Lavina family finds a way to keep historic ranch in family

By Rebecca Colnar

Lavina rancher Craig Jensen believes strongly in estate planning.

Estate issues present a unique concern to farmers and ranchers. Property has continued to increase in value and attitudes towards agriculture often change within families. Fourth generation rancher Craig Jensen has a strong feeling for the legacy of the land, so when his father passed away, he realized a plan was needed to keep the historic ranch intact.

History of the ranch

Craig's great grandfather James Christian Jensen came from Denmark and started the ranch in 1911. He had come West on the train where he worked on a bridge crew. He jumped off the train in Lavina, and decided that was where he wanted to live. He stayed at the Adams Hotel, and started a butcher shop business in Lavina, and Belmont for a short time. He sold meat to local grocery stores and butchered livestock for people. When the Great Depression hit, he started putting together the ranch, became a county commissioner and was able to buy land when people were leaving the area.

"I'm the fourth generation Jensen," Craig says proudly. Craig currently runs the ranch with help from his wife, Kendy, and four children. "My dad, James Carl, passed away July 5, 2010. We had a family corporation that had six people who had stock. When Dad died, his stock went to my mom, so it fell on Mom's shoulders to take care of the estate the best way she could with the help of a professional." The professional in this case was the family's long-time, trusted accountant Kim Foard of Billings. "I fully admit when you start dealing with estate matters, you must have a third person involved with the ranch's future in mind because you can't sort it all out as family. I have two other brothers but they have followed other careers than ranching. At times they were involved, but it's been over 10 years since any of them have been here, so it was necessary to get a third party in to help with the situation. Kim was the communication center for the whole thing," Craig explains.

The feeling among everyone involved was they wanted to keep the ranch in the family. "You have to establish a base of what to work toward. If the common agreement is to sell it, then go forward and sell it. If it's to keep it in the family, do it in a way that you can financially keep the ranch operating without compromising it and keep in mind that the greatest value of a ranch is being able to pass it on to the next generation," Jensen advises.

Determining the value

Craig believes one of the largest decisions is how you're going to value the ranch. This is a contributing factor for estate tax as well as working with other siblings.

"You need to decide if you're going to use a market value or a production value. Attorneys want to put a market value on it, and then discount it to a fair market value, but it's still four times more what you can realistically produce off of it," Jensen says. "We had some other guidelines you can use, and that is what makes the best use of the land. In this case, it was raising cattle."

The rancher can't say enough about preparation. "With the use of professionals you trust and a common goal, you can accomplish entirely what you need to save the family ranch. You can't sit down with family and have everyone come up with what they think the value is. If you have a lower basis and figure out what your ranch is worth now, you owe tax on that. We've kept a low basis on the ranch so it's not so appealing to sell it. Another key is we used my dad's life insurance policy to help settle the estate. We worked with what was available and how it would fit in valuing stocks. I talked to bankers, realtors and used an appraisal to establish a value with solid professional opinions."

The way we settled it, mom owns 49 percent of the ranch, and Kendy and I own 51 percent. That was motivation for my brothers to settle; knowing that if there were any family troubles they wouldn't lose the ranch. My brothers received payments from our dad's insurance policy."

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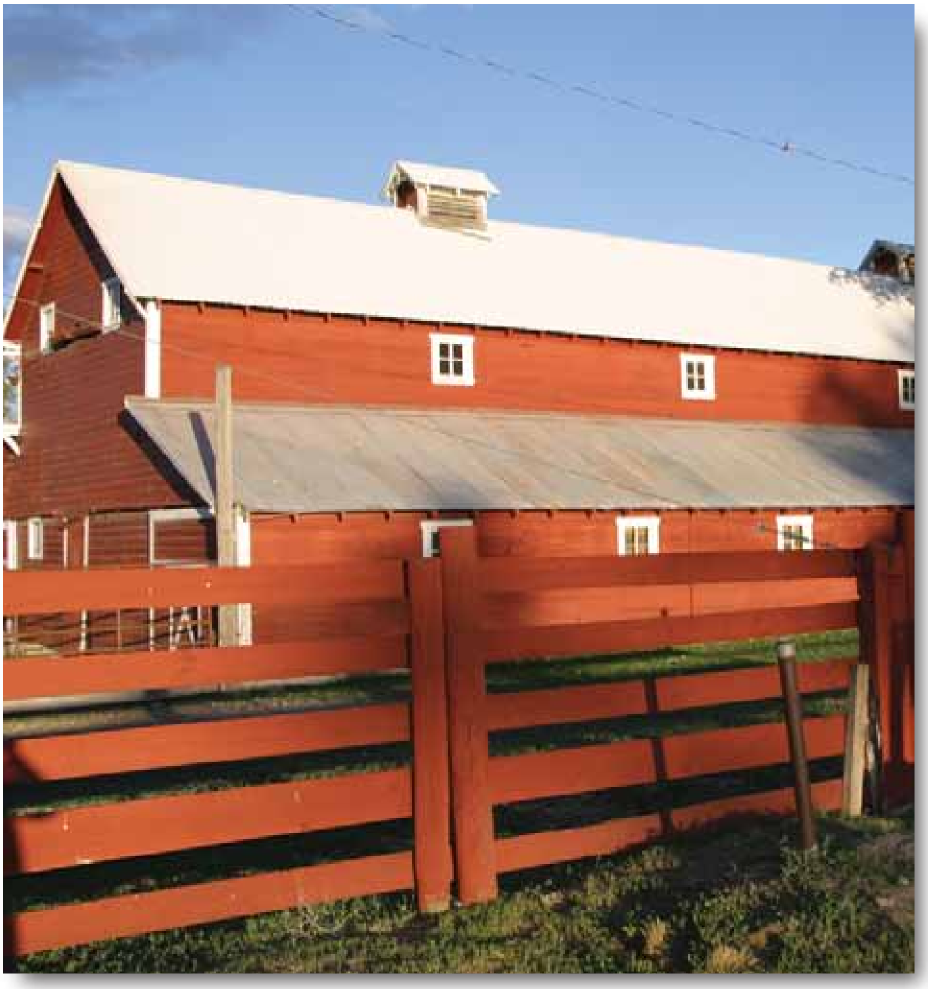
Craig explains that the IRS says value of a ranch can be based on sale approach, income comparison or a cost approach. Cost approach is fair market value; sales comparison is a market value; and income approach is the production basis. Take all three and you can establish a value that is recognized by the IRS. He says that he spends a lot of time figuring out the reality of the ranch. "I used our ranch's net income over the past 10 years. From a net income approach, especially over 10-15 years, you can establish an average, even with times of drought and flood. Then you get the real production value."

Craig commends his mom for realizing what needed to be done. "She wanted to be fair. Our accountant took the lead. It took us about 18 months to get this settled. Keep in mind the greatest value on the fourth generation ranch is not in the form of money or market value, it is the family support, hard work and ability to maintain a way of life.

"It was key that my brothers understood the true value of the ranch was family and hard work, and the common goal was keeping the ranch in the family," he says. "Whether you realize it or not, there is pressure put on by past generations to keep the ranch; you don't want to jeopardize it. It's the best thing you'll ever have. It's a huge motivator. We have a lot of obligations, especially now. Now it's on my and Kendy's shoulders to keep and maintain our ranch for the next generation."



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