



# SO YOU INHERITED FARMLAND, NOW WHAT?

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*Inheriting farmland usually happens at an emotional juncture in your family's life. Here are four tips to help you decide how you'll manage your new asset.*

*This post was written in partnership with FarmTogether which helps bring long-term farmland investment opportunities to investors.*

When you inherit farmland, you're usually at a juncture in your family's life. How you choose to handle this asset will make a difference for years to come. Whether you expected this change or it's come out of the blue, inheriting farmland adds a lot to your plate. There are three main paths you may choose to take:

**If you have farming know-how** and you're interested in working your family's land, you can do just that. Or, you may want to sell the land for its cash value and lease it back to maintain your income through its annual yields if you have a strong relationship with the buyer.

**If you're not a farmer**, the options may feel less complicated emotionally, but you have many options. You can opt to hold onto the land but lease it out to maintain a stream of passive income or sell it in whole or in part for its cash value.

**If you're one of several inheritors**, there will be many questions right away. If you can afford to buy out the other parties (or if one of the other parties wants to work the land), you'll find yourself faced with even more questions.

As you start to determine what's next, there are four questions you should ask yourself to help you decide what to do with your new farmland:

## **1. How is the farm's ownership structured?**

How you own land determines what you can do with it. The most straightforward structure for land ownership is fee simple: one owner has their name on the title. This single party can also be a limited liability entity, partnership, corporation or trust.

If there are multiple owners, the ownership will likely be structured as a joint tenancy or tenancy in common. Tenancy in common can exist in any proportion—for example, you might own 75 percent of the land and your sibling could own 25 percent.

However, the main difference between these two set-ups is that under tenancy in common, none of the owners of the shared property have a right of survivorship. For example, if one of the joint tenants were to die, the land would not be passed onto their heirs and the land's ownership would be retained by any survivors of the joint tenancy.

If the land was passed on as a gift or in a shared account, there may be other tax implications to consider. What's important at the start is that you understand how you own your land because the structure of your ownership may have implications for what you can do with it and how you will achieve that outcome.

## **2. How much is your farmland worth?**

When you inherit farmland, you may wonder how much it's worth. Arriving at a number may take some research and ultimately, an appraiser is best suited to help you determine your land's value.

Keep in mind that your land's value isn't limited to what it might be sold for. If you're interested in renting the farmland, Tillable's free farmland checkup is also a great way to get a read on the health of your soil and your land's performance in comparison to other farms in the county.

A word on appraisals: U.S. farmland is sometimes undervalued for a variety of reasons, but it is an incredibly valuable and stable asset. One of the reasons it can be hard to evaluate farmland's worth is that it doesn't change hands that often. The USDA expects that 10 percent of all land in farms will be transferred between 2015 and 2019. Most of this—six percent—will have changed hands through gifts, trusts, or wills.

Generally speaking, if you inherit farmland, you should take the time to explore its potential value and all of your available options before coming to a decision.

### 3. What's the best option for you?

The answer to this question depends on your level of experience as a farmer and as an investor. If you do want to sell, it's probably because you're at the point of retirement or you have capital constraints that make selling seem like the best option. But don't let your present needs keep you from seeing the long-term value of farmland for your family and generations to come.

Choosing to rent your farmland instead of selling can provide your family with a steady stream of passive income, and this will likely increase over time. Farmland is an extraordinarily stable asset, and because there's a finite amount of it available, you're lucky to be an inheritor.

While we can't say what the best choice is for you at a glance, it's important to consider all your options before making a decision. If selling is the best move for all interested parties or for your family finances, you'll want to be absolutely sure before you make this choice.

### 4. If you own farmland as a partial owner, how can you get what you want?

Whatever you choose, if you're part of a group that's inheriting together, communication is key. It can be intimidating to start a conversation with your siblings, cousins, or long-lost family members about what's next for your shared asset, but there are a few things you can do to prepare for these conversations:

- **Practice what you have to say in advance.** Sit down with your spouse or a friend and practice stating what you want and need. Make sure you have the words easily accessible, especially if they're hard for you to say aloud.
- **Practice listening.** This may sound goofy, but it's important to come to the table to have this conversation ready to hear what the other stakeholders have to say.
- **Set aside a place and time to have this conversation.** And don't do it at your grandmother's kitchen table on Christmas Eve. Designate a separate time somewhere else to talk about this from a professional context where you can all approach this topic as peers.

If things are starting to feel contentious, remember that only a quarter of land transfers between 2015 and 2019 will be sales between nonrelatives—families with farmland in the U.S. tend to hang onto this valuable and sentimental asset. Thoughtful preparation will help you keep your common objectives in mind and ensure that you keep your family and its long-term financial wellbeing at the center of this decision.

## Inheriting farmland is a family matter

Deciding what to do with your inherited farmland may feel overwhelming at first. The conversation around what to do next is likely happening at an inflection point in your family. Someone has passed away, perhaps unexpectedly. Emotions may be running high, but that doesn't change the fact that you have options. One of them is how you choose to approach this asset as a family.

Don't overlook the power of people's feelings at this moment, and don't hesitate to seek outside advice from professionals, whether you're looking to rent, acquire, or sell a piece of farmland.

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