

What's in the Way?

Woodland Owner Legacy Planning Benefits and Barriers

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Agenda

- Who, Where and Why
- Summary of Key Findings
- What Can We Do?



Virginia Family Forest Owners

- 10 million acres
- 41% over 65 years old
- High land values and taxes forcing heirs to sell
- Impact: Nearly 300,000 acres lost since 1977; increased parcelization and fragmentation of family woodlands.



What's at Stake?

- Facing largest intergenerational transfer of family forests in history.
- 5.5 to 12.2 million acres of private forestland in the South by 2060, **at the time of estate transfer** (Wear and Greis 2011).



What We Wanted to Know

- Barriers to Legacy Planning
 - Are woodland owners focused on inter-generational transfer?
 - What's in the way?
- Benefits to Legacy Planning
 - Do woodland owners see the value and the urgency?
- How should this inform programs?

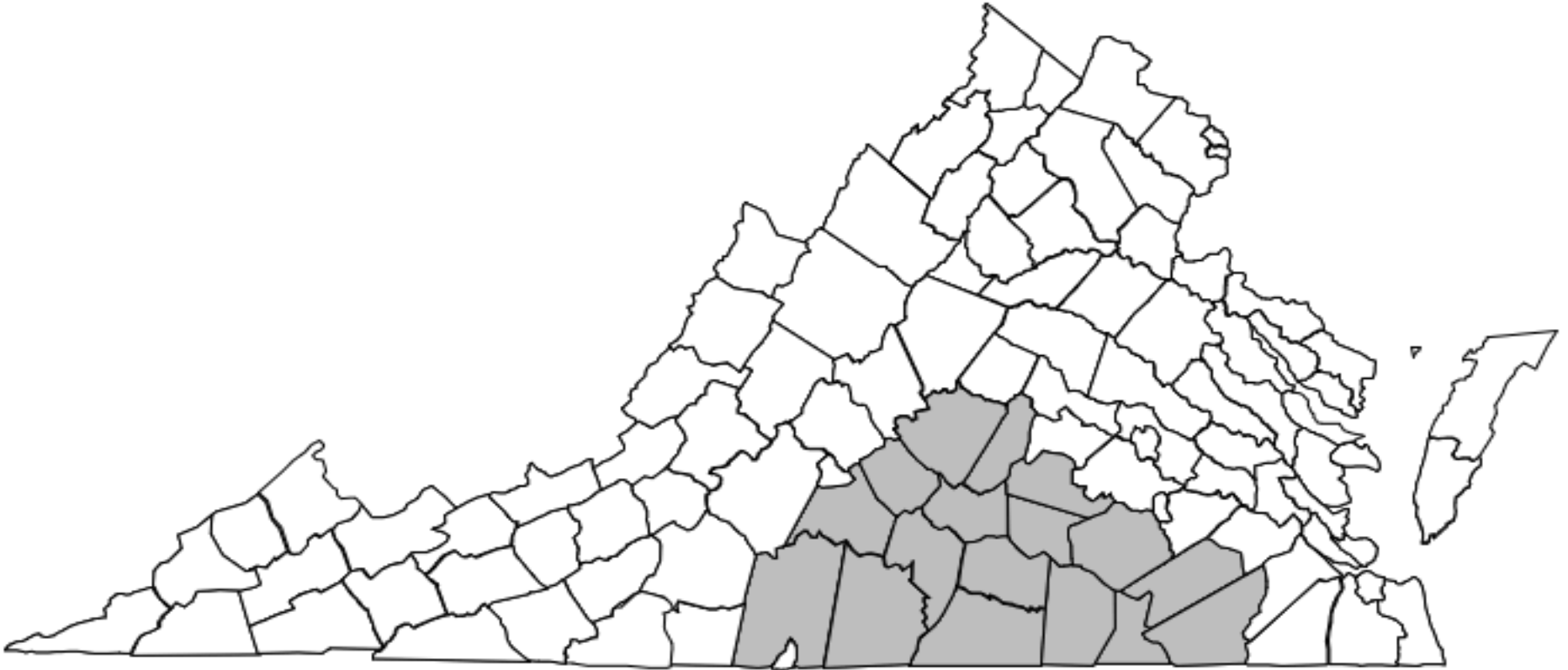


Where We Went

- 17 counties in the “Southside” of Virginia
- At least 50 acres; oversample of larger parcels
- \$350 million/3rd largest industry in Virginia
- 50% from the Southside



17 Counties in the Southside



Who We Heard From

- Three focus groups: 25 participants

General: 11 participants; average = 733 acres

5 completed; 1 started; 5 no action

African Americans: 9 participants; average =143

acres; 2 completed; 4 started;

3 no action

Women: 5; average = 86 acres; all 5 started



Legacy Planning

- Different meaning
- Always included “the basics”
- Less awareness of the “conservation-based estate planning”



Focus Group Themes

- Understand planning through legal and taxes
- Overwhelming; how to pieces fit together?
- Family is critical
- Need trustworthy experts
- Life events as motivator
- Drawer plans
- Like to learn from each other
- Cost not top of mind
- Know the benefits



Taxes and Legal Lead

“I don’t understand how they think they have a share if all these years I’ve been paying the taxes.”

“Some think they own the property but they haven’t been paying the taxes. Now they want this and that.”



Overwhelming

“Lots of people are scared and don’t want to talk about it.”

“What do we do, where do we start... it’s overwhelming... who do you go to?”



Family is Critical

“You have to get everyone to the table and hash it out, pleasant or not, in order to make the best decisions for this asset for the family.”

“These conversations ruin every holiday.”

“It’s going to get messy quick.”



Family is Critical

For all the groups, family relationships were an important component in the success or failure of legacy planning.

No one-size-fits all



Where Will the Next Gen Be?

IN

OUT

The Muddled Middle



African Americans Themes

“I’d like to keep the land in the family... bloodline means a lot. That’s basically what [legacy] planning means to me.”

“Someone brought the partition suit someone who was married into the family, someone who wasn’t blood related... now it’s all divided up.”



Women Themes

“I just enjoy owning it... I just like knowing that it’s mine.”

“Taking ownership of the property now... it’s important to me because of the legacy that my grandmother purchased it.”



Women Themes

“You have to be a leader. Usually it’s the male who runs the family ... You’re a woman, you just have to take control.”

“They think we don’t know because we’re women... you have to watch for that.”



Need Trustworthy Experts

“My Daddy told me, you need to put people around you who know forests.”

“Don’t go to a silk stocking firm.”

“There’s not a lot of people who deal with what we are talking about.”



Know the Benefits

- Peace of mind
- Ensuring future family control of land
- If they sell, it'll be intact



Mail Survey

- Mail survey to 1400 : 302 responses
- Profile:
 - Average age: 67
 - Average acreage: 564/428.4 wooded
 - White: 96%
 - African American 3%
 - Male: 78%
 - Female: 22%



Mail Survey: Who We Heard From

- 56% owned jointly; 36% individually
- Land purchased by 71%
- Average ownership = 28 years
- More than half = inherited land
- Average ownership of inherited = 102 years
- Almost half make decisions alone; 52% make with at least one other person



Key Highlights

Family Forest Owners want to be **IN**

In the family

In woods

Intact



Know the Benefits ...

1. Ensures the orderly transfer to heirs.
2. Provides overall piece of mind.
3. Provides asset protection.
4. Ensures woodland stays in the family.
5. Keeps wooded land intact.
6. Ensures woodland is managed according to my wishes.
7. Reduces family disputes.
8. Decreases taxes.

BUT...



Knowing Benefits ≠ Actions

79% of survey respondents have no written legacy plan ... despite wanting what legacy planning can do.

IN the FAMILY, IN WOODS and INTACT



Legacy Planning

Woodland owner legacy planning:

“The ongoing process of engaging and educating the next generation to transfer the value of family and land stewardship associated with their property. It includes preparing for a change in ownership using available legal, financial and conservation tools.”



Who's Doing the Planning?

- Out of the 21% who said they had completed:
 - 37% women
 - 16% men



Legal Entities are Minimal

- LLC = 8 %
- Trust = 6 %
- Corporation = 1%



The Components

- Will, POA, Medical Directive
- Clear Title
- Vision Statement
- Forest Property Overview
- Forest Stewardship Management Plan
- Operations Plan
- Conservation Easement
- Land Use Tax Program



Get the Basics

Overall: % Completed

- Will = 64
- Medical Directive = 52
- PoA = 52
- Clear Title = 52
- Land Use Program = 37
- FSMP = 11
- Vision statement = 11
- Who does what = 11
- Conservation Easement = 8
- Forest Overview = 7
- Land Use program = 37

Written Legacy Plan: % Completed

- Will = 91
- Medical Directive = 85
- PoA = 81
- Clear Title = 79
- Land Use Program = 35
- FSMP = 23
- Vision statement = 28
- Who does what = 35
- Conservation Easement = 24
- Forest Overview = 21
- Land Use program = 35



Get the Basics

No Plan: % Completed

- Will = 55
- Medical Directive = 45
- PoA = 43
- Clear Title = 45
- Land Use Program = 36
- FSMP = 8
- Vision statement = 7
- Who does what = 5
- Conservation Easement = 4
- Forest Overview = 4



No Plans To Do

- FSMP = 24%
- Forest Overview = 26%
- Vision for Land = 34%
- **Conservation easements = 45%**



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Don't Knows

- Decreases Taxes : 63%
- Provides asset protection: 45%
- Managed according to my wishes: 42%
- Will stay in family: 40%
- Reduces family disputes: 40%
- Ensures woodland will be intact = 39%
- Peace of mind = 37%
- Orderly transfer to heirs: 37%



What's In the Way?



Top Six Barriers

1. Don't want to lose control.
2. Tax laws keep changing.
3. Fairness issues with heirs.
4. Not ready.
5. Where to start?
6. More urgent matters.



Fundamentals at Work

Social science: strongly demonstrates
that knowledge alone does not
typically lead to action

BUT ...



Without Knowledge...

Fertile Ground for Inaction

Overall, more than **one-third** of respondents **didn't know** if any of the benefits would be realized by completing a legacy plan.



What They Need

Virginia woodland owners are looking for help to fit all the pieces together and understand the process of planning for one's legacy.



What Can We Do?



Meet 'Em Where They Are

- Leverage
 - strong conservation intentions
 - women's motivation
 - family land
- Get their attention through taxes and “the basics”
- Create more clarity
- Unpack the “control issue”
- Help with the porcupine!



Increase Clarity

- ✓ Printed Collateral
- ✓ Steps approach
- ✓ Find the right words
- ✓ Create the Echo Chamber
- ✓ Trusted Messengers and Experts



Love of Land and Family

- They want to be “IN”
 - In the family
 - In woods
 - Intact
- This is a doorway into broader planning
- Women can instigate; create women-only events





Ben Had It Right

By failing
to prepare,
you are
preparing
to fail.



Help with the Unpacking

Don't want to lose control

- ✓ Planning maintains control
- ✓ Reduces out-of-control sibling disputes
- ✓ Find ways to discuss through workshops and small groups



Approach the Fears

- Conversion Vulnerability
- Control issue: No plan is a Plan
- Porcupine Principle





**....dealing with
succession
planning and farm
transfer is sort of
like taking on a
porcupine...
it's prickly and
hard to approach -
a creature one
would just as soon
avoid entirely.**

-- David Fryer

Use Trusted Messengers and Experts

- If it's you... go slow, be persistent, be curious, find the "teaching moments."
- If it's not, find out who is and create partnerships for info dissemination and follow up
- Compile list of resources and professionals

"There's not a lot of people who deal with what we are talking about."



Help with that Porcupine!

“They thought the children would be okay... and then it just exploded...”

- ✓ Planning reduces disputes
- ✓ Planning helps fine tune fairness
- ✓ Planning reduces “conversion vulnerability”
- ✓ Suggest Family Facilitator



Help with that Porcupine!

- ✓ With the “muddled middle” use conservation easements as the core strategy to protect family land
- ✓ It’s the one known in a field of unknowns
- ✓ Emphasize flexibility



Seek Funding

- More research to unpack
- More information to share
- More creative ways to break through the barriers
- Be curious and seek out new sources to understand
- Work with other business partners



Replicate a Winner

Generation Next

“One of the most successful land transition programs in Virginia”

- 417 individuals/292 families
- Increase likelihood of staying “IN” = 81%-78%
- Estimate average savings = \$300,000
- 120,000 acres expected to remain open and family-owned



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Full report:

http://www.dof.virginia.gov/conservation/WoodlandOwnerLegacy_benefits_barriers2018.pdf

