Arranging your affairs to suit yourself

want to have a situation exist that would make it possible for a child to take over the farm, and this is much more likely to happen if there isn't too much debt left on father's death.

The use of "mortgage insurance" and "bank loan insurance" is quite widespread now and is an excellent form of protection. And quite recently a new package of group life insurance, dependents life insurance, and disability income insurance has become available to farmers. At present these group insurance packages are available only to Ontario Milk Producers and Ontario Pork Producers although other groups such as the Ontario Federation of Agriculture may soon be a participating group and the group insurance would thus become available to its members.

The cost of this group insurance is very modest. For example, a man up to age 29 could have $100,000 of life insurance at a yearly cost of $140.00. At age 30 the cost would increase to $165.00 per year, and increase again at age 36 and each 5 years thereafter till age 61. This is term insurance. It has no cash values. It only offers protection. But protection is precisely what a young farmer needs, especially when he is using every available nickel to pay for the farm, livestock, machinery, etc. Another good thing about this term coverage is that its cost is low at a period of life when both the ability to pay for insurance is low and when the need for insurance usually is greatest.

In thinking about insurance please don't overlook the need for disability income insurance. The same group program mentioned above will provide $500. per month income protection for a person under 40 years of age, after a 1 month waiting period for an annual cost of $66.00. At 40 years of age the rates begin to increase.

You might think I'm an insurance salesman, and in a sense I am. I believe it to be a most important aspect of estate planning for farmers. I have had the experience of counselling the families of dead farmers that have had various amounts of life insurance and believe me it is a much more pleasant situation where there was a good block of insurance protection. But, only the farm family can determine what insurance to buy, and how much to own. Generally speaking, I think farmers should buy term insurance, in large chunks, and leave it to the other classes of people who aren't investing in their own business, to buy the "savings type" of insurance. In trying to decide how much to buy both spouses should talk about "just how they would want things to be" if one or the other wasn't there tomorrow. Then set about building an insurance program that would make it possible if the worst happened. Then get on with the business of living with the peace of mind that comes with a good insurance program.

As farm income makes it possible, families will want to consider the use of Registered Retirement Savings Programs. That is, after you have provided for the eventualities of untimely death and after you have the farm business going well, you probably will want to start thinking about retirement. One way to provide for retirement income is to put some money aside specifically to provide income during retirement years. Special plans such as R.R.S.P.'s allow you to put dollars aside for retirement without first having had to pay income tax on them. There are a host of different R.R.S.P.'s and you should exercise much prudence in buying them to be sure you are making a good buy.

Farmers have some unique ways of providing for retirement income. If there are no children to take over the farm, then it can be sold to a stranger and a sizable amount of money would be available for retirement. In such a case, special income items such as: capital gains, recaptured capital cost allowance, sale of inventories of livestock and crops all are eligible for the purchase of forward averaging annuities. Thus such income is not subject to income tax until you receive the payments year by year from the annuity and these may be purchased for up to a 15 year period.

And finally a word or two about succession duty. If you have had a successful farming career, have provided for your retirement, then you are probably justified in wondering about what will happen to your estate. Right from the time you started farming or became married you should have had a will so that your estate would be disposed of according to your wishes. The federal government does not tax an estate and the province of Ontario does not levy any succession duty on estates passing to a spouse, nor on any estate of $300,000 or less. If a farmer has an estate of over $300,000 and by will he passes the farm and farming assets to a child or children, and if the child or children uses them in farming then the succession duties on the portion of the estate made up by the value of the farm and farming assets will be forgiven. Because of the special succession duty treatment that is accorded to farmers it is important that a farmer have a well prepared will. Any of the Agricultural Representatives in Ontario would be able to advise you on such matters and you are welcome to seek their counsel. They can also explain the details of gifts that can be made without attracting gift tax.

Estate Planning is a family affair. It starts with the creation of an estate and I have devoted most of this article to that aspect because it seems to me that is the area most often overlooked, yet the most important. Develop a plan that meets your objectives, and then get on with living.