

TOP TIPS TO CONSIDER WHEN SELLING THE FARM



Selling a farm or ranch land is a big deal. Most farmers have invested extensive amounts of money, time, and memories into their land. The property has become a valuable asset, often appreciating in value and potentially selling for more than the original purchase price. So, when it's finally time to say goodbye to ownership of farmland, here are a few things to keep in mind.



Define Estate Plan & Establish Beneficiaries

Have you determined how your farm or ranch land and associated agricultural assets will be preserved, managed, and distributed after you pass away? It's important to clearly outline which beneficiaries will inherit what assets and consider ways to minimize estate or gift taxes as part of the thought process.



Understand Tax Implications

Did you realize that selling farmland typically generates capital gains, which are then taxed by the government? Appreciation in value is common for real estate assets and can become a burdensome taxable amount for farmland held for a long period of time. Farmers and ranchers often have capital gains taxed at a rate of 15 to 20 percent.¹



Construct a Solid Investment Portfolio

Is your investment portfolio structured in a way that diversifies across multiple assets and investment strategies? Aiming to balance positive and negative asset performance can help maximize return potential, while reducing overall risk. This consideration is important when approaching retirement years if investors are interested in gaining monthly income from a portfolio.



Remain Committed to a Portfolio Allocation to Real Estate

Are you aware that including real estate as an overall investment strategy may enhance return potential? Selecting the right properties to hold in a portfolio is a big aspect of constructing a successful investment portfolio, as well as the structure of those real estate investments. High-quality, income-producing properties with strong, long-term tenants are available for retail investors.



Plan for Passive Property Management

Would you like to own property without the day-in-and-day-out management? There are a variety of strategies that offer the benefits of owning a property without all the responsibilities. It may be time in retirement years to shift the burden of hands-on management to a leading expert.



Farmers and ranchers looking to remain invested in real estate that offers favorable estate planning techniques for heirs, portfolio diversification, and tax benefits may want to consider a Section 1031 exchange. A Section 1031 exchange is a provision in the Internal Revenue Code that allows business or investment property owners to defer capital gains taxes from the sale of real estate, including farm and ranch land, by reinvesting those proceeds in "like-kind" real estate. Those interested in executing a Section 1031 exchange should consult with a tax advisor to review all requirements and potential risks prior to investing.

¹ <https://www.farmers.org/issues/tax-reform/capital-gains-taxes-and-stepped-up-basis/>

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