

# Will Your Dairy Continue If You Don't?

It's Your Money  
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There are two types of business continuity issues:

- Threats that arise during the dairyman's lifetime
- Threats that arise at the dairyman's death

When threats arise during your lifetime, your dairy has the benefit of your experience, your long-time relationships, and your business savvy. But at your death, these allies vanish. The purpose of this article is to help you identify some problem areas your enterprise would face in the event of your unexpected death.

## Problem: Loss of Key Talent

How many questions from suppliers and employees do you field each day? Do you have plans for your dairy that exist only in your mind? Who does everyone depend on to develop a creative solution or new opportunity? Who is your dairy's chief negotiator, representative and mediator? Your dairy is vulnerable to the extent all of these roles are filled by the same person.

## Problem: Bank Financing

Your death would give your bank another reason to re-examine its lending relationship with your dairy. In addition, your dairy may need your personal signature to secure financing.

## Problem: Loss of Employees

Do you have key employees who get along well with you, but just can't work with your partner or son? The uncertainty your death brings may be enough for some long-time employees to begin looking for greener and more secure pastures.

What follows is a "tip-of-the-iceberg" summary of steps you can take to address these issues:

1. Express your desires and plans in writing. This can be a simple 1-pager (contact me for a sample) to something more complex. The goal is to have something in writing that answers the question, "What would Mom or Dad have wanted?" The document should deal with issues as basic as, who should take over the dairy. Should the dairy be sold as a business to "insiders" or "outsiders" or simply liquidated? Be sure to tell people where you put this summary of business continuity instructions. This isn't a replacement for a will, but your attorney may suggest that your will or living revocable trust references this document.
2. Purchase life insurance on the key talent. A 10-year term life insurance policy for \$5,000,000 on a healthy 50-year-old costs less than 15 tons of good hay. Five million dollars in cash would give your family bargaining position with the banker. It would help pay for the mistakes that will inevitably be made in your absence. According to the Business Enterprise Institute, "...in order to survive your demise,

your company must have adequate cash (almost always subsidized by insurance on your life).”

3. Develop incentive plans for key employees. Sometimes termed “golden handcuffs” or “stay bonus” plans, these plans must be in writing, and be clearly understood by the employee you hope to keep long-term.
4. Begin grooming your successor. Do you have a son, daughter or employee whom you’ve picked to take over your management duties some day? Perhaps you should have a regularly scheduled meeting once per week or twice per month, where you work through a carefully planned agenda. This is where you begin to pass the baton. Talk about the present state of the dairy. What are three to five of the most vexing problems facing your dairy? What opportunities do you see? Have your protégé write down the details of every discussion and keep these documents for later review. Develop objectives and action plans for your dairy. This wheel is difficult to invent, so I would suggest finding a dairy consultant who could join and help direct the discussion. Once again I draw on the wisdom of the Business Enterprise Institute, “No matter the cause, your business will survive and thrive only if you have found, trained and motivated your replacement *before* you leave the business.”

All of these suggestions assume that you have a well-planned, up-to-date estate plan in place. In addition to an estate plan, you should deal with the nuts and bolts of your dairy’s operation after you leave the scene. Your will gives your dairy to your heirs, but the question is, how well-managed and profitable will be the dairy that you give them?

Verlyn De Wit helps successful dairy producers make smart decisions about their money. He can be reached toll-free at 1-888-468-1728 by email at [vdewit@sammonsrep.com](mailto:vdewit@sammonsrep.com) or “snail-mail” at 1270 Eastside Dr., Sioux Center, IA 51250. Securities offered through Sammons Securities Co., LLC. Member FINRA and SIPC. 4261 Park Road, Ann Arbor, MI 48103

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