

**Forest Stewardship Education Newsletter**  
**January 2022**  
**Estate Planning for Forest Landowners**

**Greetings from UC ANR**

For many of us, the start of a new year includes considering things we have put off in the past. "I have plenty of time to think about that" or "It doesn't really apply to me right now" are two of my go-to's. However, considering some of the lessons of the last two COVID years, I have to ask myself, do those answers still fly? Do I still have time?

Though I do not own forestland myself (how sad!), I can imagine estate planning as one of those things I would defer (or ignore). Considering the multitude of tasks forest landowners face on a day to day basis, planning for a future that one is not a part of can seem like a lower priority. But, consider this...

- 17% of workshop participants inherited their land, and 3% received their land as a gift;
- 93% of workshop participants agree or strongly agree that they want their land to stay wooded;
- 72% of you disagree or strongly disagree that you would sell your land if offered a reasonable price; and
- 63% feel it is important or very important to pass your land on to future generations.

We know that forestland is especially vulnerable to conversion when it is being passed on from one owner to the next. If we don't plan ahead for keeping land forested and within our families, who's to say what will happen when we are gone?

This newsletter will provide you with some things to consider, questions to ask, and actions (big and small) to take around estate planning. You can do it! And we are here to help.

Disclaimer: The discussion in this newsletter is for general background information only. Please consult with qualified professionals familiar with forestland issues, to develop an estate plan that is appropriate for your needs.

Cheers,  
Kim Ingram, [kcingram@ucanr.edu](mailto:kcingram@ucanr.edu)



**"I'm land-rich and cash-poor. Why does this matter?"**

## **Estate Planning 101**

### What is estate planning?

According to Cornell Law School, estate planning is "the process by which an individual or family arranges the transfer of assets in anticipation of death. An estate plan aims to preserve the maximum amount of wealth possible for the intended beneficiaries and flexibility for the individual prior to death." Assets include real estate (your forest) and personal assets (your tools like chain saws and weed whackers).

By planning ahead, you can save your heirs money by minimizing state and federal estate taxes they will have to pay, thereby reducing the need to sell parts or all of the inherited forestland to meet financial obligations.

### But I don't own that much forestland...

A benefit to including your forestland in estate planning is to address California Probate issues. Estate planning can minimize the expenses and long time lines associated with California probate. Current Federal law states that heirs are not going to pay a Federal estate tax unless the value of all assets totals approximately \$23.6 million for a couple filing jointly in 2020. This amount is adjusted annually for inflation. This law expires at the end of 2025 when the level of taxation reverts to \$5 million ( 2018 level) plus an adjustment for inflation.

According to the National Timber Tax website, timberland is usually a "highly appreciated asset," that is, the fair market value of the property on the date of death of the decedent is much greater than the basis (cost) of the property when held for several decades. This increase in both timber volume (due to growth) and value is why timberland is a wealth creation vehicle. But this adds a challenge to the estate planning process, even for smaller forest landowners.

### Can I handle estate planning myself? I have a will...

It is a good idea to engage a tax or legal professional, as well as a Registered Professional Forester, when planning for your estate. Laws

around federal and state estate taxes change frequently and you want to ensure you are using the most current information so your land is being taxed at the minimum legal rate. Having a will is not sufficient, especially if your forestland is currently producing, or has the ability to produce, timber. A will is used to transfer property but not business arrangements or management strategies.

In addition, consider having a durable power of attorney for financial matters and a power of attorney for health care as a part of the planning effort to avoid both legal and family conflicts in the future.

#### Who should I work with?

Good estate planning is a team effort. It is also important to work with professionals who have experience in forestland estate planning, *and* who will best represent your wishes. Your team could consist of an Estate Planning Attorney, Financial Planner, Tax Professional, Insurance Consultant, Appraiser, and a Registered Professional Forester, and a Specialist in Conservation Easements if considering a Conservation Easement. If you don't know anyone who does this work, ask around! Your neighbor or fellow Forest Stewardship Workshop Participant might have suggestions for you.



### **Forest Stewardship Series 22: Forest Taxation, Estate Planning, and Conservation Easements**

## **Beyond taxes**

Minimizing the tax burden and the transfer of wealth are just two aspects of estate planning. Forest landowners should also consider the impact of parcelization when a property is divided and left equally to all heirs. A better strategy may be keeping it intact with one heir acting as a manager. Dividing forested property can limit what future owners can feasibly do when considering what forest management options to take.

Estate planning can also:

- provide direction in the support and care of your remaining family members;

- identify areas where asset matching might be a better match for your heirs than land distribution;
- ensure the vision you have for your forest continues on; and
- reduce conflict among heirs.

## First steps

The University of Florida Extension recommends assembling the following basic information about you and your property in preparation for conversations with your estate planning team:

*A. Your property and your present financial situation* including:

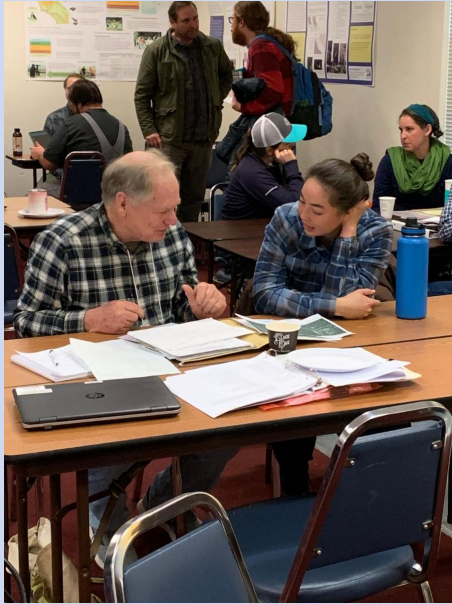
- a) the property that you own outright or in which you have an interest;
- b) your present income from all sources including names, addresses, contact information, and **passwords** for pension or other types of retirement accounts in a single location; and
- c) anticipated income over perhaps the next one to two decades

*B. Personal Information* including your date of birth, birth certificate (where kept), birthplace, Social Security number, and place of employment (if not self-employed). Give the same type of information about your spouse or partner(s) if applicable. Also, include facts on your marital status (when and where married), and list any previous marriages and when and how each was terminated. List your heirs and other intended beneficiaries including their names, ages, addresses and other contact information.

*C. Periodically prepare/revise a written document describing what you seek to accomplish with your estate plan* including the arrangement of your affairs to provide a satisfactory living for you and your family during your working and retirement years and for survivor(s) after your death.







### Common estate planning strategies

- Giving tax-free gifts of cash or assets up to \$16,000 per year per person (current dollar amount for 2022). Note that both spouses can gift this amount to a single person for a total of \$ 32,000 per year. Gifts of assets may require an appraisal that could be costly;
- Setting up a living trust which will avoid probate (both costly and time consuming);
- Securing life insurance and life insurance trusts that can pay out cash to cover taxes and other expenses;
- Making charitable gifts to reduce the estate tax liability;
- Formalizing family partnerships, such as an LLC. Depending upon terms of the document(s) these may reduce potential estate tax value and establish

### A matter of values

The heirs of current landowners will determine the future forest landscape. Recent studies suggest that “the next generation will live farther away, have fewer emotional ties to the land, and be less prepared to manage them.” While the current generation values the land for its beauty, biodiversity, and pride of ownership, their heirs are more likely to view the land as an economic investment. These weaker emotional ties to the land make them more likely to sell.

The following are several tips to help current landowners pass on their values and knowledge of the family forest:

- Talk with your children and grandchildren about why owning forestland is important;
- Invite them to visit and walk around the forest with you;
- Show them how you have improved the land and why;
- Share your forest management skills with them;
- Invite them to participate in forest management decision making to teach them your approach to issues; and
- Encourage them to join forest owner groups.

—from Future of Nation’s Private Forests Might Hinge on Families Talking by Glenn Rosenholm, U.S. Forest Service. 2007.

- management patterns subsequent to your death; and
- Entering into conservation easements which may provide a current income tax liability and possibly the value of the estate at the time of death. Remember the easements must be in perpetuity to qualify for federal tax benefits.



One final piece needed for planning to pass along your land is to have a forest management plan! Whether formal or informal, a forest management plan is another way to guide future generations to maintain the property and help them understand why your forestland is so special.



### Upcoming workshops

- January 20th - March 17th, Online and in-person field day (February 12th) in San Diego County
- March 16th - May 10th, Online and in-person field day (April 2nd) in Nevada County

For more information on the workshop, and to share with a friend, please visit: <http://ucanr.edu/forestryworkshopregistration>



University of California Cooperative Extension | 137 Mulford Hall, #3114 | Berkeley, CA 94720-3114 US

[Unsubscribe](#) | [Update Profile](#) | [Constant Contact Data Notice](#)



Try email marketing for free today!