

# Lessons Learned from Clients

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## Personal Background

- ▶ Forestry Consultant that has the pleasure of working with many families
  - ▶ Presentation is geared on lessons learned based on personal experiences
- ▶ My wife and I own 1,260 acres in Douglas County
  - ▶ Portion of presentation will deal with issues we are dealing with in management and planning for the generational ownership
- ▶ I am not a tax professional. I defer all tax questions today to Steve Lane, Jeff Cheyne and the other tax professionals present at this symposium

## Outline

- ▶ Estate planning and selecting an executor of the estate
- ▶ Things to consider when dealing inheritance of the business (tree farm)
- ▶ Examples of issues dealing with family businesses

## Estate Planning

- ▶ We know what the tax laws are today
- ▶ What counts is what the rules are at time of death

## Key Questions for Estate Tax Planning

- ▶ 2015 Federal estate tax starts at \$5,430,000 - 40% tax rate
- ▶ 2015 Oregon estate tax exemption is \$1,000,000 with tax rate ranging from 10% at \$1 million and rising to 16% at \$9.5 million
- ▶ Will the Oregon Natural Resource Tax Credit be useful to you?
  - ▶ If so, manage your portfolio to keep 50% of your net worth in natural resource qualifying investments
  - ▶ This may impact your gifting decisions
  - ▶ This may impact your decision to buy or sell natural resource assets

## Estate Tax Planning -Will the Oregon Natural Resource Tax Credit be useful to you?

- ▶ If so, manage your portfolio to make sure 50% of assets are in natural resource qualifying investments
- ▶ Gifting can affect this
  - ▶ This may affect your buying/selling decisions

## Estate Planning- Selecting Executor of Estate

- ▶ Considerations for selecting who will be the executor of the estate:
  - ▶ Who is most responsible?
  - ▶ Who is most likely to be fair and honest during emotional and stressful times?
  - ▶ Are they financially secure?
  - ▶ Are they emotionally stable?
  - ▶ Are they drug free?

## Estate Planning-Selecting Executor of Estate

- ▶ Avoid having an executor with social issues such as:
  - ▶ A drug history
  - ▶ Alcohol abuse
  - ▶ Gambling problems
  - ▶ Heavy debt load
  - ▶ Other issues

## Estate Planning-Selecting Executor of Estate

- ▶ Avoid making decision based on:
  - ▶ Who is the oldest
  - ▶ Who lives closest to you
  - ▶ Other dynamics that are not important components of a good executor

## Estate Planning-Selecting Executor of Estate

- ▶ Summary of key components
  - ▶ Meets the criteria
  - ▶ Willing to serve as the executor of the estate
  - ▶ Shows interest in being involved in the future

## Structuring Ownership

- ▶ Visualize how the next generation will work together ... or NOT
- ▶ Be honest with yourself as you evaluate
- ▶ Some may be well off and don't need additional income
- ▶ Some may be struggling and need income
- ▶ Some may have unexpected expenses such as medical needs or unforeseen unemployment

## Structuring Ownership

- ▶ Some may have track records of making good financial decisions
  - ▶ Need to consider both short and long term
- ▶ Likewise, some may have history of making poor financial decisions

## Structuring Ownership - Red Flags

- ▶ Some individuals may have legal issues that could potentially impact the business or financial arrangement
- ▶ Divorce can potentially have huge impact on some owners and their share of the ownership
- ▶ Potential problems can arise if owners leverage their ownership as collateral on an unrelated financial endeavor

## Structuring Ownership - Values at Play

- ▶ Some may have strong sentimental value and desire to preserve things as they are
- ▶ Some may value the business income with little sentimental value

## Structuring Ownership - Trust

- ▶ Trust is a critical issue
- ▶ Do future and present owners trust each other
- ▶ They may trust each other now but that may change when they become business partners

## Generational Transfer-Potential problems

- ▶ Issues that arise for major business activities
  - ▶ Scenario I: One member did not go through probate, or did not do it correctly
  - ▶ Scenario II: Landowner cannot be located for signature on key documents such as a sales agreement
  - ▶ Scenario III: gifted ownership to child and child cannot be located for signature
- ▶ Can one person hold up a business transaction