

Contribution vs Compensation



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Objective

**Not selling anything!! Not to tell
you what to do!!**

**Organize your thoughts and help
you think about.....**

“What’s important to you”.

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The Need for Planning



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Concept:

Should

Contribution = Compensation?

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Concept:

Should

Contribution = Compensation?

No Right or Wrong Answer!

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Concept:

GOLDEN RULE!

**The person with the Gold
gets to make the rules.**

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Contribution = Compensation?

- 1990 Networth = \$300,000/3 kids = \$100,000
- 2018 Networth= \$3,300,000/3kids=\$1,100,000
- Contribution/Compensation
- 50%/50% Partner and Founder
- \$3,000,000 Partner & Founder \$1,500,000 ea
- Partner's share
 - ✓ \$ 100,000 from 1990
 - ✓ \$1,500,000 from growth and appreciation
 - ✓ \$ 500,000 from Founder growth and appreciation
 - ✓ \$2,100,000 total for Partner \$600,000 each for siblings

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Contribution = Compensation?

- 1990 Networth = \$300,000/3 kids = \$100,000
- 2018 Networth= \$3,300,000/3kids=\$1,100,000
- Contribution/Compensation
- 10%/90% Partner and Founder
- \$3,000,000 Partner & Founder \$300,000 and \$2,700,000
- Partner's share
 - ✓ \$ 100,000 from 1990
 - ✓ \$ 300,000 from growth and appreciation
 - ✓ \$ 900,000 from Founder growth and appreciation
 - ✓ \$1,300,000 total for Partner \$1,000,000 each for siblings

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	Value* /hour	Hrs./ Week	Weeks/ Year	Yearly Value	On Farm Heir's Share from Each off Farm Heir's share Distribution page	Number of Heirs	Total Net Worth
Personal Care					\$ 1,265,695.80	\$ 795,884.30	\$ 2,851,484.00
Cooking	\$10.31		5	50 \$ 2,577.50			
Cleaning (Washing dishes, vacuuming, dusting, cleaning bathrooms)	\$ 9.20		3	30 \$ 1,380.00	Assume the On Farm Heir is also the primary caregiver		
Laundry	\$ 9.75		3	26 \$ 760.50			
Bathing, dressing, grooming	\$10.00			\$ -	3 Year Care Adjustment		
Transportation to Doctor, for Groceries, etc.	\$10.20		2	52 \$ 1,060.80	Caregiver/Farmer	Other Heirs	
Pick up and delivery of pills and other supplies	\$10.00		0.5	52 \$ 260.00	\$ 1,316,819.26	\$ 767,322.37	
Other				\$ -			
				\$ -	5 Year Care Adjustment		
Total Personal Care				\$ 6,038.80	Caregiver/Farmer	Other Heirs	
				\$ -	\$ 1,357,547.25	\$ 746,958.38	
Farm Maintenance				\$ -			
Farm Management	\$27.93		5	52 \$ 7,261.80	7 Year Care Adjustment		
Personal Financial Advisor	\$35.73		0.5	26 \$ 477.49	Caregiver/Farmer	Other Heirs	
Bookkeeping	\$14.37		0.5	26 \$ 363.61	\$ 1,395,987.82	\$ 728,188.69	
Farm Labor	\$11.70		5	50 \$ 2,925.00			
Mechanics	\$15.11			\$ -	10 Year Care Adjustment		
Lawn Mowing, Snow removal and Groundskeeping	\$11.36		3	24 \$ 817.92	Caregiver/Farmer	Other Heirs	
Other				\$ -	\$ 1,451,398.69	\$ 700,032.65	
Other				\$ -			
Total Farm Maintenance				\$ 11,669.02			
TOTAL				\$ 17,707.82			

Sometimes the most unfair thing you can do is to treat all your heirs equally?

Fair vs Equal

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The Need for Planning

➤ A Business can pass from one generation to the next without planning but if you want to improve the odds.....

Make A Plan

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Time Management Matrix

Urgent

Not Urgent

Important

I. Activities Crisis Management Deadline Projects	II. Activities Planning Relationship Building
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Not Important

III. Activities Some Calls, Mail, Popular Activities	IV. Activities Time Wasters Busy Work
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Resources

- **Joe M. Hawbaker, Hawbaker Law Office**
 - ✓ Phone: 402-558-3540
 - ✓ Email: jmhawbaker@gmail.com
- **David Goeller, UNL Farm Transition Specialist (Retired)**
 - ✓ Email: dgoeller28@gmail.com
- **Nebraska Farm Hotline**
 - ✓ Phone 800-464-0258



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Articles Available

1-800-464-0258

Estate Questionnaire	Probate
Neb. Inheritance Tax	Federal Transfer Taxes
Health care POA	Durable POAs
Intestacy	Charitable Giving
Future Interests & LE Deed	Joint Tenancy & Tenancy in Common
Options & Preemptive Rights	Spousal Tax Planning & Portability
Personal Representative	PR Checklist
Special Use Valuation	Partition
The Will	Transfer on Death Deeds
Trusts	Buy-Sell Agreements

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