

retain final management control will often cause problems.

Practice family decision making

Participation in major decisions by all family members is important. People are more supportive of decisions they have been involved in making. Regular family meetings where business decisions are discussed are important.

Encourage diversionary activities

The key to success in operating a family farm is to keep personal life-styles out of the farm operation. Separate business from social life. Too much family contact can be a problem.

Family members should be encouraged to participate in off-farm activities that don't involve other family members. Service clubs, farm organizations, or community organizations are good activities.

Everyone needs vacations and time-off—and more than just a weekend. The families should decide how much time-off is to be provided and under what circumstances it will be permitted.

Allow for mistakes

Allow the younger generation to make mistakes. Everyone should have the opportunity to make mistakes. That is how we learn. The parents should stand back while their son or daughter makes mistakes. The younger generation needs these opportunities to learn so they can survive the tough years of farming ahead.

Separate housing is required

If two houses do not presently exist, additional housing can be obtained by:

- renting a nearby farm dwelling,
- buying and remodeling a nearby farm dwelling,
- buying a farm dwelling and moving it,
- building a new home, or
- buying a mobile home.

Fit the agreement to the situation

People often ask, “*What is the best type of business arrangement*”? They assume that if they find the one best arrangement, all of their problems will be solved. But this *one-size-fits-all* approach is usually not adequate. The best business arrangement depends on what you want to do. If you pick the business arrangement first, you may have to change your individual situation or your goals to conform to the business arrangement. First assess your individual situation. Then pick the type of business arrangement that fits you best.

Written agreement

A written agreement is like *minutes of the meeting*. It tells when you met, who was there, and what was decided. Written agreements make the terms of the agreement more definite and leave less chance for future disagreement and misunderstanding. People tend to use *selective listening* and *selective recall*—hearing and recalling only those portions of conversations that reinforce their point of view. A written agreement protects not only the original parties, but the assignees and heirs in case either party dies.

A written agreement encourages all parties to consider many phases of the business and forces them to think through potential problem areas. Decisions are made before the problems occur. In subsequent years, it provides a basis for changing provisions when adjustments are desired.

Update the business arrangement

Two-generation farming operations are dynamic. Over time the younger generation takes on more ownership and management of the farm business. As ownership and management are transferred from one generation to the next, the business arrangement needs to be updated to reflect these changes. Failure to adjust the arrangement will result in an inequitable distribution of income.

Concerns of off-farm heirs

We usually focus on the child that is coming back to farm, but non-farming children should also be considered. The on-farm child may have received special economic considerations such as gifts of property or a share of the farm income that is larger than their contribution to the business. Will this cause resentment from the non-farming children? Should they also receive gifts?

Parents without an interested child

Many parents do not have a child, or at least one that is interested in farming.

In most communities there are young people who are interested in farming. These people are often anxious to become involved in a viable business operation. Many of the same general principles discussed previously apply equally well to unrelated individuals.

There are programs available that assist in matching retiring farmers with beginning farmers. If you are interested, ISU Extension has the Beginning Farmer Program. More information can be found by calling 1-800-BFC-1999 or visiting: <http://www.extension.iastate.edu/bfc/>.

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