

Five Generations of Farm Transfer

Let the younger generations do their own thing, advises farmer Bob Lynch

by Teresa Opheim

The Bob and Linda Lynch homestead near Gilmore City is a cozy but utilitarian setting. The 100-year-old home and old trees give a feel of history to the place, but a spanking-new garage and two large storage buildings have brought the farm into the 21st century. Seams of soil in the adjacent field reveal recent work to close an ag drainage well. (The state provided 75 percent cost share, but it was a \$2.4 million project.) Cover crops are a common sight on their surrounding corn and soybean land.

In the early 1900s, Bob's great-great-grandfather came from California and bought the homestead. Lynches have lived there since. Bob and Linda Lynch are the fourth generation on this land with a fifth, Jay and his wife Emily, also farming with them and living nearby.

Bob and Linda met at Iowa State University. After graduation in 1977, they married and moved to a farm and acreage south of their current home, began farming and raised three sons. Jay, the oldest of the boys, didn't start working on the farm until he was about 16. "We didn't want the kids to think they had to farm," Linda reports. (Their middle child, Kevin, lives in Chicago and is a "big city kid"; the youngest, Ben, lives in Ames.)

When Jay graduated high school, "we told him he had to find a job off the farm for a year," Bob says. "He went to Iowa Lakes Community College in Emmetsburg and

worked for a Fort Dodge farmer. When he came back, we hired him as a laborer for the first year. We knew communication was going to be essential. So we used that first year to see how it would go."

Bob grew up farming with his dad, Larry, and Linda reports that Bob and his dad are very similar in the way they think and communicate with each other. "Looking out at them, it would be hard to tell one from the other sometimes. Jay and I have a different, more direct communication style," Linda says.

During the 30-plus years they farmed together, Bob and his father shared some equipment and owned some of their own; Bob and Linda continue that arrangement with Jay. For example, Jay owns half of the planter and has his own tractor; Bob and Linda own the combine. "Having Jay buy into the equipment is a way for him to get equity in the operation," Bob says.

"If Jay just paid rent on my equipment, he wouldn't be building up that equity."

Altogether, Bob and Linda farm about 1,000 acres, 800 of it rented; Jay owns and rents some of his own land as well. They farm a dozen parcels and have seven landlords "who all want to communicate a bit differently," Bob says. "I treat their ground the same as my ground. There is a lot of trust there."

Several years ago, Bob's parents said they were concerned the farm would be sold when they died to help pay the estate taxes (many thought the federal tax exemption rate would be lowered to \$1 million, which did not happen; the tax-free limit for an individual is \$5.34 million in 2014). So Larry and his wife, Esther, who now live in Humboldt, gifted the homestead portion of 90 acres to Bob. "If I ever want to sell, it will be \$900 an acre basis – but I will never sell it," Bob says, pointing out the capital gains implications of selling land this is now roughly \$12,000 per acre. "Each of my two sisters will get 90 acres when my parents die. We just got ours early."

Larry and Esther still own 180 acres, which will be divided equally among their non-farming offspring when they die, and they gifted another 100 acres to Bob and his two sisters through a partnership agreement recently.

What is Fair?

Would it be more equitable for Bob to have received more than a one-third interest of his parents' farmland, as he stayed, improved it and did more than his share of taking care of elderly relatives while his two sisters moved on?

Bob and Linda both report they have indeed received a benefit for staying home farming. "I will get the income on the farm they sold us while they are still living," Bob explains. "My folks will live off the income of the other two farms for the rest of their lives and use that income to help pay for

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Esther and Larry Lynch



Jay, Linda and Bob Lynch

long-term care expenses they might need. Plus, it's up to my folks to decide how they want to divide their assets anyway; it's not up to me.

"My dad bought the farm from his dad. My granddad had to pay the capital gains tax. I told my dad I would rather inherit the farm than purchase it. At first he wasn't interested in talking about a gift of the land while they are living. But they did agree to sit down with a financial expert, and that adviser suggested reducing their assets. I'm grateful to them that they shared the land now."

Linda sees the equal distribution as fair: "We make a living off the land, and we are paid for our work. It was a blessing for us to be close and help Bob's grandma as she got older and passed."

Bob and Linda also own 80 acres to the south of the homestead, and he hopes to purchase his sisters' shares of the 100 acres that they own together, "so that there would be three parcels in a row." Bob and Linda are beneficiaries on two life insurance policies on his parents; proceeds from those policies could be used to buy the farmland.

Making Space for the Next Generation

Bob remembers fondly planting his first rows (they were crooked, he reports), and being given responsibility to try things himself in his early 20s. When he and Jay

started farming together, he says he used to run the combine. "Then one day, Jay wanted to do it," Bob says. "The next day he showed up and wanted to do it again. I said, 'Well then you fuel it and grease it as well.' That taught responsibility – the sooner the better for retiring."

Retirement will have to wait a little longer, Bob says, as Jay has just started a seed business with Syngenta (the reason for the newest storage building), which "is going to pull us back into the farming operation a little longer." Bob doesn't mind, however, as he believes it's good for Jay to diversify his income with the seed business. "The

way we farm doesn't keep you busy full-time anyway," he quips.

But looking longer-term, Bob doesn't want to be in the day-to-day operations in the future. "Linda and I hope to travel and be back here to help with planting and harvesting. I don't want Jay to be 50-something and not ever have been in charge," Bob says. "I know a farmer in his middle 60s who had never planted or harvested a kernel because his dad always did that. I don't want to be 75 or 80 and still farming, even though it is easier to do that now physically. We want to keep younger generations learning and doing their own thing." ■

Reaction from John Baker (Attorney with the Beginning Farmer Center):

- “ This family is doing a good job working through transition issues. Bob and Linda did this just right by requiring that Jay work off the farm, to ensure that he really wanted to return to the farm. Also, hiring him as an employee for the first year was good, because it would have made it easier for Jay to leave if it did not work out.
- Having Jay own his own equipment is an excellent way to build equity.
- Bob should consider a buy-sell agreement for the land he owns with his sisters. This will ensure the ownership of the land is not fractionated if either sister wants to sell it in the future.
- Bob and Linda should make sure they transfer strategic decision-making authority, as well as tactical (day-to-day decisions) to Jay as well.
- It is wonderfully perceptive to back off and let the younger generation take over. ”