

ELDER LAW REVIEW

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Retirement Issues for Farmers

The average farmer's age continues to increase and many farmers continue to farm well into their retirement years, others semi-retire and others fully retire. How does a farmer reaching retirement age know if they are ready for retirement?

When a farmer is thinking about retiring they should focus on what their goals are. Do they want to stay involved in farming operation, turn over control to the next generation or become a landlord? They should also consider what lifestyle they and their spouse want to live in retirement. Do they want to be snowbirds and escape Minnesota winters, or do they want to stay close to the farm and family to watch and participate in family activities.

Some basic retirement questions are:

Are you financially ready? Financial planners say you should have at least eight times your pre-retirement income saved to help increase the odds that you won't outlive your savings during 25 years in retirement. For example, by age 35, it is suggested that you should have saved one times your current salary, then three times by 45, and five times by 55. Your years in retirement and your withdrawal rate have a big impact on this factor. Some plan on living to 100, which would be 35 years in retirement. No more than a four percent asset withdrawal rate is recommended so you do not outlive your retirement assets. But if you are a farmer with a next generation farming, you have to think on an income perspective and not asset liquidation.

What are my sources of retirement income going to be? Social Security and land rent will be a major source of your retirement income. Are you going to continue to take a withdrawal from the farm account each year? Are you going to have assets outside the farming operation to

depend on or is the rental income going to be your main source of retirement income?

What are my retirement expenses going to be? Generally, your income needs go down in retirement until you enter a nursing home. A general rule of thumb is 80 percent of your preretirement income will be able to maintain your lifestyle in retirement.

How is my health and do I have an affordable health care coverage available? If you semi-retire before reaching full retirement age, you will have to fund your own healthcare until Medicare kicks in and it can be very expensive. With people living longer, health related problems can increase as you grow older.

Is my retirement lifestyle dependent on the farm income? Is your retirement income dependent on a farm draw and what is the backup plan in case of a bad year or two in farming? It might be wise to have other funds and investments to survive a couple tough years of farming.

What are you going to do with your free time? It may sound simple, but many who retire may get bored without work. Many farmers if working with extended family, can continue to maintain their working lifestyle and maybe just cut back on hours, but if you are quitting farming altogether what will you do with your newfound free time?

Examine long-term care options. The odds that you will spend some time in a nursing home are 50 percent which means one out of two of us will spend time in a nursing home. Some will self-pay, but many will purchase long-term care insurance to help offset the nursing home costs.

Do some planning before retiring to see if you have sufficient assets and income to maintain your quality of life you want in your retirement years.

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