

Your Most Important Farm Asset



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Take a minute and think about your most important farm asset...here's a clue: it is not your productive farmland, your modern barn or your well-oiled machinery. Your most important asset is your ability to show up to work every day on the farm and use your labor, brains and experience to produce income and support your family—your most important farm asset is you!



Adequately protecting against the negative consequences that often occur after the death or disability of a key person on the farm is the foundation of a good farm financial plan. This article addresses the financial risks associated with a disabling event that can destroy a family's financial future and looks at some practical ways of reducing the risk to your future farm income.

Let's first assign a dollar value to this key farm asset. Consider a 30-year-old male farmer earning \$40,000 in farm income per year until age 65 (when Medicare health insurance would first become available). The total financial value of his earned income over 35 years is \$1.4 million! This is a large sum and yet is likely understated because it does not take into account future increases in his farm income necessary to maintain his family's standard of living.

Protecting a multi-million dollar asset is no trivial matter—farming ranks as the most dangerous occupation in the nation. Per the National Safety Council, 120,000 agricultural workers suffer disabling work-related injuries annually across the U.S.—5,000 of those injuries occur on Pennsylvania farms.

Every farmer knows someone who has been seriously injured working on a farm—it is all too common an occurrence. Tractor and farm equipment accidents, dangerous chemicals, toxic gases, livestock accidents and the unhealthy stress caused by the rigors of running a farm business are the leading

causes of serious injuries/sickness that disable farmers at an alarming rate each year.

So how do you protect your family's financial future against the risk to your most important asset? The foundation of a good farm risk management plan is prevention, the cheapest form of insurance. Studies show that most (but not all) farm accidents are preventable, so following proper farm safety practices and creating a safe work environment is your first line of defense. Furthermore, eating well, hiring reliable farm labor, making time for regular exercise, taking vacations off the farm and getting sufficient sleep are some of the behaviors that can fend off negative stress, a major disability factor for farmers.

The National Safety Council has an excellent website www.nsc.org/library/facts.htm#agriculture—that addresses various farm safety risks, provides good farm safety practices and offers accident prevention tips to help you develop an effective farm safety program or to improve your existing program.

The next best protection against a disabling injury or sickness is the transfer of the risk to a third-party through income protection insurance—better known as disability insurance. There are two disability insurance segments—short- and long-term. Short-term disability insurance pays a benefit for periods of up to one year; long term pays benefits ranging from two years through age 67.



We know that AgChoice Farm Credit's customer-owners are conscientious about farm safety and are most concerned about providing for and protecting their family—yet the vast majority do not own long-term disability insurance. As the statistics mentioned above suggest, income protection insurance is equally important risk management as life

be purchased in the event of a catastrophic disability based strictly on the size of the farm operation. Of course, the company's offer of insurance would be subject to your medical insurability and their other underwriting requirements.

With progressive insurance carriers willing to offer long-term income protection to production farmers without regard to their farm profitability, there really is no valid excuse for a farmer under age 60 in reasonably good health not to consider the purchase of this key financial protection. It is certainly more important risk protection than collision/liability insurance covering your family automobile. In fact, when compared to your other insurance premiums, the relative cost of long-term disability insurance is often a real bargain.

From a financial planning perspective, a serious disability that prevents you from earning a living is the most devastating financial event that can befall you. For example, 50% of all home foreclosures are due to the financial problems caused by a serious medical condition of the family's breadwinner.

Your likelihood of becoming disabled is higher than you might realize. Per the National Safety Council, here are some interesting risk odds that may surprise you: In a given year, you have:

- A 1 in 114 chance of dying prematurely;
- A 1 in 96 chance of experiencing a fire in your home;
- **A 1 in 21 chance of experiencing a disabling injury/sickness;**
- A 1 in 5 chance of being involved in an automobile accident.

insurance—arguably even more so.

We partner with two leading insurance companies that write competitive long-term disability insurance for production farmers with benefit periods that can stretch to age 67. Each carrier offers income protection based on the greater of your farm income, the size of your cattle herd or the acreage that you farm. For example, a farmer can receive up to \$2,200 of monthly tax-free income—\$26,400 annually—without regard to farm income. Additional disability income protection can

We are working to raise the awareness among AgChoice Farm Credit customer-owners and the agricultural community about the importance of income protection and the attractive disability insurance options now available. We encourage you to consider adding long-term income protection to your risk management program as well.

Call us at 800.246.6893 if you would like to design a personalized income protection plan that sufficiently protects your most important farm asset—you. ■

