

# Continuing a Legacy:
## Can You Keep the Ranch in the Family and Keep the Family Ranching?

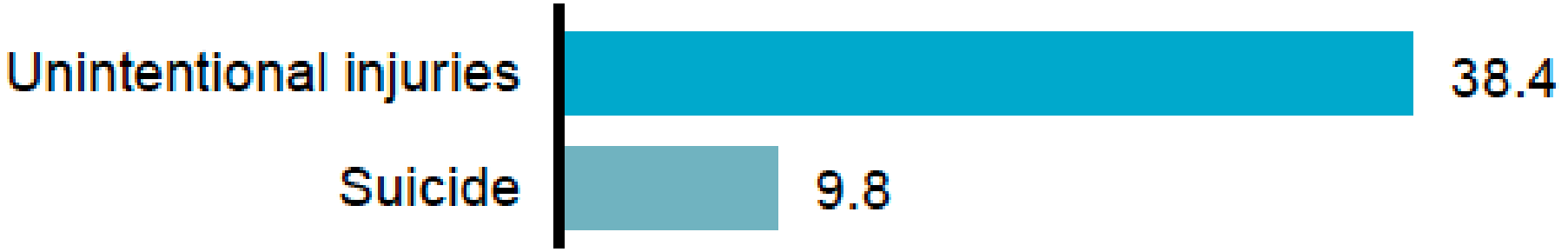
American Hereford Association Educational Forum and Annual Meeting | Kansas City, Missouri | October 23, 2026

Dr. Shannon L. Ferrell, Professor of Agricultural Law, OSU Department of Agricultural Economics




OFFICIAL ARE
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CAT MEN'S
CONGRESS

## Ages 25–44




## Ages 45–64




Source: CDC National Vital Statistics Reports 74:10, September 16, 2025

**Think about it this way:**

**A risk event with a *100%* probability of occurrence is coming.**

**You cannot know WHEN it will happen but it WILL happen.**

**The event will immediately delete *50%* of your ranch's asset value.**

**HOWEVER, if you take the right risk mitigation measures, there will be *0%* loss of ranch asset value.**

**The risk mitigation measures would cost *0.5%* of the ranch asset value.**

**Should you take the risk mitigation measures?**

**If so, when should you take them?**

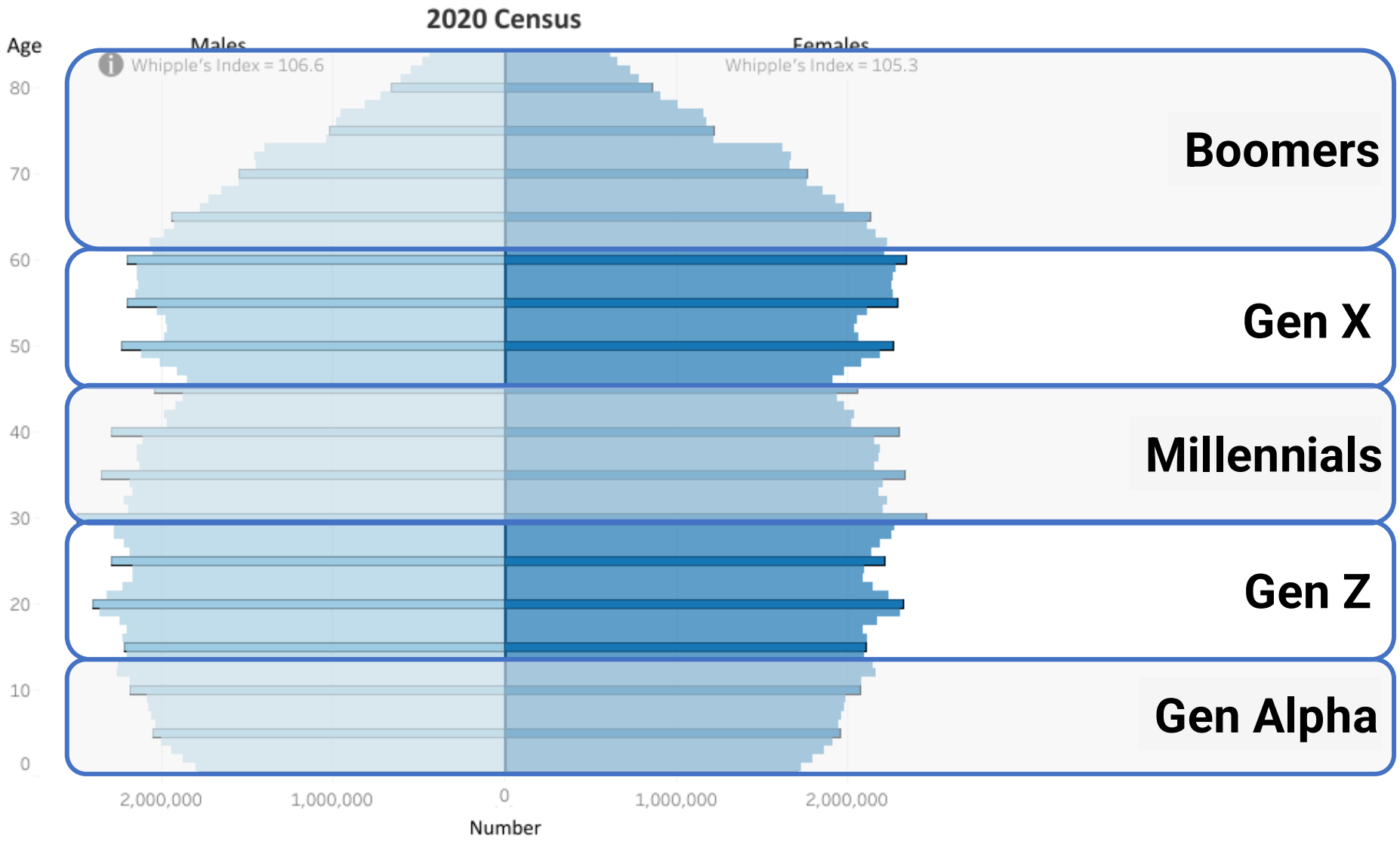
# Age-Sex Pyramid for the United States

(Aged 0 to 84. Outlined bars represent ages ending in "0" or "5")

2020 Census

Show history

Press play to watch the pyramid change




United States Census Bureau

U.S. Department of Commerce
U.S. CENSUS BUREAU
census.gov

Source: 1980 Census Summary File 2C (SF2C), 1990 Census Summary File 2C (SF2C), Census 2000 Summary File 1 (SF1), 2010 Census Summary File 1 (SF1), 2020 Census Demographic and Housing Characteristics File (DHC)

**This is not an "*if*" question, it's a "*when*" question.**

***When*** **is unknown and unknowable...**

**...so the only rational choice is to act now.**

***Not*** **acting is a choice...**

**... and what you're choosing is a *broken ranch* and a *broken family*.**

**So let's get started TODAY - because SOMEDAY ain't on the calendar.**

OSU | EXTENSION

EXTENSION

# The unique challenges of farm and ranch succession

# Why is this ranch transition stuff so dang hard?

## The Townsfolk

| Asset Description | Value | % of total assets |
|---|---|---|
| Financial assets | $3,125,000 | 83.3% |
| Primary home | $300,000 | 8.0% |
| Vacation home | $200,000 | 5.3% |
| Other assets | $125,000 | 3.3% |
| Total | $3,750,000 | 100.0% |

## The Ranchers

| Asset description | Value | % of total assets |
|---|---|---|
| Financial assets | $0 | 0.0% |
| Land and buildings | $2,700,000 | 72.0% |
| Machinery & equip. | $1,000,000 | 26.7% |
| Breeding livestock | $50,000 | 1.3% |
| Total | $3,750,000 | 100.0% |

# A winter wheat / cow-calf operation

## Kansas Farm Management Association South Central Association Data

| Asset class | Value |
|---|---|
| Breeding Livestock | $56,602 |
| Machinery & Equipment | $1,012,499 |
| Buildings | $82,894 |
| Land | $2,603,650 |
| Total Assets | $3,755,645 |
| Avg. Net Annual Income | $169,059 |

69% of total asset value

Probability the ranch can survive a
“split it down the middle” strategy
on its own revenues:

# 0.00%


WHAT'LL IT COST, MAN?
WHAT'LL IT COST?
memegenerator.net

# What'll it cost, man?! What'll it cost?!

## Operation with $3.755 million in assets and average NFI of $169,059

| Strategy | Who pays | Annual expense |
|---|---|---|
| Buy out City Kid, commercial lending | Farm Kid | $375,565 down (¯_(ツ)_/¯)<br>$198,359 ($29,300)<br>$97,528 |
| Buy out City Kid, family loan | Farm Kid | $145,864 w/o down pmt.($23,195) |
| Op. assets to Farm Kid, "share" land; investment | Ma & Pa | $33,901 |
| Op. assets to Farm Kid, "share" land; life ins. | Ma & Pa | $20,987 |
| Farm Kid buys op. assets | Farm Kid | $53,455 |

My 1st Classic Story

# The Country Mouse and the City Mouse

A retelling of Aesop's Fable by Eric Blair



## Historical average returns to agricultural land

~~11.5%~~

~~5.2%~~

0.5%-2.0%

Source: Kastens, 2001, OSU 2023

## Historical average returns of S&P 500

10.1%

Source: Investopedia, 2024



EXTENSION

# The value of transition planning

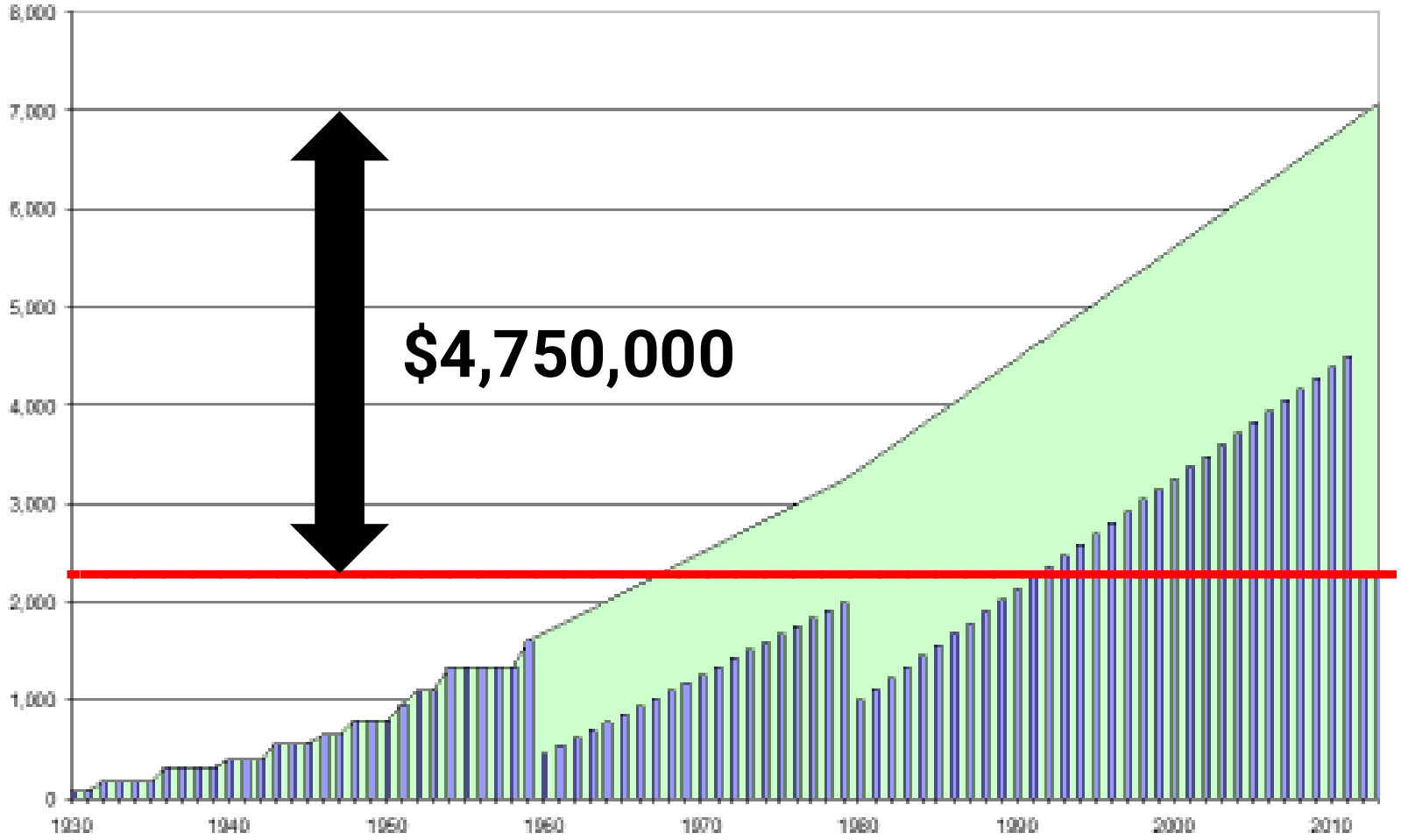



Illustration courtesy Dick Wittman, Wittman Consulting

EXTENSION

**People with incompatible financial incentives and/or values should NOT do business together…**

**…so don't force them to do business together.**

**If your family IS going to do business together:**

**Make sure their VALUES are aligned.**

**Make sure their FINANCIAL INCENTIVES are aligned.**

EXTENSION

# Five steps forward:
# A practical approach to keeping the ranch and the family together

# Five steps to a successful transition

1. **INVENTORY: Determine where you are now**
2. **TALK: Communicate with stakeholders**
3. **PLAN: Develop a business succession plan**
4. **WILL: Develop a plan for your estate / gifts**
5. **DON'T STOP: Deploy / evaluate / revise**

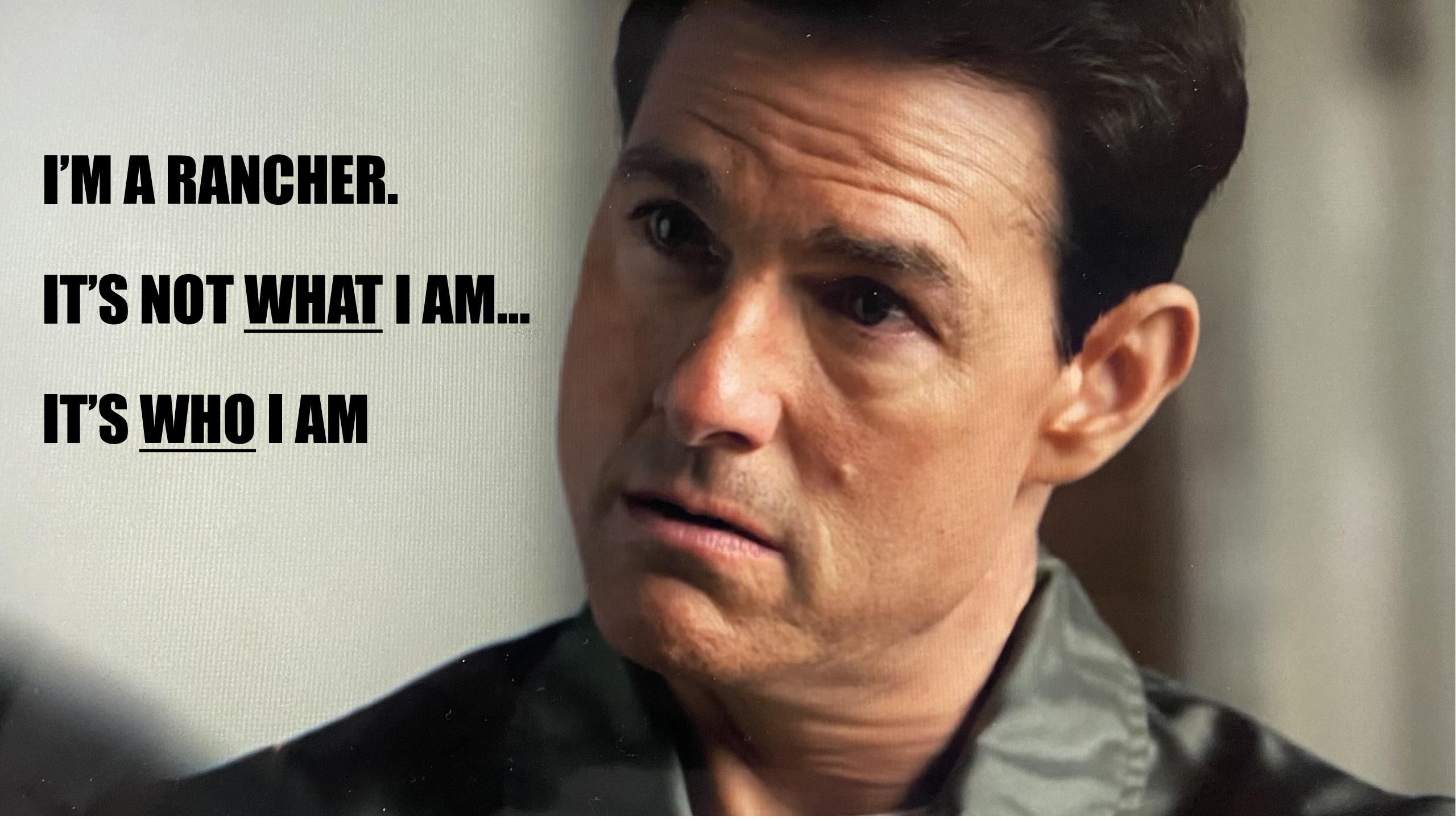


## Step 1: INVENTORY

- Every THING
- Every ONE
- Every MEASURE
- Every GOAL
- Every VALUE

# Step 2:TALK




I’M A RANCHER.
IT’S NOT WHAT I AM...
IT’S WHO I AM


YOU GOTTA FIGHT
FOR YOUR RIGHT
TO TALK TRANSITION
WITH YOUR FAAAAAAAAAAAAMILY



**Do you believe every stakeholder has a right to a respectful transition conversation?**

**Are there reasons you are afraid to have that conversation?**

# The environment





**The Prelude:**

**“ I want to set a path to the future of this ranch.”**

**The Two Big Questions:**

**“What is your vision of the future of this farm?”**

**“What role do you see for yourself in that future?”**

# Principles-based transition planning

1. Relationships first
2. Profitability matters
3. What is a gift is a gift, what is earned is earned
4. Equity, not equality
5. Participation is an earned opportunity, not an entitlement
6. Participation requires preparation
7. People deserve a chance to profit from their contributions
8. There's no reward without risk
9. Wealth without wisdom is a curse
10. Transparency is key to trust
11. Emotional connections matter
12. Choice in all things

# The 13th Principle

**Thou shall not maketh someone suffer through something just because *you* did.**

# The generational covenant

## The Current Generation agrees to:

1. Commit to the written plan.
2. Create the business & estate tools.
3. Show the Next Generation the signed documents.
4. Communicate the plan & your intentions to all stakeholders.
5. Step back, not away.

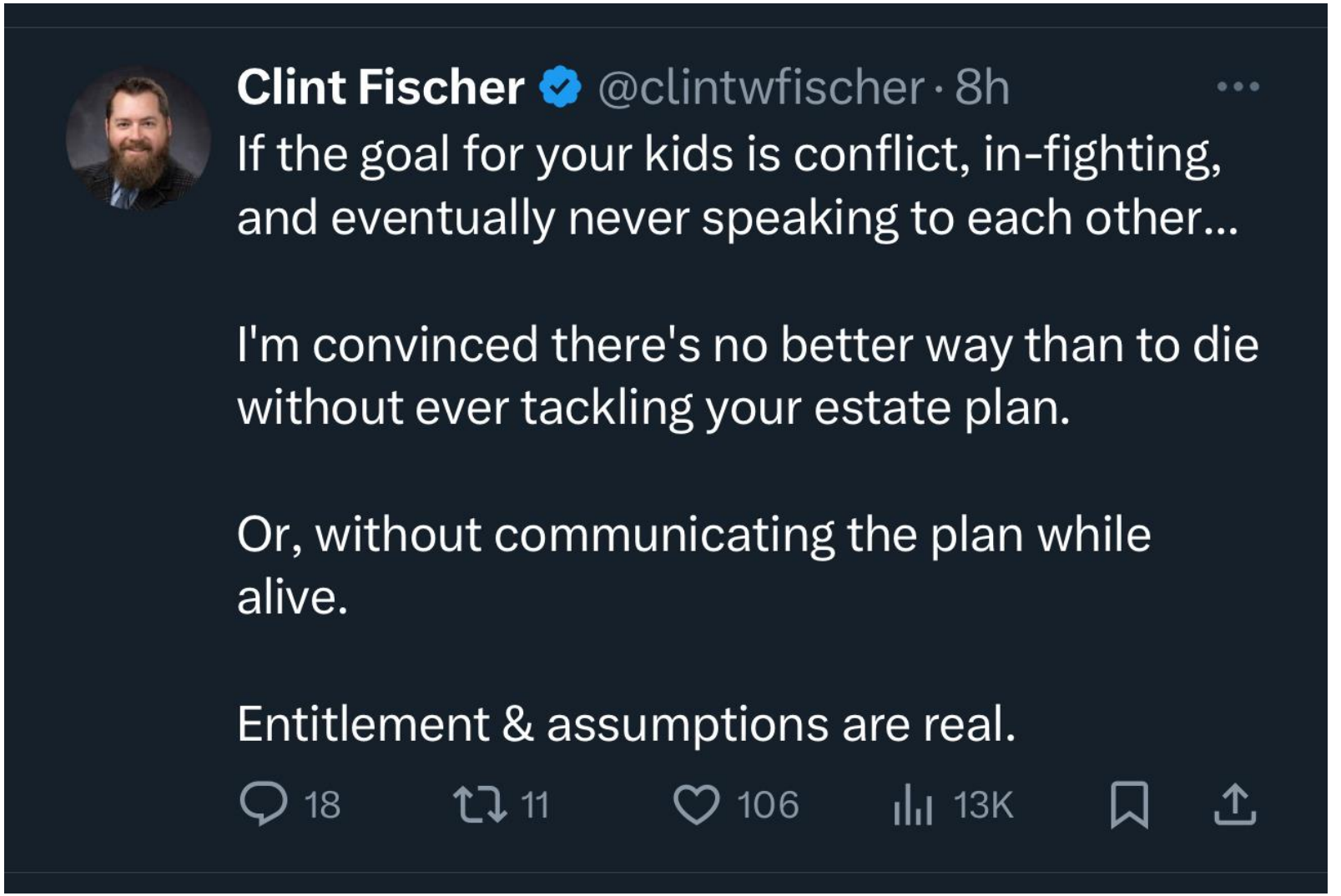
## The Next Generation agrees to:

1. Commit to the written plan.
2. Develop skills & experiences needed to achieve milestones.
3. Meet all contribution requirements – labor, capital, or other.
4. Step up.

## We both agree to:

**Honor milestones and the obligations they trigger as if they were arms-length transactions with a critical party. 'Cause they are.**

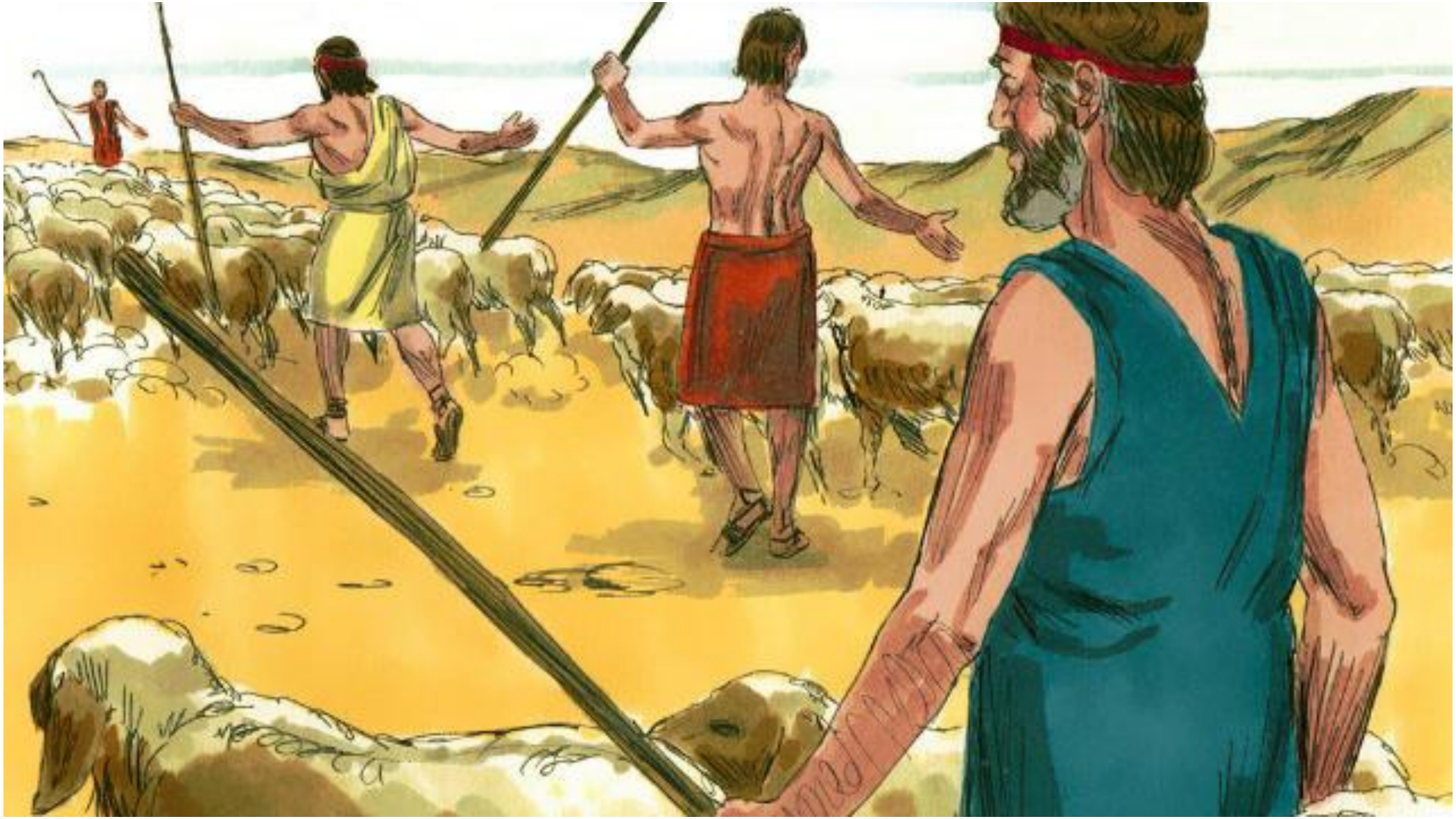
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Clint Fischer @clintwfischer · 8h
If the goal for your kids is conflict, in-fighting, and eventually never speaking to each other...
I'm convinced there's no better way than to die without ever tackling your estate plan.
Or, without communicating the plan while alive.
Entitlement & assumptions are real.
18
11
106
13K

# Step 3:PLAN



# Let's talk HERD TRANSITION



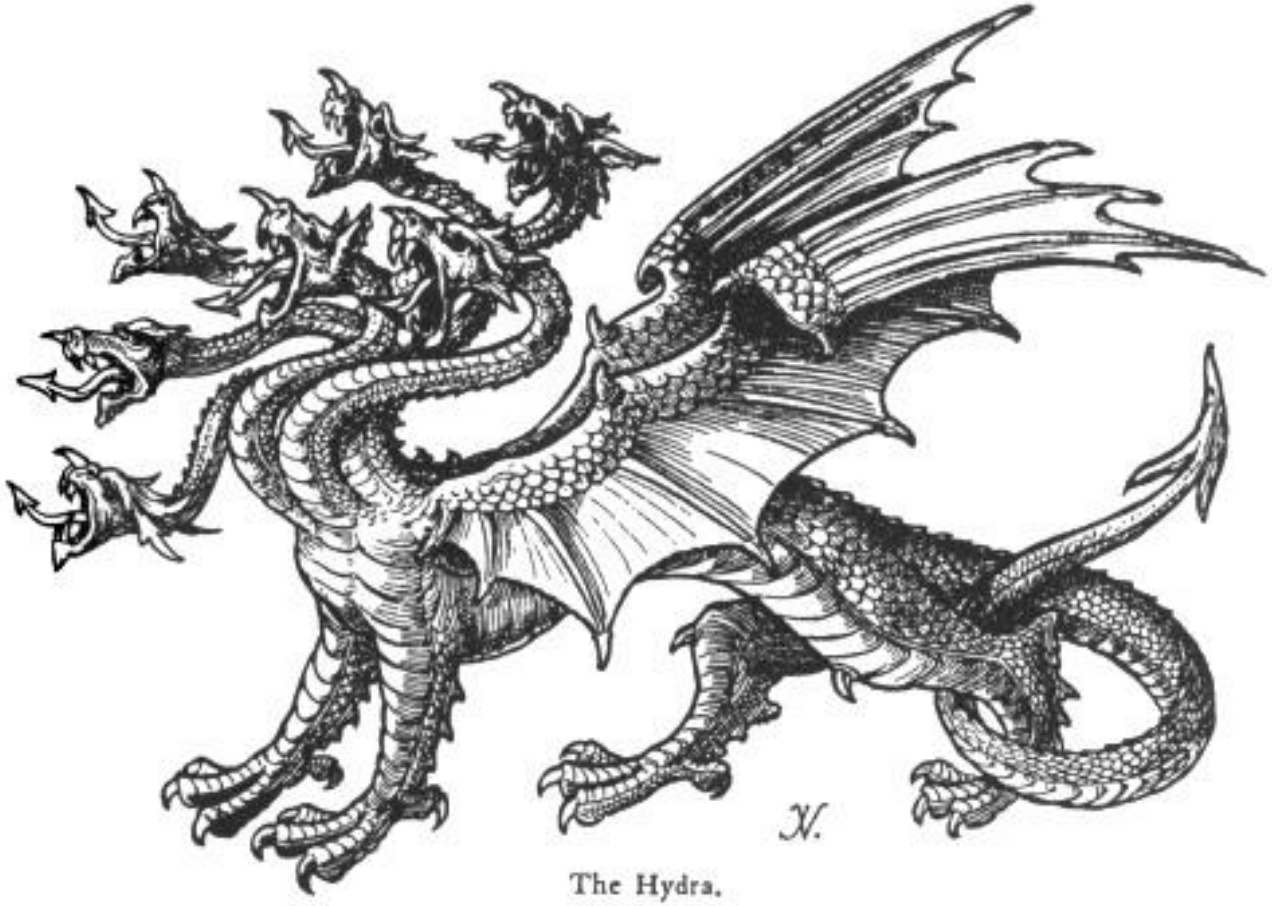
# Let's talk HERD TRANSITION

- Genetics
- Cull decisions
- Calving operations and support
- Purchased cattle decisions
- Nutrition program and implementation
- Grazing arrangements &  movements
- Veterinary program and interventions
- Facilities and equipment maintenance
- Marketing and sale decisions
- Risk management
- AND WHO'S PAYING FOR AND GETTING PAID WHAT?

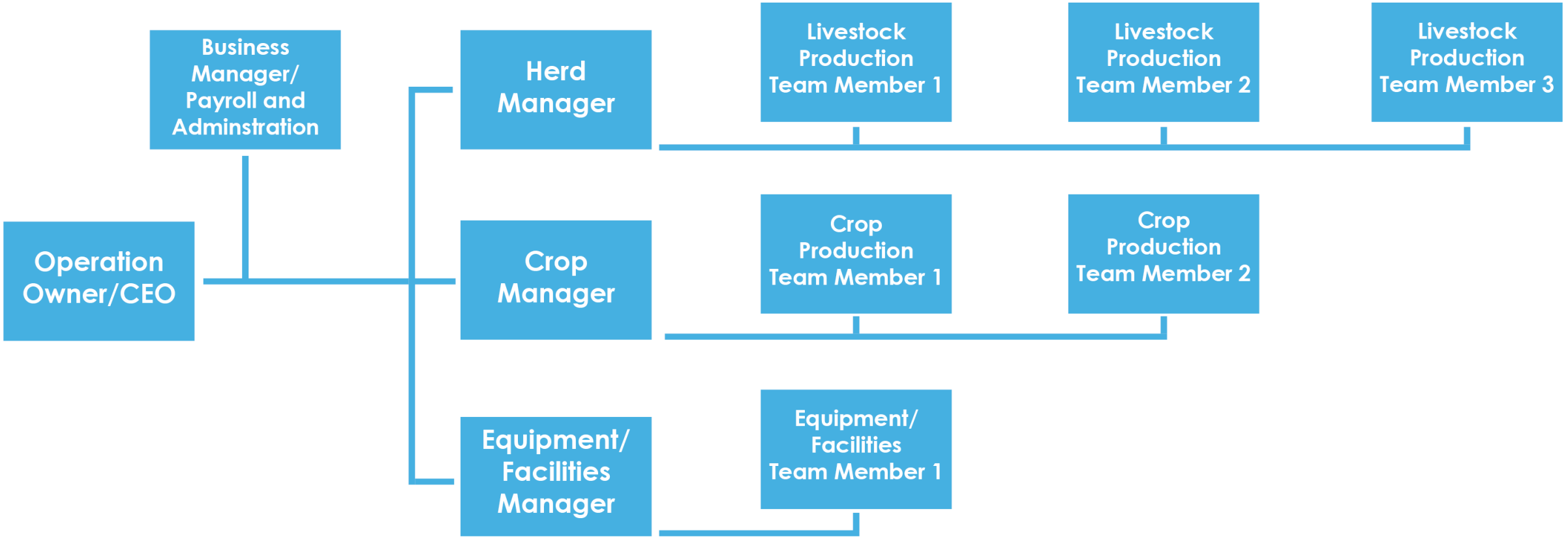


# Let's talk MANAGEMENT





# Let's talk MANAGEMENT



# Let's talk COMPENSATION

- First and foremost, 😰equity = 🐂💩
- "Someday kid, this will all be yours" = 🐂💩
- So, what is counted as compensation?
  - Hourly wages vs. annual salary
  - Distributions of revenue (tied to equity?)
  - Equity (if there's no entity and no written transfer, it doesn't count)
  - Benefits
    - Health insurance
    - Auto insurance
    - Retirement benefits
  - In-kind compensation
    - Housing, utilities, vehicle use, equipment & facility use, food, etc.
- Put a $ value on it & tie it to contributions to the operation

## Twenty Year Ownership Buyout - Linear




| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Junior | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% | 50% | 55% | 60% | 65% | 70% | 75% | 80% | 85% | 90% | 95% | 100% |
| Senior | 100% | 95% | 90% | 85% | 80% | 75% | 70% | 65% | 60% | 55% | 50% | 45% | 40% | 35% | 30% | 25% | 20% | 15% | 10% | 5% | 0% |

Year

## Twenty Year Ownership Buyout - Stepwise




| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Junior | 0% | 0% | 0% | 0% | 20% | 20% | 20% | 20% | 40% | 40% | 40% | 40% | 60% | 60% | 60% | 60% | 80% | 80% | 80% | 80% | 100% |
| Senior | 100% | 100% | 100% | 100% | 80% | 80% | 80% | 80% | 60% | 60% | 60% | 60% | 40% | 40% | 40% | 40% | 20% | 20% | 20% | 20% | 0% |

## Twenty Year Ownership Buyout - Exponential




| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Junior | 0% | 0% | 1% | 3% | 5% | 7% | 10% | 13% | 17% | 21% | 26% | 31% | 37% | 43% | 50% | 57% | 65% | 73% | 81% | 90% | 100% |
| Senior | 100% | 100% | 99% | 97% | 95% | 93% | 90% | 87% | 83% | 79% | 74% | 69% | 63% | 57% | 50% | 43% | 35% | 27% | 19% | 10% | 0% |

# Let's talk BUY-SELL

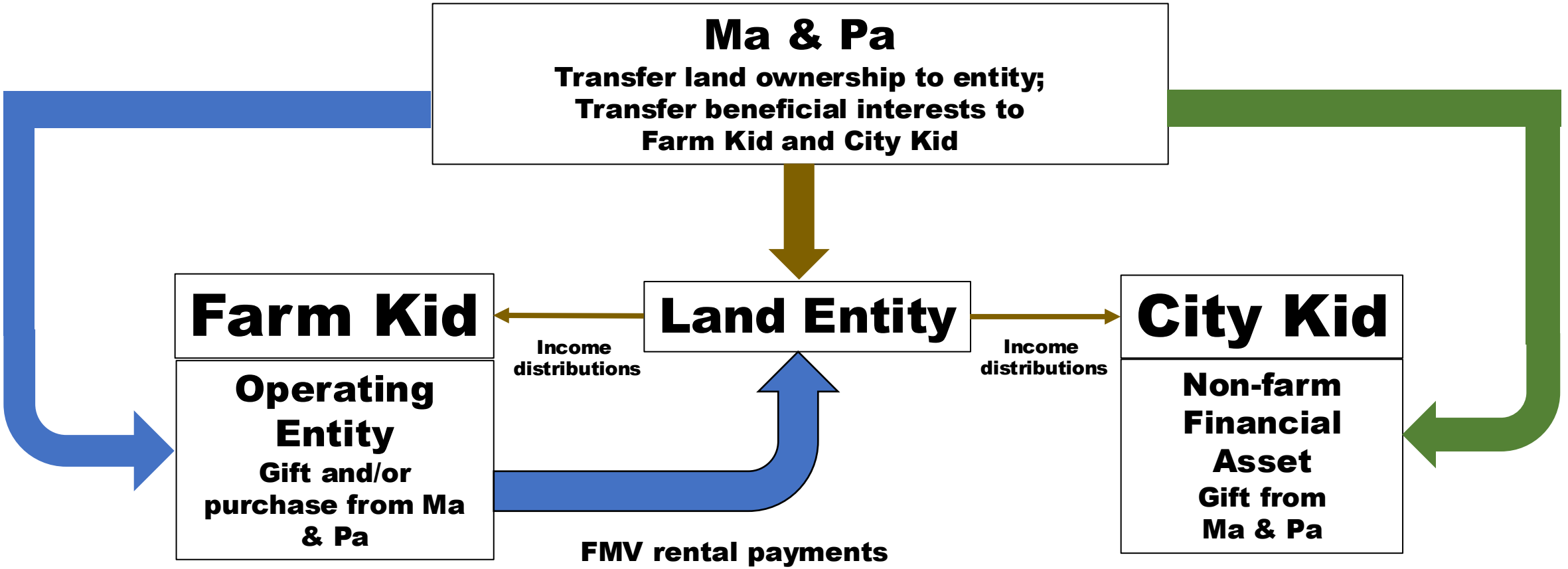


# Let's talk LIQUIDITY



# Let's talk PRENUP




Ma & Pa
Transfer land ownership to entity;
Transfer beneficial interests to
Farm Kid and City Kid
Farm Kid
Land Entity
City Kid
Income distributions
Income distributions
Operating Entity
Gift and/or purchase from Ma & Pa
Non-farm Financial Asset
Gift from Ma & Pa
FMV rental payments

# Don't say the "r" word to a producer!

1. What will you need as you step back (just a bit)
    - Family living
    - Healthcare
    - Fun
2. How will you get it?
    - Off-farm investments and assets
    - Continuing returns from operation
    - Sale of ownership in assets and/or equity

# Step 4: Will



# The bridge between Step 3 and Step 4

**Think carefully about whether both the farm and its stakeholders are better served by an asset transitioning NOW or at the death of the owner.**

- **The economic stability of the current owner**
- **The economic stability of the future owner**
- **The risk inherent in any estate administration**
- ***Don't let the tax tail wag the planning dog.***

# A failure to plan is a plan to fail

**Slam dunk without-a-doubt**

- Guardian nomination for minor children
- Beneficiary designations
- Durable powers of attorney
- Advanced directive for health care
  - Medical Power of Attorney
  - Living Will
  - DNR
- Long-term care plan
- Will

**And you really need to think about**

- Trust
- Life insurance
- Long-term care *insurance*

# The current estate tax landscape (2026)

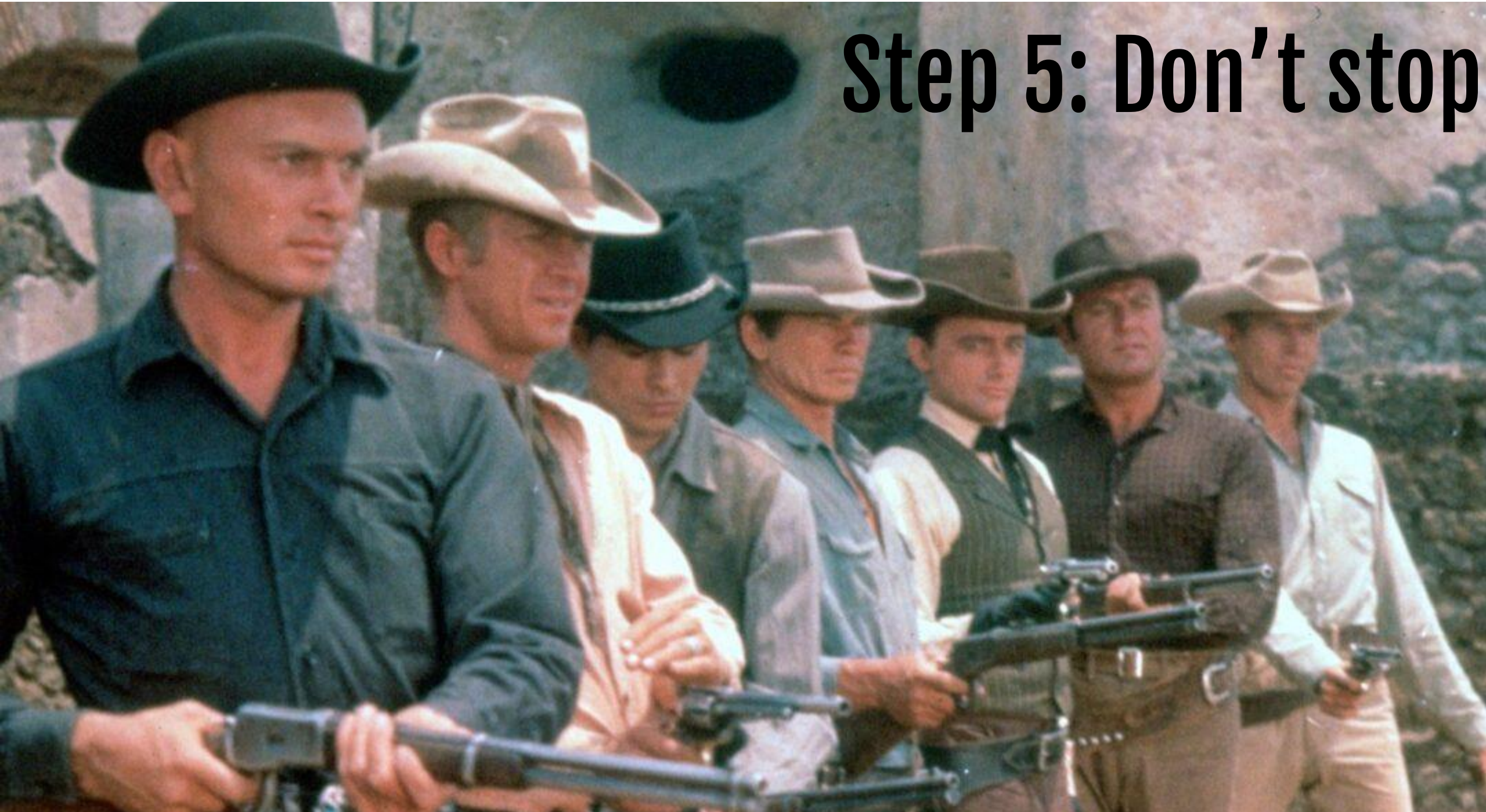
- $15,000,000 / $30,000,000 unified credit (inflation indexed)
- 40% marginal rate past exemption
- Spousal portability retained
- Stepped-up basis retained
- $19,000 / $38,000 annual gift exclusion (inflation indexed)
  Remember: unified credit!

## Hot take by Ferrell on estate restrictions

# *Rigor mortis* makes you an inflexible ranch manager.

# The “hit by a _____” plan and why *everything* needs to be in writing, dangit!





# Step 5: Don’t stop

# The Accountant



# The Attorney



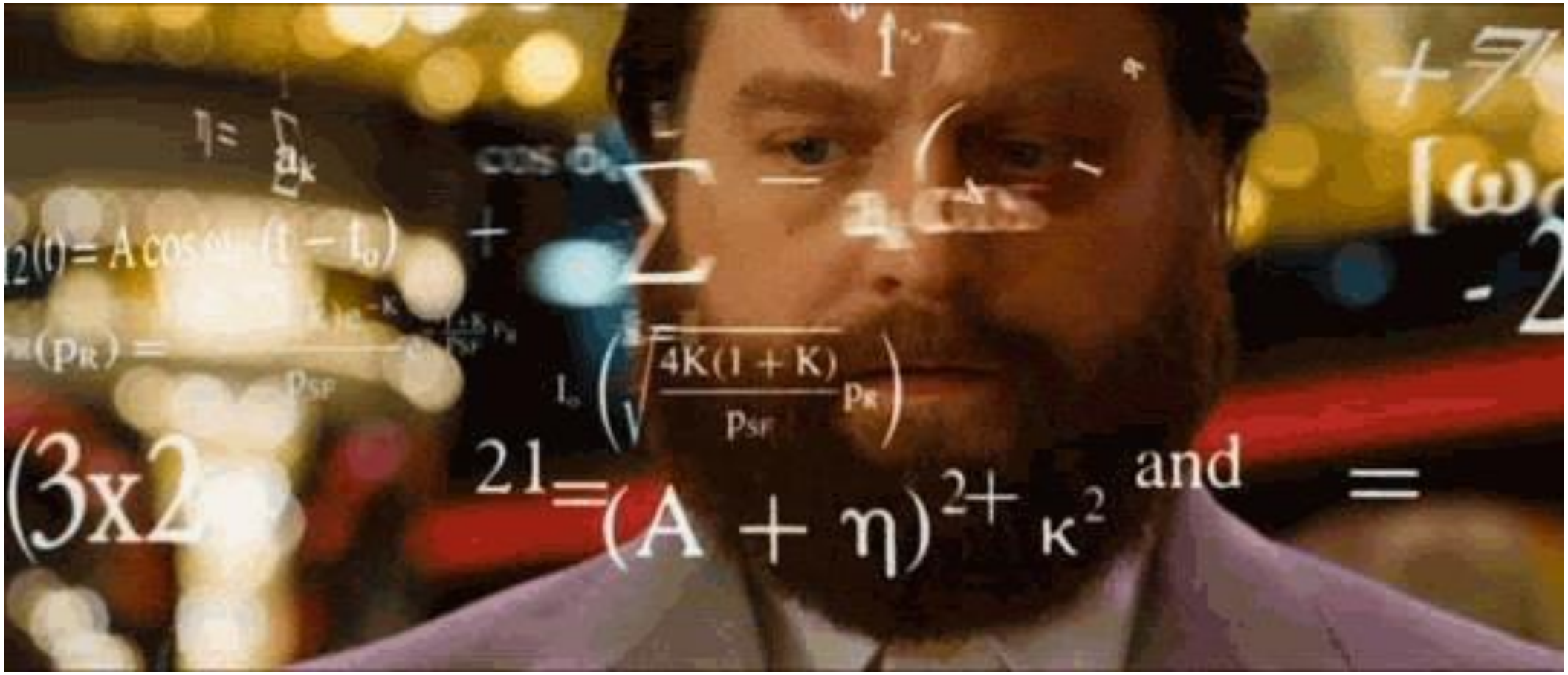
# The Banker



# The Investment Advisor



# The Ranch Management Consultant



# The Human Resources Advisor



# The Referee



# Time for a checkup!

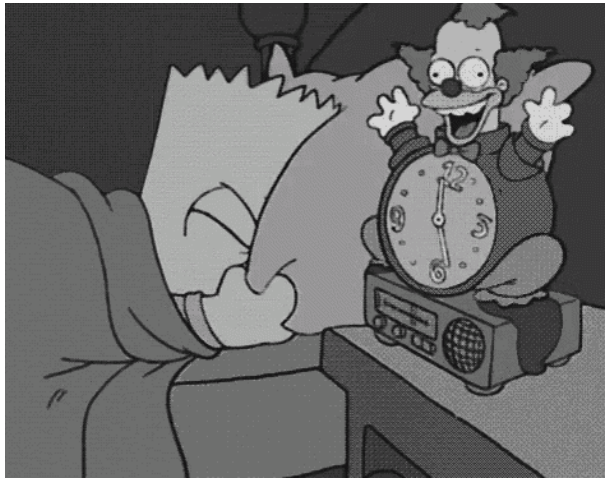














# Thank you for joining us – now get to it!
# And may your transition journey be a success!



**Shannon L. Ferrell, J.D., M.S. Mobile** | 405.742.2575
**E-mail** | shannon.l.ferrell@okstate.edu