Gen X (30-50) Nomad (decisive, skeptical, loner, practical, savvy, un-sentimental, non-joiner, risk-takers, will lead if forced)
- Millennial (?6-29) Hero (“the Borg”, digital, esteem, entitlement)
- Post Millennial (0 - 6?) Artist?
- How can we talk about about shared values? Shared goals?



## Family – Business Continuum

Family first, business  
must serve needs of the  
family

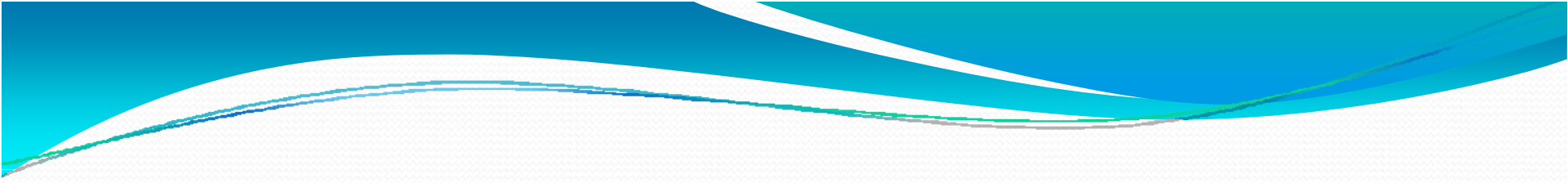
Business first, family  
must serve needs of the  
business



Business operated as  
social welfare program  
for the family

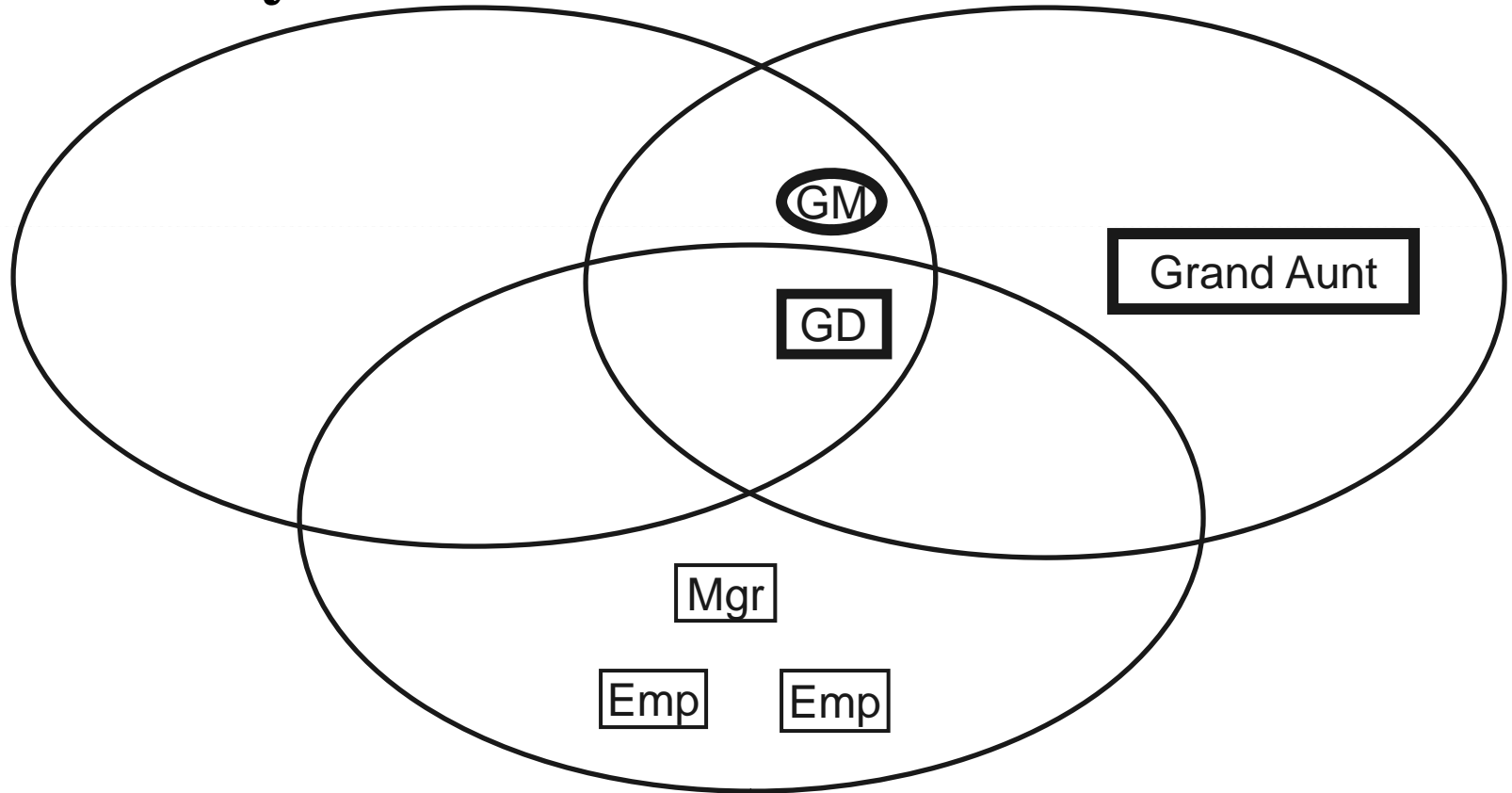
What is good for the  
business is good for the  
family





**Family**

**Owners**

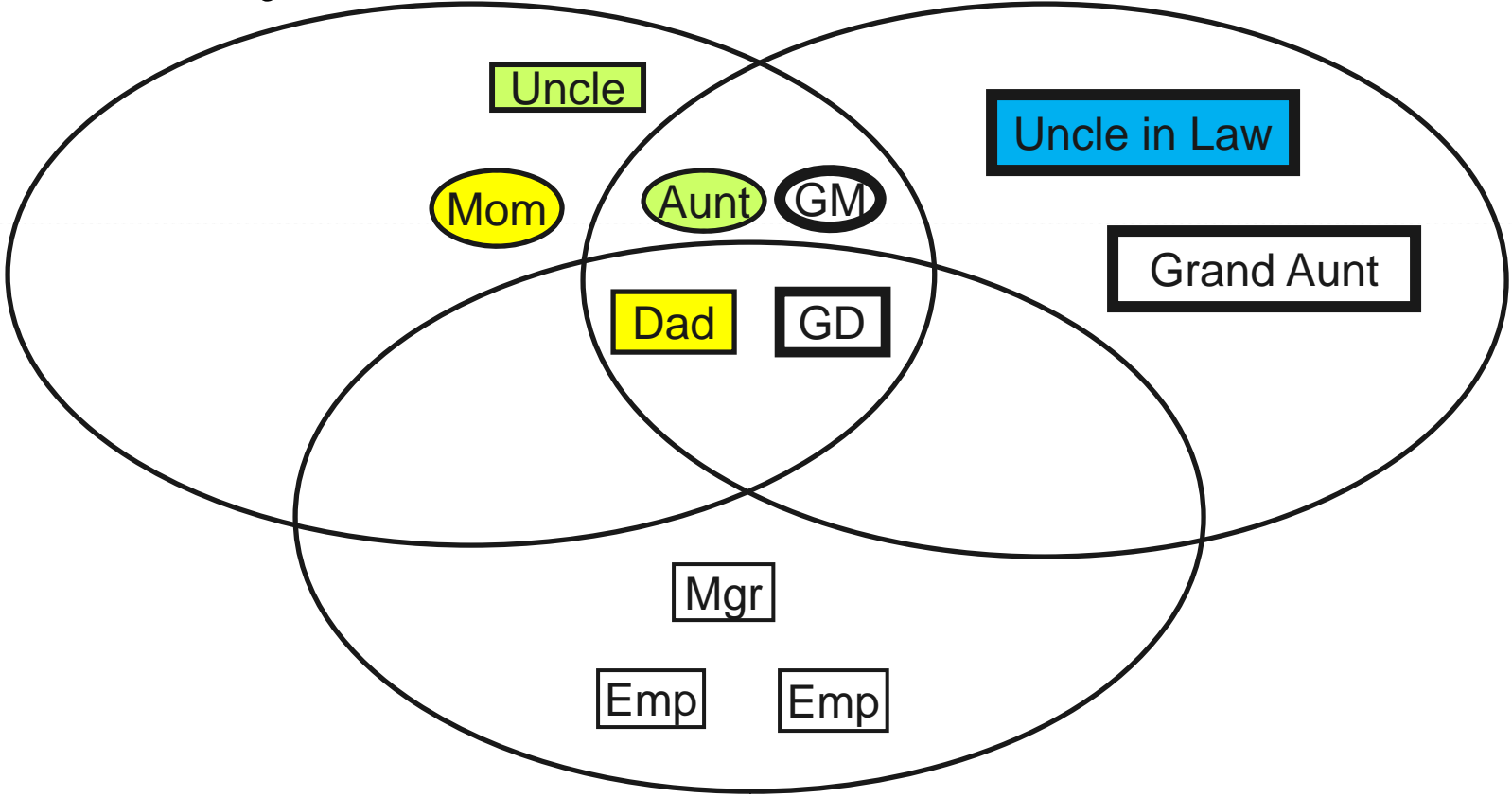


**Employees**



# Family

# Owners

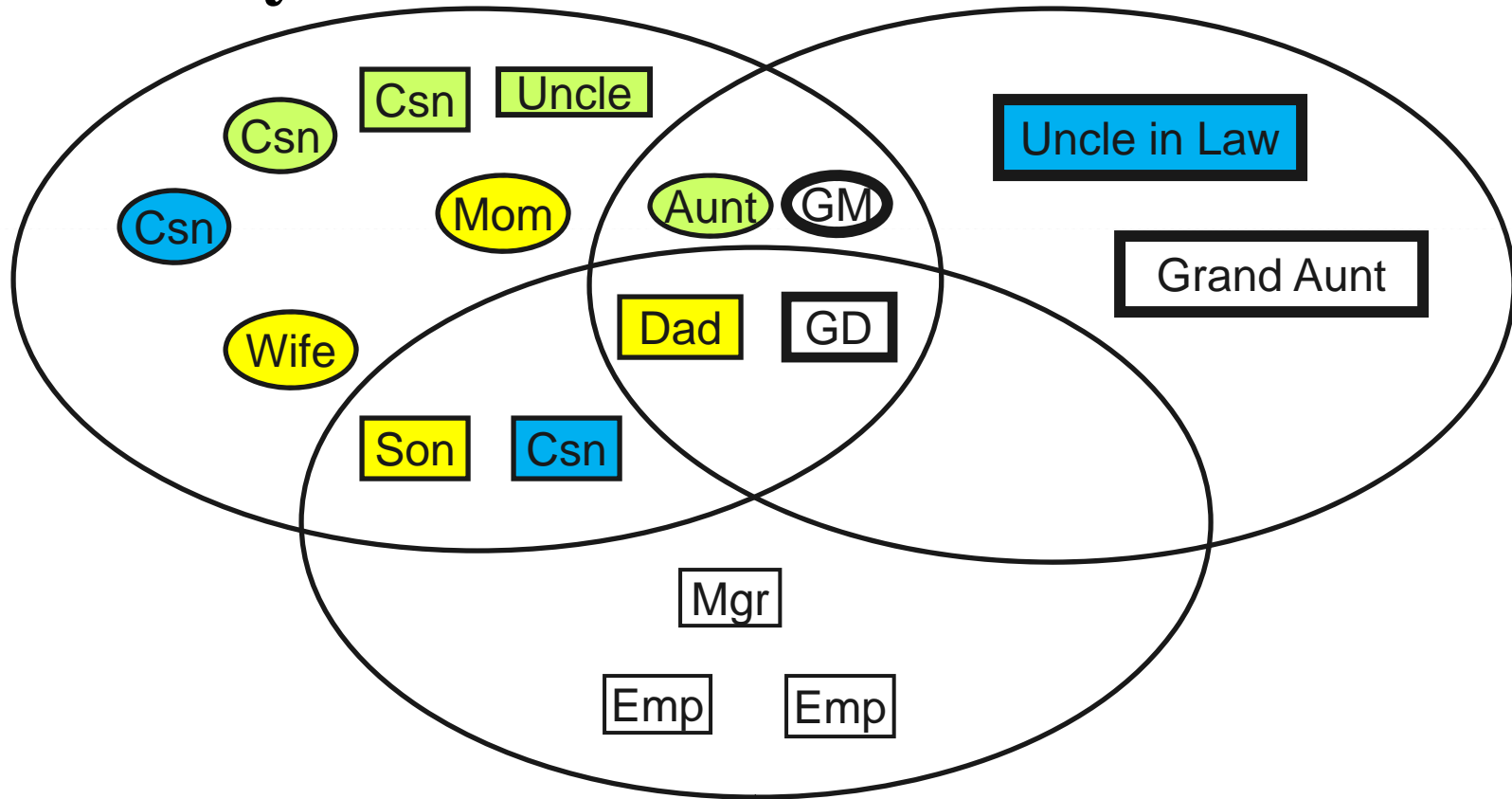


# Employees



# Family

# Owners



# Employees



# Critical Issues Recap

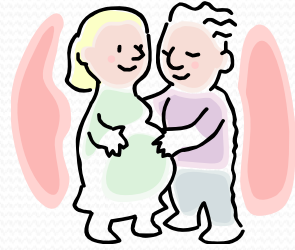
- What are we going to do with it? (common vision)
- Why should we continue to own it? (passion)
- How will we make decisions? (governance)
- How are we going to maintain it? (management)
- How can we improve it for next gen? (stewardship)
- Who is going to make it happen? (leadership)
- How are we going to pay for it? (financial)
- How will we engage the next generation? (succession)



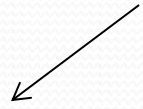
# 1000 Generations?

- 80% of landowners want land to pass to children
- Oregon – 60% no sale under any circumstances!
- Law of entropy – shirtsleeves to shirtsleeves in 3 gens
- How do we introduce new energy into the system?
  - Each generation must reconnect to values
  - Are in-laws (married-ins) part of family?
- Deal with critical issues
- Who do we want to be as a family 7 generations from now? What decisions/actions can we take now to make this happen?



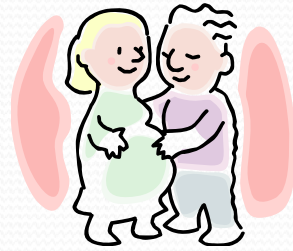


2



4

6



2



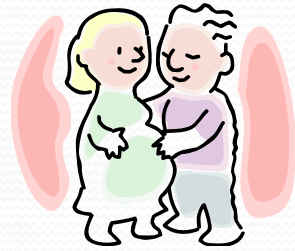
4



8

14





2



4



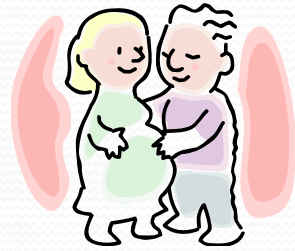
8



16

30





2



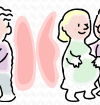
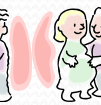
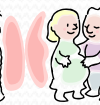
4



8

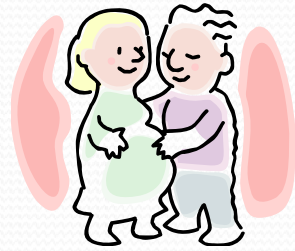


16



32

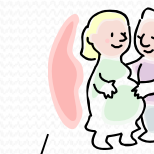
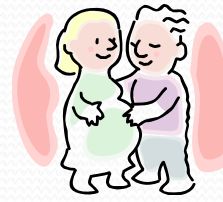
62



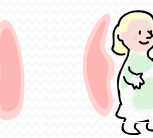
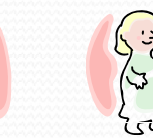
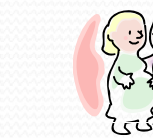
2



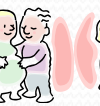
4



8



16



32



64

126





# Joint Ownership

- Do we need to know how the kids feel?
- Can a plan for succession work if the next generation is not involved in creating it?
- A plan cannot work if the family cannot put it into action.





## Steps to Succession Planning

- Discuss & *write* down goals with spouse
- Discuss goals with the family
- Create a family business entity to own the land & share ownership (FLP/LLC)
- Deal up front with children “sweat equity” issues. Equal is usually not fair
- Have regular family meetings
- Deal with Family conflict/communication



# Steps to Succession Planning

- Write down guidance for future generations
- Create non-financial reasons to own the property (recreation, heritage)
- Get your heirs out on the property
- Groom, train & support the next leaders
- Update plan regularly – things change!
- Remember to have fun!



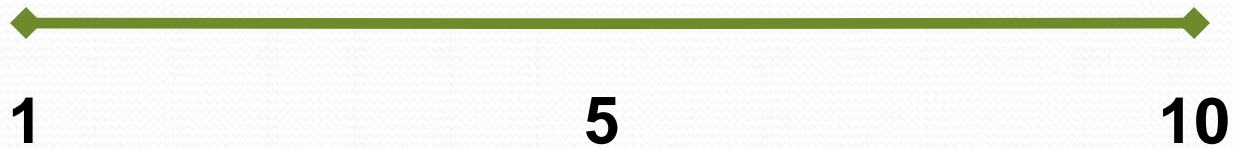
# Estate Planning

- Succession is about transferring assets and heritage
- Estate planning is creating the pathway to get it done.
- Brief overview of Estate planning tools and why you might need them.





# HEIRLOOM SCALE



- Where are you today on this scale?
- Why? (There is no “right” answer)



# Creating Your Plan

## Legal and Financial Instruments

- Living Trusts and Wills
- FLP's & LLC's
- Conservation easements

## Gifting Issues

- Annual Exclusion (\$13,000)
- Lifetime Limit (\$5 million – 2011 & 2012)
- Appraisals & gift tax returns





## FLP's & LLC's

- Family Limited Partnerships & Limited Liability Companies
- System of management and governance
- Limited liability to owners
- Partnership flow-through taxation
- No partition rights – protect property
- Define “rules of the road” / buy-sell
- Asset protection if drafted carefully
- Power of sharing ownership



## FLP's vs. LLC's

- FLP's older, uniform statutes across the states
- LLC's are newer, statutes vary by state
- FLP has general partner with general liability
- LLC members all have limited liability
- Concerns regarding state LLC statutes:
  - Provisions for members to leave the LLC - breach
  - Default statutory termination provisions
  - Creditor charging orders – with voting rights?
  - Taxation and regulation issues
- Many banks don't like LLC's: 15%+ owners Pers. Guar.





# Alternatives Recap

- Sell now or at death
- Give it away
- Divide property among your children
- Give to one child (disinherit)
- Joint Ownership (partnership)

# Creating Your Plan

- Find experienced professionals
- Create appropriate flexible ownership
- Communicate the plan with your family!







## Building Your Ties to the Land

Your plan won't work if your family can't put it into action.

- Build family relationships.
- Create a common vision.
- Mediate and reconcile family conflict.
- Improve communication skills.
- Groom a successor.
- Consider kids' sweat equity – is equal “fair”?



## In Conclusion....

- What is more difficult – growing a rotation of timber or keeping the property in family ownership?
- How much time/money do you spend on timber vs family?
- Failure to plan = planning to fail
- **SHARE THE PASSION!**
- **JUST DO IT!** Don't put it off another day!





# For More Information

- Ties to the Land Program
- [www.tiestotheland.org](http://www.tiestotheland.org)
- In partnership with Oregon State University's Austin Family Business Program
- Workbook with DVD built on a case study approach
- Live facilitated workshops
- Clint Bentz (541) 928-6500, [cbentz@bcslc.com](mailto:cbentz@bcslc.com)