

MANAGING RISK**Taming the 'Three D's'****How to Keep Death, Disability, and Divorce from Threatening Your Farm Business**

By Mariane Kiraly

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Your farm business faces risks every day. Bad weather can take a crop. Low prices can steal your profits. Or lightning can burn down your barn.

While you have little control over weather and markets, you still take actions to protect your family and your farm from the unexpected. You buy crop or fire insurance to protect your investments. You lock-in fertilizer prices or loan rates so rising costs don't eat into earnings. It's just a sensible way to do business.

Unfortunately, there are other risks that claim many farms each year because they aren't recognized as threats – or because many of us find it difficult or unpleasant to even talk about them, much less plan for how we can minimize them. I call them the "3 D's" – death, disability and divorce.

YOU CAN'T TAKE IT WITH YOU

Who likes to think or talk about death? Along with taxes, death is inevitable. But most farmers put off measures to ensure the farm will continue should they die. Since farming is a very dangerous occupation and most farmers are 55 or older, death is an important issue to face.

Untimely or not, there are things you can do to assure that your farm will live on: Meet with bankers and insurers to make sure that debt will be covered by life insurance and survivors can continue farming.

Plan for living expenses for survivors. While our Social Security system is a backup for those who are vested in the system, survivors' benefits will at best maintain only basic living expenses. Term life insurance is relatively cheap and can be discontinued when no longer needed.

Make sure successors know the farm business details, where important papers are stored, how the books are kept, and the financial status of the business. Have an updated and comprehensive will to provide instructions to survivors and make business transitions easier after a death.

New York FarmLink is an excellent resource when making decisions regarding farm transitions. Readers living in New York State can take advantage of the program's free consultation for business, retirement and estate planning. Contact Steve Richards: 800-547-3276, email info@nyfarmlink.org, or visit the FarmLink website: nyfarmlink.org.

DEALING WITH DISABILITY

Stop and think what would happen to your farm business if you or another family member faced disability due to an accident, disease or illness. Without a plan in place, your farm could be forced out of business.

Insurance products can reduce the financial risk associated with replacing a

key "labor resource." (Using more personal terms, that's you or another family member.) Some farmers carry disability insurance. Check with your insurance company on rates as this kind of insurance historically has been relatively inexpensive.

In this time of escalating medical costs, buying health insurance is an important risk management tool. You can reduce the risk of disability by purchasing health insurance and using it well. Many health problems can be prevented or mitigated by regular check-ups. If this prevents a disability or eliminates thousands of dollars to diagnose and treat a health problem, the cost of the health insurance is money well spent and will ultimately reduce expenditures on healthcare. Many states have programs to help farmers find affordable health insurance. See "Get Help with Health Insurance" in the Summer 2006 issue of Small Farm Quarterly for more information.

You can also lower risks of injury and disability by having machinery in top working order with all safety features in place. Many times when making repairs, you may remove guards and be tempted not to replace them. Don't fall into that trap -- literally. Old tractors without modern safety features are a safety liability on farms. It is better to replace a tractor than risk injury or death.

The Northeast Center for Agricultural Medicine and Health (NYCAMH) is a great resource for farmers when considering the safety of their machinery. Phone 800-343-7527, email nycamh@lakenet.org or visit their website at: www.nycamh.com.

Some disabled farmers are still able to assist in the management of a farm business, but are not able to do the physical work. Enlist assistance from New York AgrAbility Project to find out how they can be of assistance with home and barn modifications for the disabled. Contact Holly Cestero: 877-257-9777, email hjc26@cornell.edu or visit their website at: www.diaglab.vet.cornell.edu/aghealth/agrability.

INVEST IN RELATIONSHIPS

Divorce is another unpleasant topic, but it should not be overlooked as a risk that can ruin a farm business. Divorce settlements and associated legal fees can be very large for a farm business to manage. This is not to say that a deserving spouse should not receive what is fair. But the manner of payments might make or break the farm.

However unromantic, many problems can be prevented with a pre-nuptial agreement. The agreement can be worded so that installments are paid over the course of several years to settle a divorce. Use your trusted family lawyer who knows the family and farm business to help you work out a prenuptial agreement.

If your betrothed only sees you away from the farm, they are in for a shock once the honeymoon is over. Make sure a prospective spouse understands the demands of being a farmer and spends a good deal of time on the farm before committing to marriage.

Be sure to spend quality time with your spouse and family. Invest as much time, energy and love in them as you do in your farm. Take time to get away from the farm occasionally. Vacations and outings need not be lengthy or expensive. But they can help you gain a better perspective on your work, and a healthy perspective can help provide the glue that maintains lasting relationships.

If you need help solving marriage or other family issues, don't be bashful about asking for help. Seek expertise from a personal, marriage or family counselor. For New Yorkers, NY FarmNet has a trained group

of counselors who are ready to help. Contact Ed Staehr: 800-547-3276, email nyfarmnet@cornell.edu or visit their website at HYPERLINK "<http://www.nyfarmnet.org>" www.nyfarmnet.org.

You may still not like the idea of talking about the "3 D's." But as you can see, there are a lot of resources available to help you treat these risks the same way that you treat other farming risks – by planning how you can avoid the risk as much as possible and minimizing their effects should they occur.

Yes, managing risks takes some time and attention. But the benefits – including your own peace of mind – outweigh the costs in the long run.

Mariane Kiraly is a dairy farm business management educator with Cornell Cooperative Extension, Delaware Co.

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