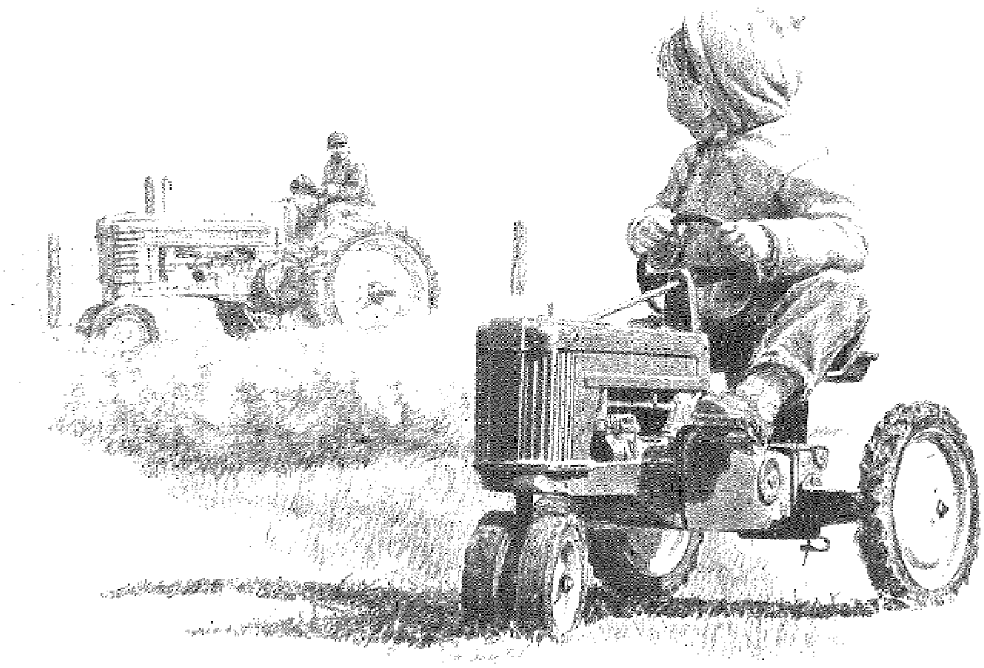
Keeping the Family Farm in the Family



Michael Baron
Great Plains Diversified Services, Inc.
1424 W. Century Ave., Suite 208
Bismarck, ND 58503
Phone: 701-255-4079
Wats: 1-800-373-4078
Fax: 701-255-6106

Q: WHAT IS ESTATE PLANNING?

A: AN ORDERLY PLAN FOR:

- The disbursement of assets
- Payment of all debts owed
- The future of your family farm assets
- The future of your non-farm assets
- Legal implementation of distribution of assets

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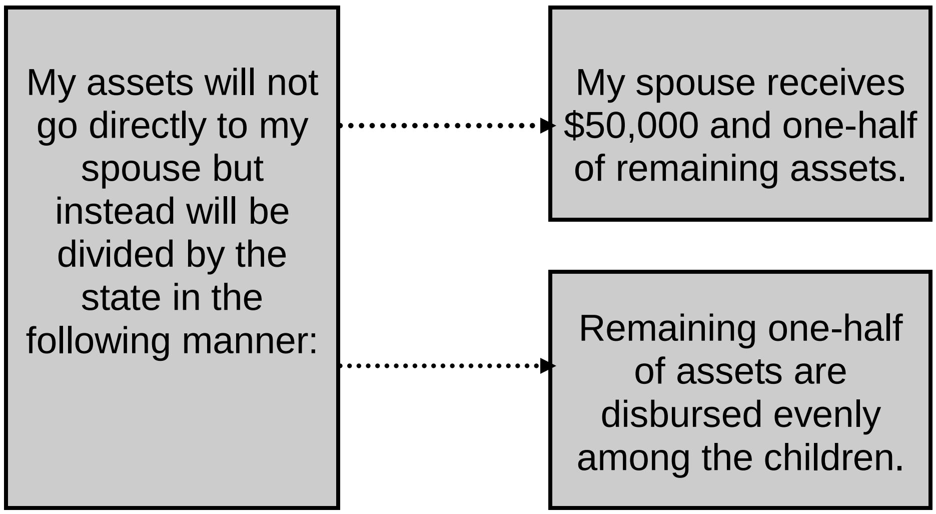
The State's Last Will & Testament

I, being of sound mind and body, (and because I did not take the time to make out a will of my own) hereby allow the state to disburse my assets in the following manner:



Options in Estate Planning

A. Doing Nothing

1. Dying Intestate

If you die without a will of your own, you will be considered to have died intestate. If you do not have a valid will on the date of your death, the state has one for you—one that neither you nor your family will like very well.

2. Intestacy Laws

If you should die without a will, the state declares that your spouse will receive $50,000 of your solely owned assets and will divide the remainder equally with all other living direct heirs of the estate. All property jointly owned as joint tenancy will pass to the surviving joint tenant.

Creating a Plan, But not Updating

1. Changes in the Tax Laws

Changes in the tax laws can cause your plan to become obsolete and costly for your family.

2. Changes in the Welfare Laws

Changes in the welfare laws—Social Security—National Health Care—Medicare—are all reasons to make changes within your estate plan.

3. Changes in Family Circumstances

Changes in family—new births, a death in the family, or a change in the financial condition of a family member.

Doing the Right Thing

1. Take the Time

Take the time today to develop the right estate plan for your farm and your family's future…

2. A Team of Professionals

Put together a team of professionals who can put your thoughts and ideas into the correct legal form which will stand the tests of time.

3. Update Your Plan

Update your plan a minimum of every two years to incorporate all the changes that occur.

How do we help you identify your estate problems?

Step One:

List Assets By Category

Farm Assets	Non-Farm Assets	Debts
Land	Savings Accounts	Bank Debts
Machinery	Checking Accounts	Land Loans
Livestock	Stocks & Bonds	Farm Debts
Grain/Hay	CD's	State/Federal Taxes
Seed Stock	Life Insurance	Personal Debts
Grazing Rights	Other Non-Farm Assets	Other Debts

Step Two:

Make the Decision

(a) YES, you want the farm to continue as your family farm is.

OR

(b) NO, the family farm will be sold and not continued by your family

The equitable distribution of assets

"I have one farm and four children...What should I do?

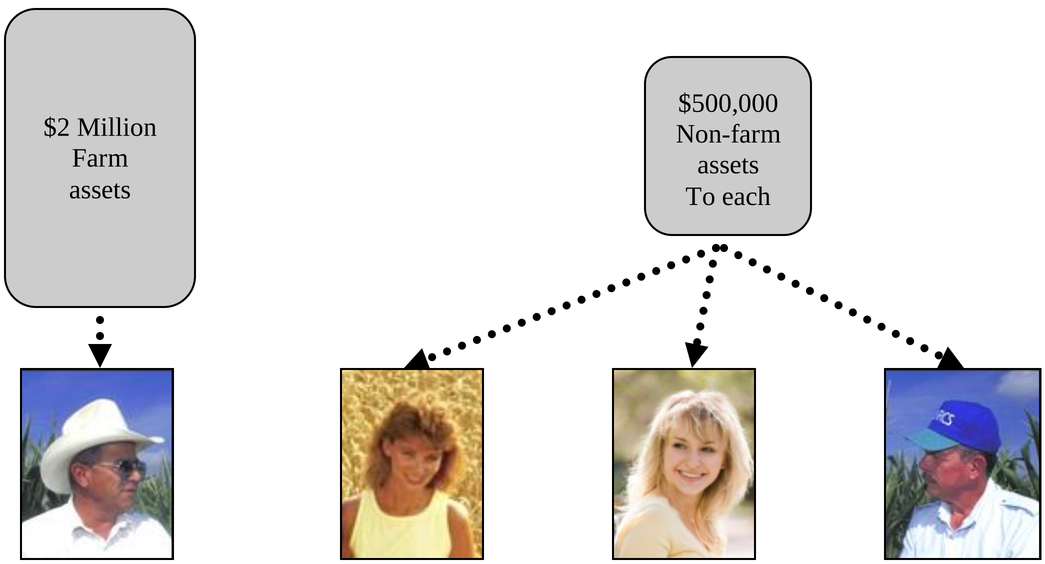




Distribution of Assets

Option One:

Farming child receives farm assets and non-farming children receive equal shares of non-farm assets

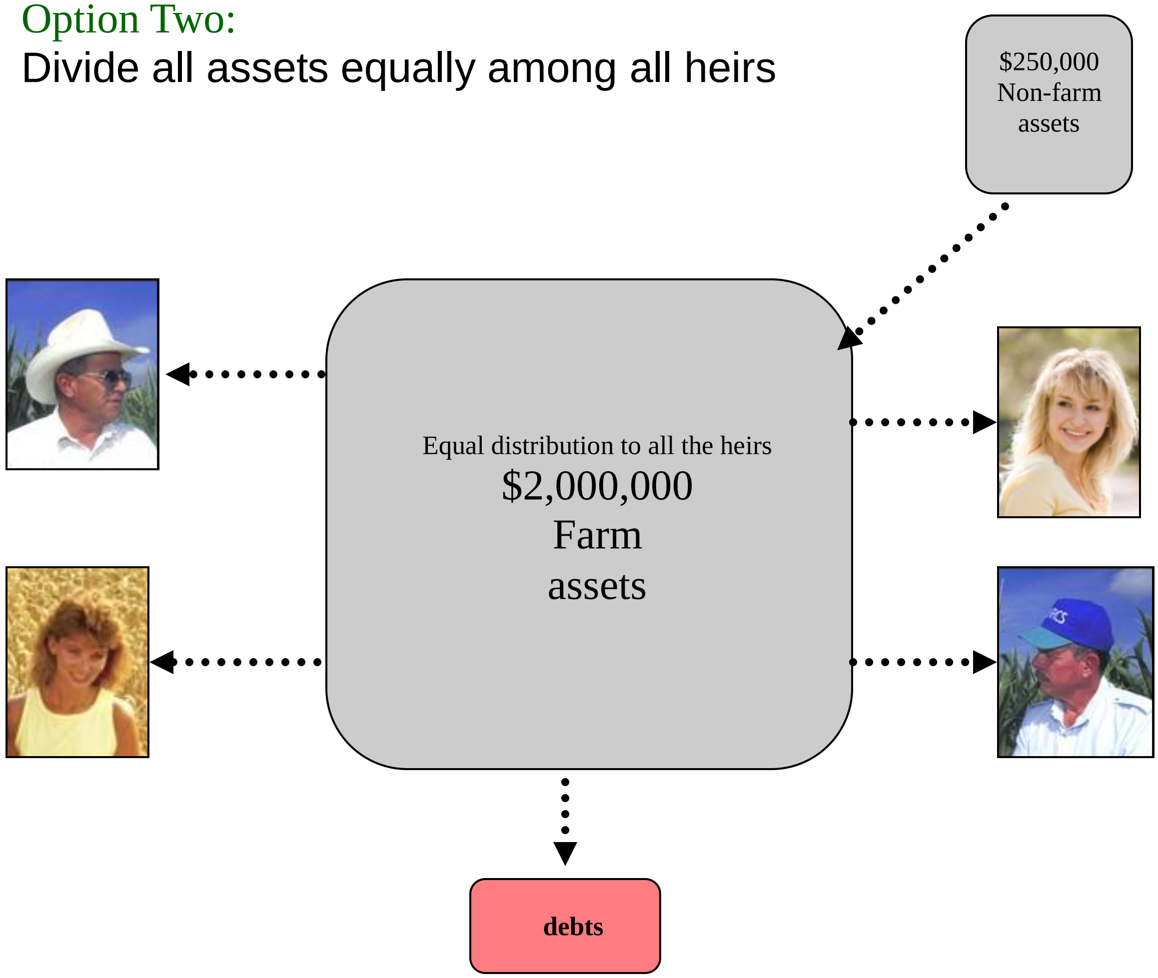


Farming Child receives $500,000

$500,000 per non-farming heir—how does farming heir deal with non-farm siblings???

Option Two:

Divide all assets equally among all heirs



Why isn’t it workable?

The farming child has two options:

1. He can rent from non-farming siblings
(Renting $1,500,000 in farm assets costs anywhere from $75,000 to $120,000 per year)

2. He can purchase the $1.500,000 in farm assets from his siblings for an annual cost of $160,000 to $220,000 per year

Is there that much profit available in this farm?

The Return of the Estate Tax

The Unified Credit was lowered from an 'unlimited' amount in 2010 to five million dollars per person and ten million dollars for a married couple.

Portability Was Added to the Estate Taxes

- Portability was added to estate taxes for the first time.
- If one spouse should die and leave their estate to their spouse, their spouse may use any 'unused' portion of the Unified Credit of the deceased spouse.
- In other words, the survivor can use ten million dollars if the decedent hadn't used theirs.

The Gift Tax Table

- The gift tax table has been 're-coupled' with the Unified Credit in 2011. Prior to now, the lifetime exemption on gifts over $13,000 was limited to one million dollars.
- Now, the lifetime gift exemption has been changed to the same as the Unified Credit or five million dollars per person and ten million dollars per couple.

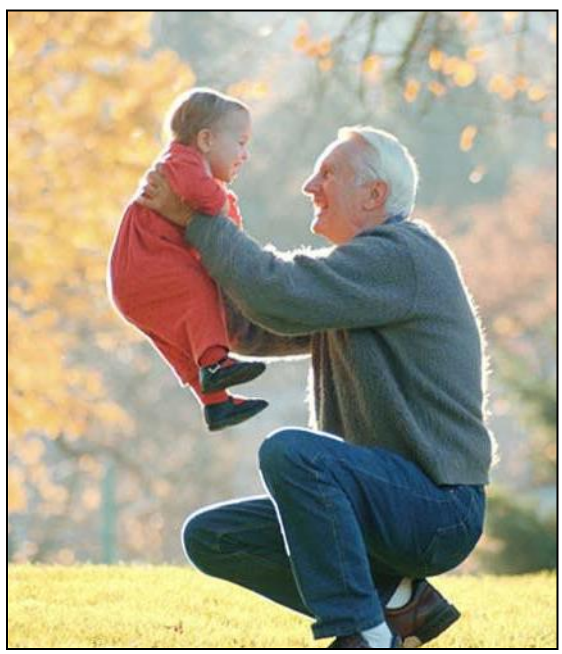
The Gift Tax

Five million dollars per person and ten million dollars for a married couple.

The Unified Credit

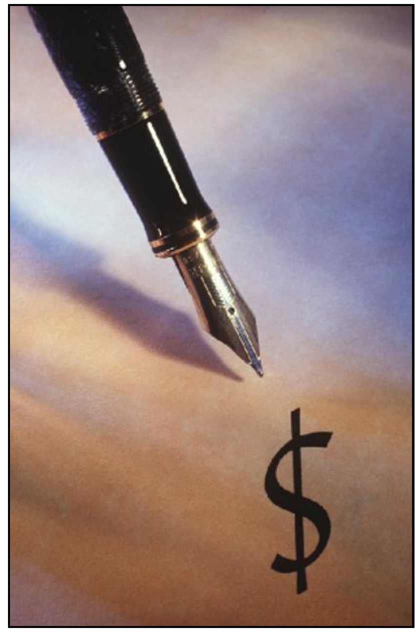
Generation Skipping

- Generation skipping gifts or inheritances were treated severely prior to 2001. Since 1986, the gift tax rate on gifts over one million to grandchildren are taxed from 45% to 55%
- Now grandparents may each gift to their grand-children up to five million dollars each with no gift tax consequences.



Medicaid's Response

- Now that Social Security, Medicare, and Medicaid have reached almost forty-three percent of every tax dollar received, Congress is going to have to move to cut these programs in some way.
- The most likely result is there will soon be a change regarding the look-back period (five years) on gifts or even worse!



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