

# FARM TRANSFER TIP: Treat kids fairly, not equally

*Dividing one farm equally between several kids is not always a recipe for financial success or family harmony. The fairest division may be far from equal*

**H**ow can we treat all our children equally?" Farm couples working their way through the estate planning process tend to find that issue the hardest one to resolve. Most farms aren't big enough to divide equally between a bunch of kids and still leave each with an economically viable operation.

Maybe, however, the way around this dilemma is to recognize that treating children equally is not always necessary or even advisable.

"I want to treat my sons fairly and equitably," says Armstrong, B.C., dairy farmer Louis Yonkman, "but that doesn't mean equally."

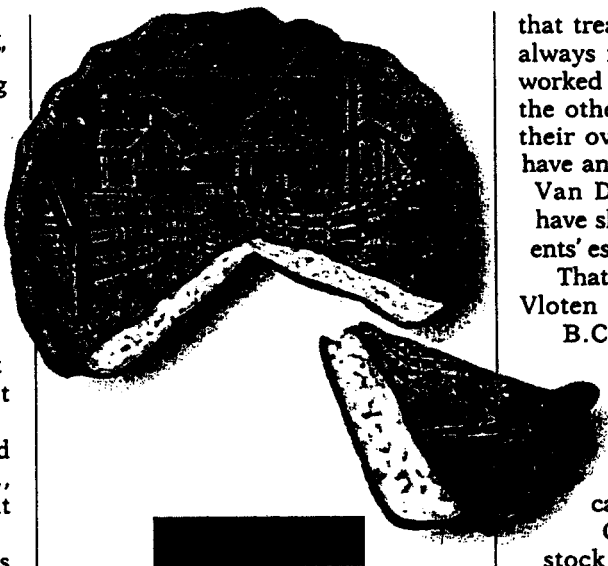
Yonkman's eldest son Wayne has worked on the farm for the past 10 years and is now responsible for much of its management. Youngest son Rick helps out, but is pursuing a degree in engineering.

Wayne will inherit the farm, and Rick knows that. Louis and his wife Pat have made an agreement with Wayne to retire and turn the farm over to him within 5 years. They intend to give Rick all the help they can, but he won't be active in the farm.

"I will not have 2 brothers farming together," says Louis. "Partnerships seldom work. I wouldn't wish that on anybody." It's more important for "the boys to be brothers," agrees Pat.

They are not the first farm couple to accept that absolute equality is not always the best way to keep family relations on a harmonious footing. Indeed, children's aptitudes and attitudes often demand they be treated differently.

If, for example, an eldest son does not have an aptitude for farming, it would be unfair to everyone in the family to pass the farm on to him.



Setting up a corporation with both common and preferred stock is one way to divide assets equitably but unequally

"Everybody says you've got to treat all your kids equally," says Kelowna, B.C., poultry producer Margaret Speitelsbach. "Trouble is, your kids don't treat you equally."

Speitelsbach's daughters help her look after 60,000 laying hens, pullets and broilers, along with an organic fertilizer business. Monica, 18, wants to go to Australia and appreciates the opportunity to make money. Karen, 15, has a horse and needs money to pay for its board. But 19-year-old Edward refuses to help out. If one child helps out and another doesn't, treating them equally isn't fair, says Speitelsbach.

Herb Van Der Ende, one of 3 brothers running Burnaby Lake Greenhouses in Surrey, B.C., agrees

that treating children equally is not always necessary. "If one child has worked alongside dad all along and the others have gone out and done their own thing, I don't think they have any right to the business," says Van Der Ende. "Any rights they have should be limited to their parents' estates."

That's the way things work at Van Vloten Nurseries in Pitt Meadows, B.C. Casey Van Vloten began working in the family's wholesale conifer business 15 years ago and now runs it. His brother and 2 sisters pursued other careers.

Casey holds all the common stock in the company; his father Walter holds preferred shares. Casey's siblings will inherit those preferred shares upon their parents' death. They will therefore receive dividends from the business, but have no say in its day-to-day operations.

Farm couples for whom equal division of the family farm is not a viable option have other alternatives open to them, too. They can, as Louis and Pat Yonkman plan to do, move off the home place and start another farm or business. They can bequeath their new home and business to those children who did not inherit any part of the farm. Alternatively, they can also use the proceeds of life insurance policies and other estate assets to endow their non-farming children. ©

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*Want to learn more about succession planning? Contact your provincial ag. department or Ag. Canada to find out about the family-business communication and business and estate planning workshops being offered under the National Farm Business Management Program*