

**Dollar Sense**

# Partnership help keep farm in the family

By Anne Starret, CA

When a person has a job that carries a pension, the prospect of retirement within a few years is often a pleasant one.

But middle-aged farmers have concerns peculiar to their vital role as providers of food. They don't receive a pension as such and though their farms may be very valuable, they have to sell them to realize that value.

The answer for many farmers is a farm partnership, a sort of phased withdrawal that gives the father sufficient control while the adult children take on more responsibilities.

Let's look first at Dad's position. If he's

between 50 and 60 he will usually want to ease up on his burden, passing along some responsibilities to his children. But he won't want to quit totally and he certainly won't want to give up control.

From the children's viewpoint, many farms are worth so much that a son who didn't eventually acquire control of his parents' farm could not afford to buy his own. So he wants assurance that his parents won't sell.

A common concern by the wife of the farmer's son is that, if her husband should die early, she would have no claim to ownership of the property. That concern can snowball and become a chronic worry.

A partnership agreement is often beneficial, but it poses its own questions. In particular, the younger generation should probably prove itself before a formal agreement is drawn up, but how long should this testing period be? If it's too long, the son may feel he's working for nothing, while the parent may resent giving up control.

Marital problems are also a factor. Farm families should look at the provision of Ontario's Family Law Reform Act that entitles spouses in most cases to equal portions of family assets in the event of a marriage breakdown, no matter who has title. This could result in the farm being sold.

Other questions to ask: Can the farm support two or more families? Would handing over the farm to the children create hardship for the parents? Would the younger generation be willing to work as hard as the parents and forego vacations to get ahead?

If there's a possibility of selling the farm

at a high price, are the parents willing to share the proceeds with the children who have worked the farm to date?

Before a partnership is entered into, would the older generation be willing to put an agreement in writing, to defer to the children's decision, to give suggestions rather than orders, and to accept that the children's families may get higher priority than the farm?

Can the younger generation accept the advice and give it a try, to take over decision-making only gradually, to take on an increasing workload without resentment?

If the two generations can give a firm "yes" to these questions, they would make good partners. If the answer is "maybe—with conditions" the success of a farm partnership is less assured.

*Dollar Sense offers general financial advice by members of The Institute of Chartered Accountants of Ontario. Anne Starret is with Pope & Starret, Georgetown.*

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