

Life Insurance for Farmers & Ranchers

Using life insurance to help provide a legacy for the next generation

For many farm and ranch families, the land is more than an asset. It is the family business and legacy for future generations.

When most of a family's net worth is concentrated in land, equipment and business value, estate planning can become complex. Without proper planning, the next generation may be forced to make difficult decisions, including selling land, taking on debt or dividing assets in a way that does not reflect the family's goals.

In addition to providing death benefit protection, life insurance can play an important role in helping farm and ranch families prepare for the future, create liquidity, and preserve what they have built.

Common challenges families face

Most of the estate may be illiquid

Farm and ranch families may have significant net worth, but much of that value is often tied up in land, livestock, equipment and operating assets. As a result, accessing cash when it is needed most can be difficult.

Not all heirs may want to continue in the family farm or ranch

One child may be actively involved in the family business and want to continue the operation, while other heirs may pursue different paths. This can make it challenging to divide the estate in a way that is fair and supports the future of the farm or ranch.

Estate taxes may create financial pressure

Depending on the size and structure of the estate, taxes may be owed upon death. Families may need a source of cash to help pay taxes, interest, or other settlement costs.



Common challenges families face *(continued)*

Land values can change over time

Farm and ranch land may appreciate substantially over time, creating potential estate planning and tax considerations. Special-use valuation and other planning strategies may help address these challenges, but they require careful coordination with qualified tax and legal professionals.

Outside buyers may create added pressure

As institutional investors and large equity firms show greater interest in agricultural land, families may feel added pressure to sell — especially if they do not have a plan in place to keep the land in the family.



How life insurance may help

The benefits from a life insurance policy can help in the following:

- Equalize inheritances among farming and non-farming heirs
- Provide liquidity to help pay estate taxes or settlement costs
- Reduce the need to sell land or operating assets
- Help fund buy-sell or succession planning arrangements
- Retain and reward key employees
- Support installment note planning strategies
- Protect the continuity of the farm or ranch operation
- Preserve family control of land for the next generation
- Help preserve ownership continuity when divorce or family dissolution affects the operation

Life insurance is not a stand-alone solution, but it can be a valuable part of a coordinated estate and succession plan.

A simple example: Estate equalization

Consider this hypothetical scenario: a ranching family has three adult children. One is actively involved in the operation and hopes to continue the family's ranching legacy, while the other two have established careers outside of agriculture.

Because most of the family's wealth is tied to the ranch, dividing the property equally among all three children could leave the ranching child without the control needed to operate it successfully. On the other hand, leaving the ranch solely to that child could create concerns about fairness among the other heirs.

Life insurance may help address this challenge. The ranch can pass to the child who will continue the operation, while life insurance proceeds provide an inheritance for the nonranching children.

The result is a more equitable estate plan that helps preserve the ranch as an intact, ongoing family operation.



Conversation starters

- *What would you like to happen to your farm or ranch when you are gone?*
- *Do future generations of family want to be involved in the farm or ranch?*
- *Would your family have enough liquidity to pay taxes or expenses without having to sell land or other assets if you pass away?*
- *Have your land values changed significantly since your estate plan was created?*
- *Do you have an estate plan and when was the last time it was reviewed?*
- *Do you know the current value of your farm or ranch?*
- *Do you have a written succession plan that identifies who will own, manage, and operate the farm or ranch?*
- *Are you concerned your family could face pressure from outside buyers?*
- *Would your business suffer if a key employee were to leave or pass away?*
- *How are you and your business protected from economic downturns?*

A farm or ranch represents a legacy of hard work, sacrifice, and commitment. With thoughtful planning and the right team to guide the process, life insurance can help families preserve what they have built and pass it on to the next generation with confidence.



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