

The business must provide the parents with a desired level of living as well as provide for their economic security during retirement years. In addition, it should meet the younger person's living needs as well as permit adequate debt servicing and growth in business equity.

Income the parties receive from outside the business, such as off-farm investments and off-farm employment, may also be considered. Often some financial subsidies from the older party to the younger party is required, which may place additional stress on the parents' financial position.

If there is any question regarding the adequacy or soundness of each party's financial situation, now is the time to contact an accountant, lender or management consultant, and take a realistic look at the economic and financial feasibility of developing a two-generation farming arrangement.

Can both parties work together?

Relationships are critical to the success of any two-generation business arrangement, both in a family and non-family setting. If the people dimension is not right, then the arrangements may not work out. Make a careful evaluation of the *people situation*.

Personal relationships

All parties need to be tolerant, understanding and have the ability to overlook each others' faults. A business arrangement works best if the parties and families work together in a spirit of harmony and cooperation. In addition, mutual respect between the parties is important. Problems can arise as to housing, spendable income, labor commitments and life styles.

Business relationships

All parties should work towards similar goals to make the business succeed. When goals and values differ, care must be taken to arrive at a reasonable compromise. Joint participation in managerial decisions is another *must* if a two-generation arrangement is to succeed. Often a good arrangement consists of people who have different skills that complement each other, rather than people whose skills are too much alike.

How about other family members?

A major concern of the young person is how to eventually gain managerial and financial control of the business. The magnitude of this concern depends on the nature and size of the business, the number of heirs involved, and the number of years before the parents' retirement.

Recognize that another prime goal of the family is the maintenance of overall family goodwill. Plans should provide for the fair and equitable treatment of other heirs and the financial security of the parents. Agreements that unduly favor one family member should be avoided. Good communication among all family members is essential, particularly when arrangements are being changed or concessions made.

Giving it a try

One of the best ways to find out if a situation will flourish in a two-generation arrangement is to farm together. A *testing* arrangement before entering into a more permanent business structure is advisable. If each party has not tried to farm together, or have done so only on a limited basis, it may be advisable to have a two or three year trial period.

... and justice for all

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