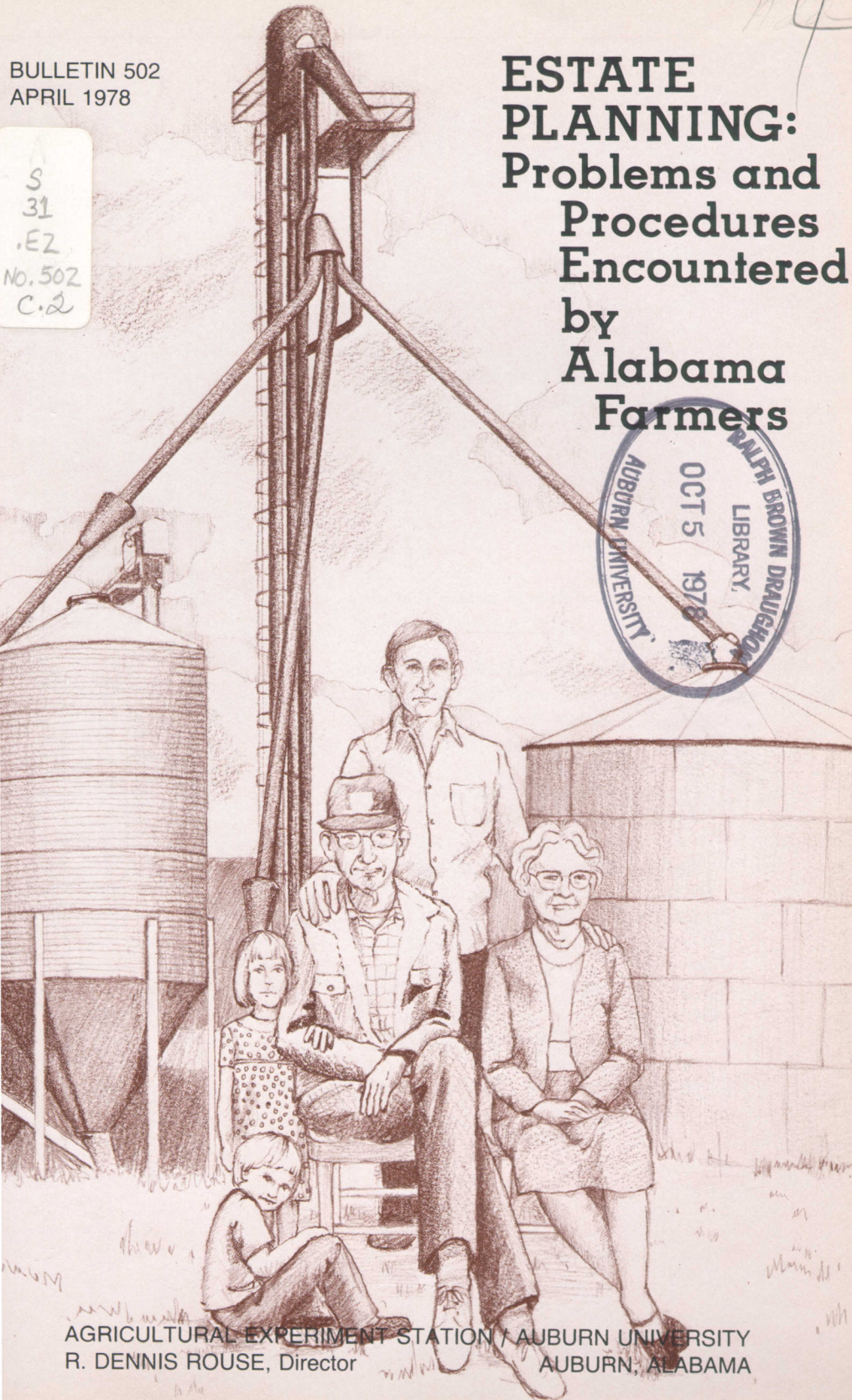
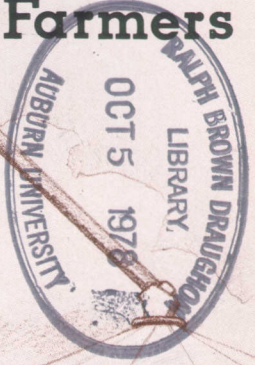


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**ESTATE
PLANNING:
Problems and
Procedures
Encountered
by
Alabama
Farmers**



AGRICULTURAL EXPERIMENT STATION / AUBURN UNIVERSITY
R. DENNIS ROUSE, Director AUBURN, ALABAMA

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Special appreciation is expressed to Jack Clark, practicing attorney and former director, Rural Law Institute, University of Alabama in Tuscaloosa for his review of the legal aspects of this report. However, responsibility for content remains with the authors. References to law and legal procedures are intended for informational purposes only.

*This publication available to everyone, regardless of
race, color, or national origin.*

FOREWORD

This publication is an outgrowth of research on the problems related to estate planning by Alabama farmers. The research in turn was prompted by an expressed need for more information by the farmers themselves.

The research was initiated in 1974 to examine estate structure under the then prevailing codes regarding estate, gift, and individual income taxes. Results were completed on parts of the research in 1975 and a publication was released entitled *Farm Estate Planning In Alabama*, (2). Remaining portions of the research were completed in 1976. Release of the latter research results was delayed in anticipation of a change in the laws governing estate taxation by the U.S. Congress. The Tax Reform Act of 1976 became law on October 4, 1976. Insofar as possible, revisions of the tax codes which pertain to estate planning were incorporated into this report. However, in no way do the comments and opinions expressed herein reflect legal assistance on individual problems. Rather, the contents should provide a guide to increased knowledge on the subject and the need for careful attention to estate planning procedures.

ESTATE PLANNING: Problems and Procedures Encountered by Alabama Farmers*

HOWARD A. CLONTS and LAIRD R. JONES**

INTRODUCTION

A SOUND ESTATE PLAN should reflect the objectives of the property owner and assure an orderly transfer of assets to heirs at minimum cost. In addition, the probability of family quarrels, excessive administration costs, improper asset management, or forced estate liquidation can be diminished. Estate planning is of particular importance to farmers in that it is useful in providing for property management and continuity of the farm operation during the transferal process.

The most basic ingredient of a comprehensive estate plan is the will. An effective will can accomplish many of the estate planner's objectives. However, failure to draft a will may result in serious complications in estate settlement. When an individual dies intestate (without a will), his right to dispose of property as he pleases is forfeited and the property is distributed according to Alabama "Laws of Descent and Distribution," Appendices A and B. This method of distribution is inflexible and oblivious to any particular objectives that the decedent may have had. Thus, family hardships may result.

In addition to a will, there are several useful estate planning tools which may be employed to aid in estate transference. Three tools frequently used in conjunction with a will are gifts, trusts, and insurance. An efficient plan may require only one or perhaps a combination of these plus other minor tools depending upon the individual estate situation.

*Research on which this publication is based was supported by Federal and State research funds under Alabama Hatch Project 372. Appreciation is expressed to the farmers, attorneys, and probate judges who supplied the data for this study.

**Associate Professor and former Graduate Research Assistant respectively, Department of Agricultural Economics and Rural Sociology.

Many Alabama farmers are unaware of the benefits which they and their families can reap from estate planning. When an Alabama farmer's estate plan is inadequate, or if the farmer has no estate plan, the usual results are problems in intergenerational transfer. These may take the form of unnecessary tax erosion, resource deterioration, uncertainty regarding future owner-operatorship, and other problems. On the other hand, a comprehensive, properly conceived, and performed estate plan is one means by which estate taxes may be minimized, or in some cases avoided. Future control of property also may be established.

Underlying hypotheses of this study included: (1) a lack of knowledge prevails on the subject of estate planning, (2) a belief that a communication gap exists between Alabama farmers and those who assist in planning farm estate transfer, and (3) there is an absence of laws consciously created to aid in estate dissolution.

The need for estate planning by Alabama farmers became acute in the last decade as the value of farm estates increased dramatically. The major component of the increase was the value of farmland. Higher real estate values resulted in estate tax levies on estates far in excess of levels anticipated because of the low cost basis in farms and an ignorance of the real value of farm land. Growth of the size and value of farm operating units and associated increased capital investment also added to the pressing need for planning to maintain and transfer property expeditiously.

These pressures over several years resulted in new laws. The most recent Federal tax legislation, passed in 1976, provided for significant changes in the tax levies on personal estates at the death of an individual. The personal exemption level of \$60,000 was replaced by a unified estate tax credit system which makes the effective tax exemption reach \$176,000 in 1981. Appraisal and tax assessments based on use-value rather than potential value from use-shifts also were allowed. Other changes in the law affected important aspects of the estate plan such as the marital deduction, gifts prior to death, capital gains, and farm cost basis.

Specific points on each of the legal changes are discussed in this report in areas deemed most appropriate.

Objectives

This report presents the results of a study to examine the extent of knowledge of a sample of Alabama farmers concerning estate planning and settlement, taxation, and legal requirements for property transfer. Interrelationships between individual farmers, lawyers, probate judges, and others who assist in estate planning and probate were analyzed. Specifically, the objectives of this study were:

- (1) To determine the nature, extent, and knowledge of estate planning by Alabama farmers and Alabama attorneys who assist in planning and settling farm estates.
- (2) Review the size of estates created by Alabama farmers.
- (3) Evaluate factors contributing significantly to estate size.

This study emphasized the level and relative sophistication of the average Alabama farmer's estate plan and his general acquaintance with estate planning tools and local probate procedures. The study also explored the need for a more complete realization on the part of Alabama farmers of the benefits available to them through wise estate planning. This report summarized those findings and in addition illustrates the need for professionals attuned to the special estate planning needs of farm families.

Procedures

This study was implemented as part of a larger project entitled, "Estate Planning for Alabama Farmers." The basic objectives outlined above were achieved in part by developing three separate questionnaires for surveying a sample of farmers, lawyers, and probate judges. Personal interviews were conducted with all farmers in the sample. The sample of Alabama farmers for this study was drawn from the five most prominent agricultural areas in Alabama. They were: (1) Limestone Valley, (2) Sand Mountain, (3) Black Belt, (4) Wiregrass, and (5) Lower Coastal Plain, figure 1. A total of 204 farmers were interviewed from among the five areas.

To participate in the study, each farmer surveyed must have derived at least 50 percent of his income on a regular annual basis from agricultural enterprises. Efforts were made to include a mixture of large and small farms from each area.

The survey of probate judges and lawyers in Alabama was

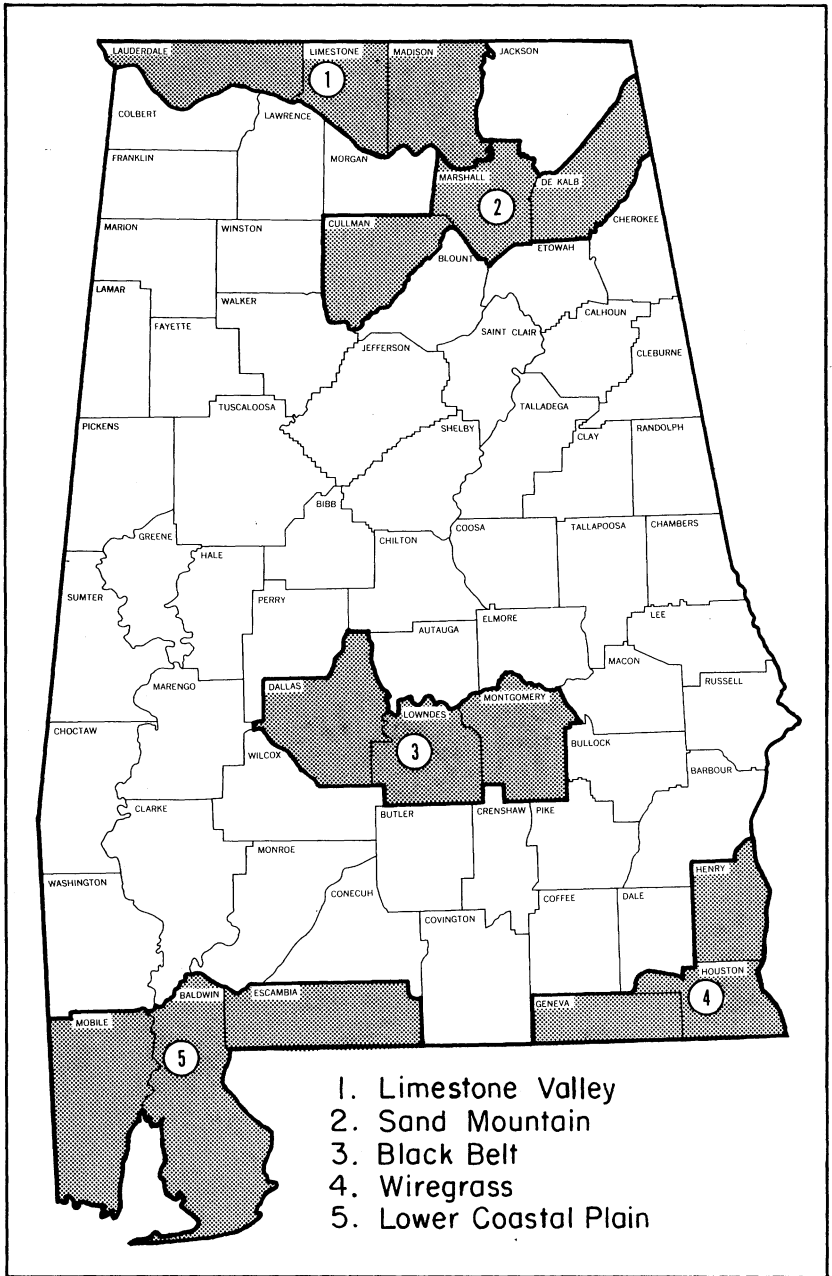


FIG. 1. Counties in the Survey of Alabama Farm Estates, 1974.

conducted initially by mail questionnaire. All 67 county probate judges were contacted and approximately 60 percent of the judges responded with completed questionnaires. A portion of the questionnaires were completed during a follow-up visit with those not answering the mailed questions. Names of 75 lawyers for the sample were obtained from the survey of farmers. Each lawyer who assisted in a surveyed farmer's estate plan was contacted and personal or mail interviews were again solicited. Approximately 30 percent of the lawyers responded with completed questionnaires. The three questionnaires used to record data were conceptually interrelated to facilitate comparisons among the three samples.

FARMERS' ESTATE PLANNING OBJECTIVE

A simple inventory and analysis of an individual farmer's assets is essential as a first step in estate management. However, this analysis alone will not provide all the relevant data necessary to develop a useful estate plan. The desires and objectives of the property owner and his family, with respect to eventual asset distribution and use, must be determined and understood. Typically, farms are managed by a male household head. Traditional laws on estate distribution appear to have been written to reflect this situation. Yet, the wife also is an important person in the estate planning process. Often she is a joint owner of both real and personal property. She may or may not have a separate estate of significant value. She probably will have specific opinions of the means for property disposal. There is a high degree of probability that the wife will outlive her husband and that property will pass to her. The result then is that the wife may have a larger estate than did her husband. If so, she may be faced with deciding a second time about estate distribution; but, this time the estate is larger and disposition problems greater. An adequate estate plan is concerned with the net impact of any intra- and inter-generational land transfers.

Estate planning objectives of Alabama farmers varied depending upon family and economic situations. No two farmers had identical planning objectives. However, for study purposes objectives were classified into four primary classes, table I.

The objective of tax minimization ranked highest in priority

TABLE 1. ESTATE PLANNING OBJECTIVES OF RESPONDENT ALABAMA FARMERS, 1974

Objective	Percent of farmers mentioning
	<i>Pct.</i>
Avoid paying unnecessary taxes	86
Provide for transfer of property to desired persons	61
Provide for property management	58
Remove property from gross estate	9

among respondent farmers. Eighty-six percent of the respondents designated tax minimization as an important estate planning objective. Apparently there was some confusion among respondent farmers in answering the questions on estate planning objectives. Approximately 9 percent listed removing property from the gross estate¹ as a goal. Actually this procedure is a means to avoid unnecessary estate taxes. Thus, it appears that a total of 95 percent of the farmers were concerned with taxes that would accrue at death. The tax question was so important to farmers that many of them considered minimizing estate taxes to be the sole objective of estate planning. However, few farmers exhibited specific knowledge of the computation of estate taxes, nor did they have a clear understanding regarding the tax liability on their estates. This concern was clearly evident before the 1976 Act. However, no followup survey has been made to determine if the concern still exists.

Providing for a transfer of property to desired persons and property management after death were two objectives with approximately equal importance among the respondents. These two objectives were synonymous with the desire to keep the farm in the family.

The relative lack of uniformity in response of the farmers concerning their estate planning objectives substantiated the view that estate planning should be done on an individual family basis. The diversity of desires and family situations prevented the construction of a set format for a typical Alabama farm estate plan. Also, the limited range of objectives may indicate that farmers failed to realize the full potential range of estate planning objectives. One additional possibility was a misunderstanding on the part of respondents regarding the question as posed. However, that situation does not appear to have substantial merit.

¹The term "gross estate" is defined in the glossary of terms, Appendix C.

CHARACTERISTICS OF RESPONDENT FARMERS

The lack of uniformity among farmers' estate planning objectives introduced a review of characteristics of farmers that may influence their attitudes. Characteristics of the average farm estate in the study are shown in table 2. Average values obtained from the data in this survey may not be indicative of Alabama farmers as a whole. In as much as the survey was conducted in some of the more prominent agricultural counties of Alabama, it is understandable that the more productive farms were included. Consequently, average value shows larger farms than exist in Alabama as a whole.

The average age of respondents was 50 years, with a range of 23 to 78 years. Ninety-six percent of all respondents were male household heads with living wives. Of the eight farmers without living spouses, there were four widowers, one widow, two divorced males and one bachelor. In addition, all but nine respondents had at least one living child.

Estate planning traditionally involves consideration primarily of immediate family members only. However total family structure should not be overlooked. For example, if an individual dies intestate, children are direct lineal descendants. However, if a child predeceased a parent, the living children of a deceased child may become direct heirs of their grandpa-

TABLE 2. ASSETS AND LIABILITIES AND WORTH REPORTED BY SAMPLE OF ALABAMA FARMERS, 1974

Assets and liabilities	Value range	Average value*	Percentage of worth*	
			gross	net
	<i>Dollars</i>	<i>Dollars</i>	<i>Percent</i>	
Land total	23,000-1,660,000	236,850	65.7	69.0
per/acre	200- 1,250	615		
Residence	5,000- 75,000	22,700	10.3	10.9
Insurance	600- 650,000	45,430	9.5	19.3
Stocks, bonds, savings ..	0- 55,000	11,230	3.7	4.0
Other personal property	1,100- 44,500	9,960	3.3	3.5
Supplies and inventories	0- 20,000	2,020	0.5	0.6
Machinery and equipment	0- 200,000	29,470	8.5	9.2
Livestock	340- 866,400	39,520	7.7	8.2
Gross worth	50,690-2,380,400	359,070	—	—
Liabilities	300- 800,000	22,910	10.4	11.0
Net worth	40,870-2,264,400	336,270		

*Averages shown are only for farms reporting each item; therefore, values will not sum to gross or net worth.

rents. In the present study living minor children were present in 34 percent of the farm families, and grandchildren were present in 54 percent of the families. An average of two minor children were in each family reporting minors. There were almost five grandchildren per respondent family. However, the number of living second generation heirs ranged from one to 19 per family. In addition, 56 percent of the farm couples with grandchildren had more than four. In this respect, the structure of farm families in Alabama indicate both a need and a potential for long range planning for estate distribution.

As expected, land was the dominant form of asset ownership by farmers. The average size farm for respondents was 557 acres with 332 acres being owned and the balance rented.

Each respondent was asked to estimate the per acre value of his farmland. That value ranged from \$200 to \$1,250 per acre among the 204 sample farmers and averaged \$615 per acre. According to U.S. Department of Agriculture data, the average per acre value of all farmland in Alabama was \$425 in February 1976 (1). The relatively high value of farmland in this study was attributed to the fact that many sample farms were above average in land quality.

Range and mean of the respondents' net worth are presented in table 2. In this context, net worth was defined as the sum of all assets which would be included in the farmer's estate minus the total liabilities on the estate. Average net worth of respondent farmers was \$336,270. In this case an average figure may be somewhat misleading since more than 65 percent of the estates were valued at less than \$300,000 and a fifth of all estates were valued in excess of \$500,000. A few large farms had a disproportionate effect on the average net worth, figure 2.

Farmers in this study engaged in a variety of enterprises with beef cattle being the most prevalent, table 3. Approximately 64 percent of the farmers owned beef cattle at the time of the survey. The most common row-crop was soybeans. Sixty-one percent of the farmers planted soybeans on a total area of approximately 15,000 acres of land.

The 204 sample farms were classified into four general categories to consider the particular enterprises chosen by Alabama farmers. The classes included: (1) livestock and crop combination, (2) crop, (3) livestock, and (4) dairy. Over 50 percent of the farms were livestock and crop combinations.

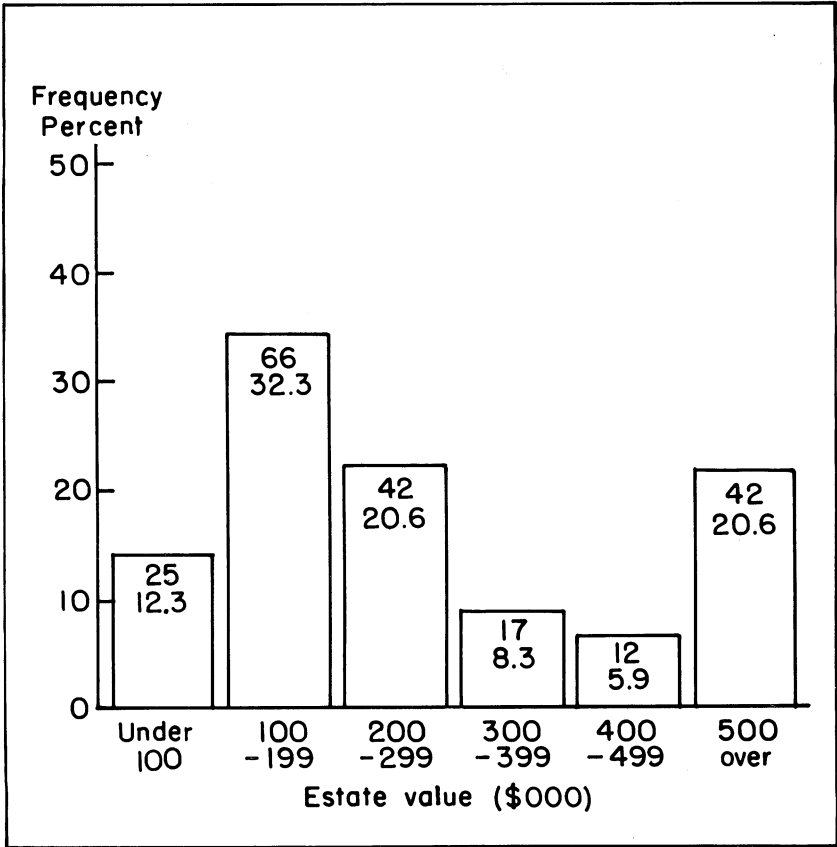


FIG. 2. Net Worth Distribution of Respondent Alabama Farmers, 1974.

TABLE 3. PREDOMINANT ENTERPRISES ON ALABAMA FARMS 1974 SURVEY

Enterprise	Number of farms where found	Percent of farms	Unit	Units on farms with enterprise	
				Range	Average
	No.	Pct.		No.	No.
Beef cattle	131	64	Head	10- 750	109
Soybeans	125	61	Acres	9-1,100	245
Corn	84	41	Acres	9- 500	108
Cotton	68	33	Acres	6-1,500	260
Hogs	36	18	Sows	4- 300	42
Peanuts	31	15	Acres	7- 350	97
Broilers	15	7	Thous.	8- 45	24
Grain sorghum	14	7	Acres	10- 300	91
Feeders	12	6	Steers	5-3,500	467
Vegetables	12	6	Acres	3- 80	35
Dairy	9	4	Cows	15- 150	74
Wheat	6	3	Acres	25- 500	210
Potatoes	5	2	Acres	5- 180	87
Pecans	4	2	Acres	5- 300	98

Although nine farmers operated dairies on their farms, only three farms were considered primarily dairy farms.

Property Ownership

Sole ownership by the respondent, tenancy-in-common, and joint tenancy were the three means of property ownership utilized by sample farmers. The definition of *sole ownership* is self-explanatory. *Tenancy-in-common* exists when two or more persons own an undivided interest in the property; for example, land owned by Tom Citizen and Joe Citizen as equal partners. Either can sell or will his share, and if one person dies his share becomes a part of his estate and passes to his heirs. *Joint tenancy* exists when two or more persons co-own property with right of survivorship. An example would be Tom or Mary Citizen with rights of survivorship. In Alabama, if survivorship is not stipulated in the deed, then according to laws of descent and distribution, tenancy-in-common exists.

Joint tenancy states that when a co-owner dies his undivided interest is distributed equally among the other joint tenants. This form of ownership takes precedence over distribution by will. The jointly owned property passes outside probate, thus reducing administration and probate costs, but the owner loses the right of testamentary distribution. Furthermore, the Internal Revenue Code, Section 2040, provides that the full value of property owned jointly prior to December 31, 1976, will be included in the estate of the first decedent unless the survivor can prove contribution. This provision may put the full value of the same property in the estate of the second decedent. In other words, joint tenancy provides that the full value of the property can be taxed in two estates. Tenancy-in-common, on the other hand, results in taxation of only half of the value of the estate with the death of the first decedent and half or all of the value taxed in the estate of the second decedent depending on the testamentary disposition reflected by the first.

Jointly owned property interests created after December 31, 1976 follow a different rule. Under the 1976 Tax Act where the jointly owned property is held only by decedent and spouse, only one-half its value will be included in the gross estate if (1) the joint interest was created by either spouse or both, (2) in the case of personal property, the creation of the joint interest constituted a gift, or (3) in the case of real property the election

applies to have the creation of joint interest treated as a gift.

This new rule does not apply to joint bank accounts since both co-tenants can make withdrawals. The old consideration furnished test will apply in these cases.

An important note is that the donor party must make the election by including the transfer in the first tax return for the quarter in which the tenancy was created. This provision also applies to all future additions to the joint estate which exceed the \$3,000 annual gift exclusion.

The meaning of all the above is that under certain conditions one spouse may give to the other a half interest in their respective estates. However the gifts will fall under the revised gift tax provisions.

Differences in the farms with regard to forms of ownership are illustrated in table 4. The number of farmers owning their property by joint tenancy was almost double those with sole ownership. Likewise those owning property as tenants-in-common outnumbered sole owners by approximately two to one.

Farms owned under joint tenancy tended to be much larger in total acreage than farms solely owned or owned under

TABLE 4. CHARACTERISTICS OF ALABAMA FARM OPERATIONS BY TYPE OF OWNERSHIP
1974

Characteristic	Sole ownership	Joint tenancy	Tenancy-in- common
	-----	<i>Averages</i>	-----
Proportion using (pct.) ..	21	39	40
Age of farmer (yr.)	51	48	53
Acres farmed (ac.)	565	773	331
Acres owned (ac.)	389	405	234

<i>Average values of Assets and liabilities:*</i>	-----	<i>Dollars</i>	-----
Land	273,780	274,390	181,970
Residence	20,900	25,800	20,490
Insurance	41,370	57,240	34,580
Stocks, bonds, savings ..	11,850	13,410	8,840
Other personal property.	8,490	11,650	9,080
Supplies and inventory. .	11,190	10,430	8,480
Machinery and equipment	32,980	33,890	23,260
Livestock	23,880	58,530	29,050
Gross worth	374,540	437,270	276,360
Total liabilities	15,230	35,860	14,400
Net worth	359,300	410,800	262,130

*Averages shown are only for farms reporting each item, therefore values will not sum to gross worth.

tenancy-in-common. Although the difference in acres owned was not significant between solely owned farms and jointly owned farms, there was a marked difference in acres owned between farms owned by tenancy-in-common and farms owned by other means. There was no conclusive evidence to explain this phenomenon. Similarly, with regard to assets and liabilities, there was no great difference between joint tenants and sole proprietors. However, the level of assets and liabilities of the respondents holding their property as tenants-in-common indicated a generally smaller scale operation of the farms owned under this arrangement.

Scale of Farms

To examine the matter of differences in assets and liabilities of large and small farms more thoroughly, sample farmers were separated into groups with a net worth less than \$225,000, which was the approximate median of all farms, and those with a net worth of more than \$225,000, tables 5 and 6.

The same general patterns of assets and liabilities were evident among both large and small farms, for example; (1) real estate was by far the most valuable asset of both large and small farms, (2) insurance was the second most valuable asset, and (3) livestock and equipment were approximately equal in value within each size grouping.

TABLE 5. CHARACTERISTICS OF 101 ALABAMA FARMS WITH A NET WORTH LESS THAN \$225,000, 1974

Characteristics	Range in value	Average value	Percent of worth	
			gross	net*
	-----Dollars-----		Percent	
Real estate—total	23,000-212,500	92,108	64.4	67.3
per/acre	200- 1,000	589	—	—
Livestock	340- 62,700	13,417	6.8	7.2
Equipment	0- 60,000	13,286	8.8	9.5
Supplies	50- 15,360	1,463	0.6	0.7
Stocks, bonds, cash	0- 41,000	6,076	4.4	4.6
Life insurance	6,000- 90,000	18,870	9.4	10.2
Household items, cars and other personal property	1,100- 21,000	7,604	5.4	5.8
Liabilities	3,000- 96,220	6,894	7.0	8.0
Net worth	40,870-223,990	137,161	—	—
Gross worth	50,690-249,890	143,987	—	—

*Averages shown are only for farms reporting each item, therefore values will not sum to gross worth.

TABLE 6. CHARACTERISTICS OF 103 ALABAMA FARMS WITH A NET WORTH GREATER THAN \$225,000, 1974

Characteristics	Range in value	Average value*	Percent of worth*	
			gross	net
	----- Dollars -----		Percent	
Real estate—total	33,500-1,660,000	387,580	66.6	70.4
per/acre	200- 1,250	639	—	—
Livestock	3,200- 866,000	62,600	9.0	9.7
Equipment	500- 200,000	44,850	8.2	8.8
Supplies	0- 20,000	10,850	0.4	0.5
Stocks, bonds, cash	600- 55,000	15,000	3.1	3.3
Life insurance	1,000- 650,000	67,000	9.7	10.8
Household items, cars, and other personal property	1,280- 44,500	12,231	2.3	2.4
Liabilities	300- 800,000	38,500	6.6	7.1
Net worth	230,200-2,264,400	531,520	—	—
Gross worth	231,220-2,380,400	569,978	—	—

*Averages shown are only for farms reporting each item, therefore values will not sum to gross worth.

Farm Acquisition

Figure 3 summarizes the means by which the respondents acquired their farms. A majority of farmers, 66 percent, purchased their farms. The relatively large proportion of farm purchases and almost total absence of gifts to present owners could be interpreted to mean that there was a lack of estate planning in previous generations of farm families. However, data from present owners were not sufficiently conclusive to substantiate this thought.

ALABAMA FARMERS' USE OF ESTATE PLANNING INSTRUMENTS

The will, lifetime gifts, insurance, and trusts are the instruments most used in estate planning. Also used are forms of business organizations, alternative means of property ownership, and charitable contributions or gifts. Proper use of these instruments is basic in the formation of a sound estate plan.

The Will

A will is a legal declaration of the manner in which a person, the testator, wishes to distribute his (her) estate after his (her) death. The major advantage of a will is that it establishes the desired distribution of the testator's assets among the heirs. A properly drafted will includes provisions for the appointment

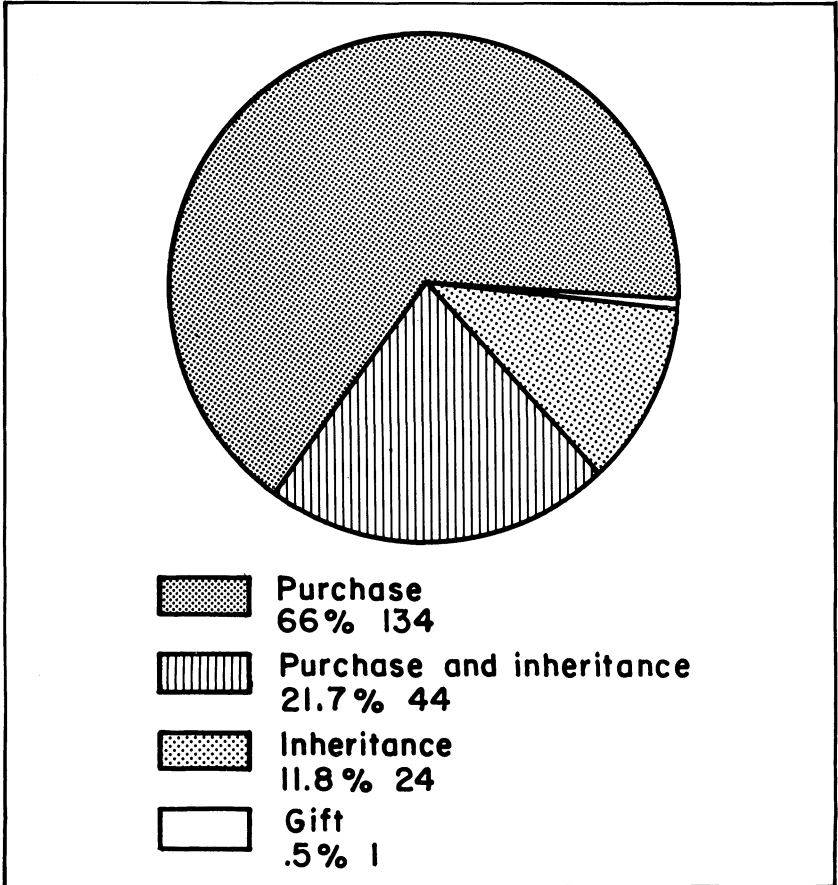


FIG. 3. Means by Which Alabama Farmers Reported Acquiring Their Farms, 1974.

of an executor and trustees, guardianship for minor children, and establishment of a trust, if one is so desired. In addition, continued operation of the farm should be provided in the will in the event continued operation is desired. In the absence of a valid will, an Alabama farmer's estate is distributed according to Alabama "Laws of Descent and Distribution," Appendix A.

A restriction on the distribution of the estate of a married property owner is that the wife cannot be disinherited of her "dower" right. A dower right consists of a life estate in no less than one-third of all the real property owned by the widow's husband during their marriage (4). This includes property owned by others for the husband's benefit. If the husband had no lineal descendants, the dower right increases to one-half.

In addition, the wife has the right to claim a child's share, but never less than one-fifth of the personal property in the husband's estate. One further protective law allows the widow the right to "dissent from husband's will and take the dower interest if it is greater".

Many of the farms in the survey were large and quite valuable. Hence, it was surprising that less than 40 percent of the farmers had drafted wills. Table 7 indicates that many of the respondents who had drafted wills *may* not have kept them up-to-date. The fact that farms have increased in value substantially during the past decade, means that a periodic review of will terms should have been performed. A will drafted 10 years previously could be out-of-date with respect to meeting the respondent's present estate planning objectives. This is particularly true since the 1976 Tax Reform Act was passed. However, this is not to say that an old will is of no value. Rather, it is imperative that a will be kept up-to-date as one's economic and family situation changes. Among farmers interviewed, 22 percent of the wills were 10 or more years old. However, over half were less than 5 years old.

The most common provision mentioned in wills of the respondents are summarized in table 8. The data comprising table 8 suggest that an overwhelming majority of the respondents have very simple wills. Several individuals had drafted wills which could result in confusion at their deaths. For

TABLE 7. AGE OF WILLS OF SEVENTY-EIGHT ALABAMA FARMERS 1974

Age of will	Number of wills	Percent of wills
Less than 5 years	40	51
5-9 years	21	27
10 or more years	17	22
Total	78	100

TABLE 8. COMMON PROVISIONS OF WILLS AMONG SEVENTY-EIGHT ALABAMA FARMERS 1974

Provisions	Farmers using provision	
	Percent	
Leave all to wife	85	
Appointment of executor	55	
Common disaster clause	26	
Appointment of guardian	18	
Life estate for wife	17	

example, almost half of the respondents named no executor of their estate.

The executor (executrix) plays a crucial role in estate settlement or administration. This person is responsible for carrying out the directions of the will after the testator's death. In most instances, the executor or executrix is a member of the immediate family, but can be a lawyer, a trust department of a bank, a corporate entity, or almost anyone of age who meets the statutory requirements.

Each respondent who designated an executor in his will nominated a member of the immediate family, such as the wife or a brother. A vast majority named the wife as executrix.

A member of the immediate family may not always be the best choice as an executor or executrix. The executor is limited by provisions of a will and by state law. He is subject to legal consequences of mistakes whether he is aware or ignorant of state laws. Performing the executor's duties for many farm estates would be a demanding task. The complexities of many estates would warrant the designation of a bank, trust company, or comparable professional advisor as executor. Although this study dealt with some very large farms, not one respondent selected a professional as executor of his estate.

Security of the farm wife appeared to be of utmost importance to most of the testators. Eighty-four percent of the farmers willed all their property to their wives. Simultaneously, the testators were not cognizant of the importance of appointing guardians for their minor children. Many of the testators had minor children, but only 18 percent appointed guardians in their wills to provide for the possibility of both parents' death. The failure to include this provision can result in added court and other legal costs.

The 1976 Tax Reform Act significantly increased the means in which farm property can be transferred tax free to the spouse. Previously the maximum allowable marital deduction was one-half the adjusted gross estate. Now an amount equal to the greater of \$250,000 or one-half the decedents adjusted gross estate is allowed. This provision will be a significant help to estates of less than \$500,000. In the 1974 survey, approximately 90 percent of all farmers reported estate values of less than \$500,000, table 9.

The liberalized gift law for lifetime gifts to spouses also has helped in this area. The new law allows an unlimited deduc-

TABLE 9. PROPORTIONAL DISTRIBUTION OF SURVEYED FARMS BY SIZE OF ESTATE, 1974

Farm estate size <i>Dollars</i>	Proportion <i>Percent</i>
under 100,000	31
100,000-199,999	30
200,000-299,999	18
300,000-399,999	7
400,000-499,999	4
500,000 and over	10
Total	100

tion for the first \$100,000 of such gifts. Thereafter a deduction of 50 percent of transfers in excess of \$200,000 is allowed.

Farmers in the survey who had drafted wills also were found to own more real estate, farm greater acreages, and were generally older than those without wills. Also, the testate respondents had more debt than intestate respondents, table 10. Consequently, the net worth of testate respondents was approximately double that of intestate respondents. This indicated that farmers who managed larger operations were more aware of the importance of the will as an estate tool. The evidence in table 11 confirmed this belief.

The difference in enterprise specialization between testate and intestate respondents generally was in size of operation. In most instances, the testate respondents farmed larger acreages of crops and managed larger livestock herds, table 12.

TABLE 10. TESTACY, ASSETS, AND LIABILITIES OF RESPONDENT ALABAMA FARMERS 1974

Average assets and liabilities	Will	No will
	----- <i>Dollars</i> -----	
Real estate owned by farmer	298,000	163,500
Real estate owned jointly	423,500	175,000
Equipment	41,700	21,900
Livestock	62,000	26,000
Personal property of farmer	29,300	17,000
Insurance	68,000	31,300
Liabilities	39,600	12,500
Net worth of farmer	489,600	243,200

TABLE 11. TESTACY OF ALABAMA FARMERS AS RELATED TO NET WORTH, SURVEY RESULTS, 1974

Farm net worth	Percent testate	Percent intestate
Less than \$225,000	24	76
Greater than \$225,000	54	47

TABLE 12. ENTERPRISES ON FARMS OF RESPONDENT ALABAMA FARMERS BY FARMER TESTACY, 1974

	Number of farmers with enterprise		Units	Average number of enterprise units per farm	
	Testate	Intestate		Testate	Intestate
	No.	No.		No.	No.
Beef cattle	52	79	Head	129	95
Hogs	10	26	Sows	55	37
Dairy	8	1	Cows	64	150
Feeder steers	5	7	Head	1,074	33
Broilers	1	14	Thous.	30	20
Soybeans	56	69	Acres	300	201
Cotton	26	42	Acres	405	170
Corn	30	54	Acres	108	109
Grain sorghum	8	6	Acres	95	83
Wheat	4	2	Acres	182	265
Peanuts	7	24	Acres	73	103
Potatoes	3	2	Acres	90	82
Pecans	4	0	Acres	97	0
Truck crops	3	9	Acres	15	41

Lifetime Gifts

Lifetime giving may be used as an alternative to testamentary transfer of property. Prior to 1977, a major objective of lifetime giving was reducing one's gross estate while living such that there would be less property in the taxable estate at death. Thus, a tax savings could be realized by the estate and subsequently the heirs. However, perhaps an equally important objective of giving is to put property in the hands of specific persons. In this respect, tax reduction is not the primary goal. Rather it is complementary to property distribution. This goal in giving was not changed with the law revision. The 1976 legislation significantly changed the provisions for lifetime giving and the relation of giving to estate taxation. As of January 1, 1977 the first \$100,000 given by one spouse to the other during their lifetimes is tax free. Also one half of the total lifetime gifts to a husband or wife in excess of \$200,000 is not taxed. However, gifts in the range between \$100,000 and \$200,000 are fully taxable. This doesn't mean that these gifts are forever tax exempt. They will be taxable to the spouse at a later date unless further steps are made to reduce the taxable estate.

Under the new Federal law, an individual may still give up to \$3,000 each year to as many people as desired—tax free. If husband and wife join in the gift, the amount may reach \$6,000 a year. Also, yearly gifts of up to \$3,000 are not counted in the

\$100,000 exclusion for transfer between spouses. These tax provisions are quite similar to those prior to 1977.

The primary change for 1977 is the merging of gift and estate tax rates. Taxpayers are entitled to a tax credit on their combined gift and estate taxes. In 1977 the credit eligibility amounted to \$30,000. It will rise to \$47,000 by 1981. This credit replaces the previous equivalent exemption of \$30,000 for the gift taxes and the \$60,000 for estate taxes, table 13.

In essence, no taxes on gifts are due until death unless the gift tax accrual exceeds the \$30,000 credit level prior to death. Gift taxes due are deducted from the credit level applicable at the individual's death. In addition, a code change also required all taxable gifts made within 3 years of death to revert back to the estate for estate tax purposes. In addition, the amount of gift tax paid on any gifts within that 3-year period also will be included in a descendant's gross estate.

There are still some tax advantages in giving which need clarification. First, as stated earlier, the \$3,000 per donee gift tax annual exclusion remains. Second, the value of property subject to gift taxes is at its fair market value on the date of gift, whereas property included in the gross estate is valued as of the date of death or the later alternative valuation date. This provision makes it desirable to make gifts of property that can be expected to increase in value, such as life insurance.²

Several advantages arise from the use of lifetime gifts. First, as mentioned, the size of the taxable estate and the tax liability may be reduced. Secondly, children may be encouraged to remain on the farm if they acquire property interest in the farm at an early age. Also, probate costs may be reduced by use of gifts.

TABLE 13. APPROXIMATE EQUIVALENCY OF UNIFIED CREDIT AND EXEMPTION APPROACHES TO ESTATE TAX ADJUSTMENTS

Year	Credit	Equivalent exemption
1977	\$30,000	\$120,666
1978	34,000	134,000
1979	38,000	147,333
1980	42,500	161,563
1981 and after	47,000	175,625

²One of the most *common* tools of those who *actually* do formal estate planning is the charitable lifetime gift or bequest. Deferred giving has many estate gift and income tax implications.

Several disadvantages also may result from lifetime giving. The donor may lose the benefits of income from the property—so there is a possibility that a program of lifetime giving will deplete the donor's income source, and thus, result in hardships or dependency. Residual gifts, in excess of the allowed annual exclusion are cumulative over the life of the donor.

The use of lifetime giving as an estate planning device was almost non-existent among the farmers interviewed. Only seven respondents, 3.4 percent, had used gifts to reduce their gross estates. Furthermore, only two respondents had used their lifetime exemptions. A system of lifetime giving perhaps could prove to be beneficial to many of them and their families.

Trusts

A trust is a legal arrangement whereby a person called the trustee manages property on behalf of other persons called beneficiaries. A trust, under some conditions, can be a very useful instrument in estate planning by providing flexibility. Two types of trusts are the living trusts, and the testamentary trust. The living (*inter vivos*) trust becomes effective during the grantor's lifetime. An *inter vivos* trust can be revocable, which means the grantor retains the right to terminate the trust, or irrevocable, meaning the transfer is final. When a testamentary trust is established, the provisions of the will take effect at the death of the testator.

Under the old law when a grantor placed property in an irrevocable *inter vivos* trust, the property was subject to federal gift taxes. However, he was allowed the same exemptions, deductions, and exclusions, as in lifetime giving. The testamentary and revocable *inter vivos* trusts were included in the gross estate and were subject to Federal and Alabama estate taxes. New provisions eliminate separate gift taxes and apply the same rate of tax credits to all transfers with a few exceptions. The revised tax codes will not apply to generation skipping property transfers under irrevocable trusts in existence on April 30, 1976, or under a will or revocable trust in existence on, or not amended after, that date if the grantor dies before January 1, 1982. However, certain property value exclusions are allowed in trusts for grandchildren. Caution is suggested in using these procedures in estate planning. The

trust is an important estate management technique for reasons other than tax avoidance. It may be used in managing property for minor children until they reach an age at which they can manage it themselves. Also trusts may be used to remove the management burden from a widow during her lifetime. A trust may provide for an incapacitated child or a "spendthrift" trust can protect a family member from his own financial indiscretion (6).

The *inter vivos* trust is particularly useful in transferring property. This trust provides a means by which farm operations are not interrupted by the transfer process, because the property passes outside probate. However, new restrictions on generation-skipping property transfers make it imperative that a competent legal advisor be consulted.

Only three farmers in the survey, or just over 1 percent, had created trusts. These trusts were irrevocable *inter vivos* trusts and all were comprised mainly of farm real estate. The underlying objectives of creating these trusts were to reduce the gross estate and thereby reduce death taxes, keeping the farm in the family.

Personal interviews revealed that the respondent farmers were generally unaware of the estate planning benefits of trusts. Furthermore, most of the respondents were totally unacquainted with trusts.

Other Instruments of Estate Planning

Life insurance can be a helpful estate planning instrument as it has the advantage of providing liquid assets which are readily available for immediate use by the beneficiary. Life insurance also is useful in providing financial security for the family, meeting debts, expenses, taxes, and equalizing estate shares (7). Eighty-five percent of the farmers surveyed had life insurance. Average coverage of all policies, including multiple policies, was \$45,420. However, two farmers had \$650,000 worth of insurance. The average, excluding the extreme values was \$38,240.

If an estate owner retains no control over the insurance policy, the proceeds are not subject to federal estate taxes. However, if the decedent retains any incidence or claim of ownership in the policy, the proceeds will be included in his gross estate. Most of the surveyed farmers retained some control over their insurance policies either through ownership or

retaining benefits. Hence, the amount would be considered part of the total estate.

Use of *joint ownership* is another estate planning tool. Joint ownership may take several forms, but the most applicable in Alabama are *Tenants-in-common* and *Joint Tenants with Rights of Survivorship*. Joint ownership under survivor provisions provides an uninterrupted transfer of property from one joint owner to the surviving joint owner such as from husband to wife. Thirty-nine percent of the respondents held property in this manner. Apparently, many respondents also felt this ownership arrangement would substitute for a will in estate planning since ownership passes outside of probate courts. Less than 40 percent of the farmers who owned property as joint tenants with their wives had prepared wills.

Joint ownership may, in fact, be advantageous as a means of transferring small estates, but large jointly owned estates sometimes are subject to severe tax erosion. The tax problem arises from the fact that the entire estate may be taxed twice, once at the death of the first spouse, and again at the surviving spouse, unless proof exists that the surviving spouse contributed to the original purchase and buildup of the property (8). However, under the revised tax code, a gift transfer to a wife may be accomplished which provides her with ownership rights up to half the estate purchase value. Even then, however, there may be tax problems unless further estate planning efforts are made.

Considering the fact that jointly owned real estate alone averaged approximately \$300,000 in value, many jointly owned farm estates could possibly suffer estate tax erosion before intergeneration transfer is accomplished. This is particularly true if the males bore the total cost of the jointly owned property and the spouse could not prove a separate contribution and a gift had not been consummated. The \$300,000 real estate passes to the spouse outside of Probate. Hence, those costs are saved. Yet, it is taxable in the husband's estate, and a large portion may be taxable again in the widow's estate at her death.

Types of business organizations occasionally affect the ease and costs of estate transfer. The particular form of business organization chosen by a farmer has a direct effect on his use of wills, gifts, and trusts to transfer his farm business interests.

Use of a *single proprietorship* may cause problems for the

owner. One aspect of this is found in using lifetime gifts. If he initiates a program of lifetime giving he may be deprived of further use of the property given away. Only 3 percent of farmers surveyed had made lifetime gifts. All but one of these were single proprietors. However, only two of these farmers had made gifts substantial enough to run the risk of depleting their income producing assets. Since both of the particular farmers were over 60 years old and in the process of retiring and bestowing the bulk of the farming operation to their children, depletion of income producing assets was of no serious consequence. Occasionally a situation arises where gifts were made to others, but the intended donee did not benefit. Divorce or death of the donee may result in a perhaps undesired third party taking title to the gift.

In addition, a sole proprietor may create a testamentary trust by his will. Through a testamentary trust, the sole proprietor may provide for continuity of his farm operation after death and may provide for business management for trust beneficiaries. However, this particular form of trust instrument was not utilized by the respondent farmers.

A *partnership* provides a means of continuing the farm operation, by which a junior member of the family can grow into the business and also lengthen the senior member's productive service. In this manner, a farmer is able to transfer partnership interests by lifetime gifts without having to transfer specific business assets. Thus, the farmer reduces his gross estate while assuring that his estate passes to the desired persons. Only one surveyed farmer out of 22 who operated his farm as a partnership had used lifetime gifts to reduce his gross estate and involve a child in the farming operation. A particular point in giving that may be overlooked in these type situations is that an actual property transfer must be made. There must be *intent*, *delivery*, and *acceptance* for giving to be completed. In partnerships, undivided interests may be transferred. However, legal council is advised.

A partnership interest also might be transferred by trust. One surveyed farmer who operated his farm in partnership established an irrevocable *inter vivos* trust to provide management for a minor child who was not capable of active partnership. In this instance, the farmer also reduced his gross estate.

Ten percent of the respondents operated their farms in

partnership. Less than half of these same respondents had drafted wills and only two had used the partnership arrangement as an estate planning tool.

Although employment of the *corporate* form of business structure was almost non-existent among the respondents, incorporation of farms may also promote ease in transferability of farm estates. Incorporation may change ownership interest in land, machinery, livestock, to uniform transferable certificates. Stock certificates transferred by gift during the farmer's lifetime may reduce his gross estate without disrupting the farming operation. However, any retention of voting rights by the donor will result in having the stock included in his estate at death. The corporation may be created to last to perpetuity; thus, the operation may continue while shares are being transferred during life or upon the death of the share owner (9). Hence, the corporation is not dependent upon the life of its owners for its continued existence and operation. Management and operation may continue indefinitely through hired managers who may or may not be shareholders. One incorporated farmer owned 100 percent of the corporate stock. The farmer planned to retain a controlling interest in the corporation while transferring the remainder of the stock to his two sons through future gifts. In addition, the controlling interest that he retained was to be bequeathed to his wife in his will. At the time of the interview, however, the farmer had not drafted a will. Proper estate planning would dictate that a will be drafted simultaneously with the incorporation of the farm and the beginning of a gift program.

In summary, a general lack of knowledge concerning estate planning among the respondent farmers was evident. The surveyed farmers suffered from an almost total lack of awareness of estate planning. Over 95 percent of the respondents had not attended workshops on estate planning, and 88 percent had not studied estate planning publications prior to the time of the interviews.

Only a very small proportion of the surveyed farmers had been reached through extension communication. Hopefully the future will bring greater success for the dissemination of estate planning principles to Alabama farmers.

LEGAL COUNSEL AND THE PROBATE PROCESS

A sample of Alabama attorneys and probate judges was interviewed to determine the procedures and practices of the

estate planning and probate processes. As indicated, the sample of attorneys was obtained from those who reportedly assisted the surveyed farmers in preparing their wills and estate plans. The survey of probate judges was taken from a list of all probate judges in Alabama. A total of 75 attorneys and 67 probate judges were contacted. Useable responses were received from 30 percent of the attorneys and 65 percent of the judges.

Attorneys

The process of estate planning is a highly specialized area which normally requires the expertise of a competent attorney. The attorney often is the most knowledgeable source of professional information in the estate planning process and specialized legal training in estate planning should qualify him as the single most capable individual for preparing an estate plan. In addition, a trained attorney is invaluable for drafting legal documents such as wills, trusts, and deeds. Also, in settling an estate, the executor may need competent advice from an attorney in fulfilling his duties.

The 22 respondent attorneys averaged 23 years in practice and had drafted an average of 18 wills per year. The respondents were assumed to be well established, experienced attorneys since they had practiced an average of 23 years. Hence, it was not clear why an absence of comprehensive estate planning existed among the farmers who retained these same attorneys to draft their wills. Perhaps wills were drafted as an additional service with only legal advice provided as opposed to comprehensive advice.

Perhaps estate planning was not given as much attention as warranted by either or both parties. The data indicate that the attorneys did little comprehensive estate planning, although they drafted wills often. Drafting a will and creating an estate plan logically should go hand in hand; yet, it appeared that the two processes may have been considered separately. The general absence of the various instruments such as gifts, trusts, and to some extent wills appeared to support this conclusion. However, the simple absence of a will or other instrument does not show definitely that estate distribution had not been considered by landowners or suggested by attorneys. Many individuals simply may not desire to give up control of their property. The degree of complexity or sophistication which an estate plan may take depends entirely on the desires of the estate owner and his willingness to pay for such a plan.

When asked what procedure was most often followed in preparing a will for a farmer, a third of the respondent attorneys replied that they would propose an estate plan for the farmer based upon his specific objectives, table 14. An additional third of the attorneys said they would propose a comprehensive estate plan for clients. The latter response is puzzling in light of the low level of planning by farmers interviewed. This may mean that many farmers did not take the advice of the attorney.

One third of the attorneys reported they had special training in estate planning and 29 percent had taken special estate tax management courses. Adequate training in these two areas normally is expected to be a prerequisite for rendering estate planning advice.

Perhaps as a result of inadequate training, attorneys did not specialize in estate planning. In some cases, estate planning was left up to the individual or some other professional retained by the landowners. Two attorneys who practiced in separate towns stated that little estate planning was undertaken by local attorneys because the area banks managed estate planning matters. However, not one of the respondent farmers in either area employed a bank to prepare an estate plan.

With regard to estate settlements, half of the attorneys felt that the present probate codes provided a cumbersome, archaic means of estate settlement and should be amended to alleviate the burden. However, the remaining half considered the estate probate process to be quite efficient in accomplishing its objectives and thought that it did not need amendment.

TABLE 14. ESTATE PLANNING PROCEDURES OF RESPONDENT ALABAMA ATTORNEYS SURVEY RESULTS, 1975

Procedure	Proportional distribution
	<i>Percent</i>
Examine the farmer's assets and suggest specific provisions for his will which will best satisfy his desires.	34
Volunteer estate planning advice only if the farmer requests it.	21
Examine the farmer's assets and propose a comprehensive estate plan along with appropriate provisions for his will.	34
Other	11
	100

Finally, 90 percent of the respondent attorneys felt that laymen should be more informed about the probate process and thus "aid in its expediency."

Probate Judges and Probate Procedure

The probate courts in each county of Alabama are empowered with original jurisdiction over estate proceedings. The probate judges of the respective counties are the presiding judges of probate courts. Among other duties, the probate judge of each county is responsible for issuing letters testamentary and of administration (10). This in effect allows the executor to carry out his duties and responsibilities.

The 43 respondent probate judges averaged 56 years of age and approximately 11 years in office. A fourth of the respondents were licensed attorneys and a fourth had special training in estate planning.

Probate practices differed somewhat among counties. For instance, the required forms, which must be completed by the executor or administrator, were available at some county courthouses but not at others. In a few counties the required forms were available only at a lawyer's office. In other counties the forms could be obtained from both the county courthouse and local lawyers' offices. Executors have the responsibility of obtaining these forms and their varied locations could make this somewhat difficult. In addition, reports of variations in bonding practices were reported. The executor, unless exempted by the testator, or the administrator in intestate settlements must give bond upon assuming the duties of administering the estate (11). This bond should equal twice the value of all personalty within the estate plus twice the rental value of the realty for 3 years or not less than double the estimated value of real and personal property of the estate (12). The probate judge and the executor may be held liable by anyone sustaining injury because of his neglect in not taking bond or taking insufficient bond (13). Nevertheless, a few probate judges indicated that bond was sometimes waived in cases involving small estates without debts and in cases where all the potential heirs of the estate joined together in signing a waiver. On the other hand, approximately 90 percent of the probate judges replied that bond was never waived unless provided for in the will.

As evidenced by the varying practices and the long, complicated forms to complete, probate of a will or petition for letters of administration can be a ponderous undertaking for the executor or administrator. Sentiment in favor of amending the probate procedure ran high among the respondent probate judges. Approximately 50 percent of the respondents favored a revamping of the Alabama probate codes, especially for small estate settlements.

In conjunction with amending the probate process, all probate judges thought that laymen should be more informed about probate. Apparently, laymen in general only become informed when a need arises.

Evidently the legal system of counsel and probate is not sufficiently meeting the estate planning and settlement needs of Alabama farmers. Farmers use attorneys infrequently for counsel and, when they do, counsel may be ignored by the farmers. Thus, they will remain uninformed about estate planning until they are made aware of its existence and desirability. Furthermore, probate will continue to be slow and burdensome until its shortcomings are rectified and laymen become more educated about probate in general.

Analysis of Farmers' Net Worth

The value of a farm estate results from many factors. Traditionally, only the obvious physical factors such as acres owned, number of head of livestock, machinery, and inventory have been counted in considering a farmer's net worth. However, net worth is used so often as an income tax accounting procedure that some aspects of estate planning are frequently overlooked. There are important qualitative factors that significantly affect asset distribution upon death of an individual. These qualitative factors need careful examination in determining farm estate values.

Variation In Net Worth

In previous sections emphasis was on characteristics of farmers included in the field survey. The variation among farmers regarding factors considered important in determining net worth is shown in table 15. There is no question that these factors are components of net worth. However, they provide little indication of the efficiency of the farm estate

TABLE 15. AVERAGE VALUE OF SELECTED VARIABLES COMPOSING NET WORTH OF ALABAMA FARMERS SURVEY RESULTS, 1974

Variable	Mean	Range
	<i>Thousands of dollars</i>	
Value of real property owned by the farmer	214	23-900
Value of real property owned jointly	271	35-1,660
Value of personal property	21	2-90
Value of insurance	45	6-650
Net worth	336	11-1,309

plan. Since farmers indicated that tax savings was a primary objective in planning, then maximizing the value of an estate at death may actually result in an opposite effect. Farmers did show a tendency to reduce farm size and inventory as they advanced in age beyond 60 years. However, the relationship was purely coincidental in light of verbal responses. Most farmers past 60 years of age who had smaller farms also reported they had small size farms during their younger years. Only 38 percent of farmers had wills, 3 percent had used lifetime gifts, and 1 percent had used trusts as means to aid in property transfer. However, 85 percent had life insurance which could be used to pay estate taxes, but which in fact also contributed significantly to the gross estate value for tax purposes.

Estate tax reduction is an important aspect of the estate plan. One frequently and easily assumes that maximum tax reduction would result in the most efficient estate plan. However, there are other factors and circumstances of equal or greater importance. An estate plan probably could be devised which would accrue minimum tax levies. Yet, would that plan be the most desirable? A rather important point frequently overlooked in earlier estate planning was the benefit to heirs of the increased cost-basis (also called carryover basis) in property acquired by inheritance. This procedure is still available under the 1976 code but in a markedly different form.

There is a new "fresh start" rule which applies to any property held by a decedent that reflects the basis of that property on December 31, 1976. Also affected are tax-free property exchanges and receipts of property by gift or trust.

Under the old law, in the case of appreciated property passing from a decedent, beneficiaries received a "stepped up" value basis in the property for income tax purposes equal to the fair market value of the property on the decedent's death date.

The revisions provide that the carryover basis in appreciated assets will be the greater of the decedents basis or the value of the assets in the hands of the decedent as of December 31, 1976. This revision initiates a capital gains tax on any appreciation in value on heirs who choose to sell the property. This provision is especially important to farm lands where substantial appreciation in value has occurred.

As indicated earlier, complications in the law affect the points explained above. Previously, property was valued for estate tax purposes as the "fair market value" at the time of a decedents death. Now, the estate "executor" may elect to value real property used for farming or some other qualified small business on the basis of its use-value rather than fair market value. However a limit of \$500,000 gross estate value is applied.

Components of Estate Value

Since the above provisions, plus others discussed elsewhere, affect the means whereby an estate may be planned, it is important to know the components of estate value. This knowledge is necessary no matter what type of tax code changes may occur. Thus, a statistical model was developed to determine what factors or components are important in contributing to the value of Alabama farmers' estates.

Statistical Procedures

Considerable variation among Alabama farmers with respect to total estate value was found in the field survey. Net worth ranged from \$11,540 to \$1,309,100 in total value. This variation could be attributed to a few factors commonly associated with farm size and value. However, the more qualitative aspects of an estate plan such as type of ownership and testacy were believed equally important.

The relative importance of the various factors affecting farm estate values was analyzed using the multiple regression technique. The analysis was conducted by combining

selected factors from the field survey. Several different models were developed using selected variables in order to determine the combination which best described or explained the difference in farmers' net worth. These models subsequently were combined into a single model.

The general statistical model for the analysis employed a series of linear multiple regressions following the general form:

$$Y = F [a + (b_w X_w + b_z X_z)] + E$$

Where Y = net worth

X_w = continuous variables

X_z = discrete variables

b = regression coefficients for the respective variables

E = error term

The Use of Discrete Variables

Dummy or discrete variables in regression analysis allow introduction of variables that cannot be expressed quantitatively. This is accomplished by assigning a 0-1 "dummy" numerical scale to the classes included for each "dummy" independent variable.

For example, suppose the effect of testacy of respondent farmers on net worth of the farmers is to be estimated when testacy is measured only as a farmer having or not having a will. Two dummy variables—having a will and not having a will—are entered into the equation with each assigned a possible value of either 1 if a will existed, or 0 otherwise. This technique produces an estimate of a coefficient which reflects the impact of having a will relative to not having one.

The procedure also allows separation of the observation into more than two mutually exclusive classes. For example, the type of farm might be classified as crop, crop-livestock, and livestock. The same procedure is followed. The resultant value of the constant in the estimated equation and the estimated coefficients of the dummy variables retained in the equation provide a means of deriving estimates of the parameters for the three types of farms.

Four dummy variables, each having two or three mutually exclusive classes were introduced into the analyses. According to the procedure outlined, each observation was classified by assigning a 0 or 1 to each "dummy" class. This classification

system resulted initially in nine separate dummy variables counting each class as a variable.

Variables in the Analysis

Ten separate independent variables were hypothesized for entry into the regression equation on the dependent variable, net worth. Proposed variables included seven continuous variables and four discrete (dummy) variables involving a total of nine dummy classes.

Age in years (X_1).

The average age of interviewed farmers was 50 years. The average net worth of farmers increased dramatically throughout their younger years (age 30 to 50), but then began to level off and show a slight decrease past age 60. Hence, age was hypothesized to have a net positive effect on net worth.

Acres of land owned by the farmer in acres (X_2).

Farm estates are unique in that they are comprised of a relatively disproportionate amount of real property. Hence, it was logical that real property would be an important contributor to the value of net worth.

Value of real property owned by the farmer in dollars (X_3).

This variable was employed in conjunction with "acres owned" such that a dollar amount might be assigned to the real property in farmers' estates. Coefficients for this and other value variables were expected to be positive.

Value of real property owned jointly in dollars (X_4).

Slightly less than a third of the farmers owned real property jointly with their spouses. The entire value of the property owned jointly was included in the farmer's net worth unless the spouse contributed monetarily in the purchase of the property. This procedure was followed because of the uncertainty at the time concerning the view of Congress and the courts on the contribution made by farm wives to farm value over time. The 1976 Tax Reform Act will undoubtedly be catalyst to change this procedure.

Value of the farmer's non-farm personal property in dollars (X_5).

This variable was also expressed as a dollar amount. Personal

property not involved in the farming operation was the major component. Cash, automobiles, jewelry, etc. were included.

Value of insurance owned by the farmer in dollars (X_6).

Eighty-five percent of the surveyed farmers owned insurance policies. The proceeds of insurance policies in which the farmer retained control were included in computing net worth.

Total liabilities of the farmer in dollars (X_7).

This variable represented the sum of a surveyed farmer's accounts payable, notes payable, mortgages payable, and income and property taxes. This variable would decrease net worth.

Testacy of the farmer (X_8).

Less than 40 percent of the farmers had drafted wills. However, as a group, testate farmers owned more total assets than intestate farmers. Having a will implied basic estate planning. Thus it seemed that testate farmers' estate size was attributable to planning; although the reverse could be true; i.e., planning resulted in a larger estate. A possible conclusion would follow that if comprehensive estate planning were accomplished, the difference in the value of testate and intestate farmers' net worth would be diminished as a result of lifetime giving and trust creation. This may not be necessarily true as indicated earlier. However, since farmers in the survey apparently had not engaged in comprehensive planning, it was assumed that net worth and existence of a will were positively related.

Farm Acquisition

By purchase (X_9).

All but 25 of the respondent farmers purchased portions of their farms. Most farmers purchased farmland on several occasions during their farming careers. Additional capital outlays for equipment, etc. generally were associated with land acquisition. Hence net worth would be expected to rise as land was added.

By Inheritance (X_{10}).

Twenty-five farmers inherited parts of their farms. Inher-

itances were relatively small in total acreages. Most farmers who inherited land also purchased land for expansion of their farm operations, but inheritances did increase the average net worth.

By inheritance and purchase (X_{11}).

Forty-four farmers acquired their farms by both means. Farms acquired by both methods were generally larger than those acquired by either of the above methods. Inheritance may have been the impetus for land purchases, hence greater estate values.

Method of property ownership

Joint ownership (X_{12}).

Almost a third of the respondent farmers owned property with their spouses as joint tenants with rights of survivorship. The average net worth of farmers owning property jointly was greater than that of farmers who owned property under other arrangements.

Sole ownership (X_{13}).

Sole ownership of property was characteristic of approximately 20 percent of the surveyed farmers. Greater than half these farmers inherited their real property holdings. The entire value of the farmer's property was included in net worth under this arrangement. Yet, the average net worth was less than that for joint tenants.

Tenancy-in-common (X_{14}).

Approximately a third of the farmers were tenants-in-common with their wives. Net worth of these farmers was much less than farmers owning property by other methods. Only the fractional interest that the farmer owned was included in net worth unless the farmer paid the full purchase price for the property.

Business organization

Single proprietorships (X_{15}).

The vast majority of respondent farmers were single proprietors. This form of business organization could facilitate

lifetime giving and creation of trusts because of the simple type of business structure. Use of this estate planning tool was expected to decrease net worth.

Partnership (X₁₆).

This variable was included to measure effects of varying asset ownership patterns found within partnerships in the survey. In many instances one partner owned real property as well as livestock and machinery. Divided asset ownership in partnerships should reduce net worth.

In summary, a total of 16 variables were considered which were believed to be commonly associated with the magnitude of net worth. Certain variables were selected which best explained the magnitude of net worth among farmers surveyed. These variables were combined in a final analysis to explain net worth differences.

The amount of variation in net worth among farmers accounted for by the selected variables was measured by the coefficient of multiple determination, or R². This criterion was a measure of the percent of variation in the dependent variable (net worth) explained by the variation in the independent variables.

The magnitude and direction (plus or minus) of coefficients for the selected variables were analyzed using relevant theoretical economic principles and knowledge of the study area.

STATISTICAL RESULTS

The final model analyzed included the following variables:

Dependent variable—

Y = Net worth

Independent variables—

Continuous—

X₁ = Age of farmer

X₂ = Acres owned by the farmer

X₃ = Value of real property owned by the farmer

X₈ = Testacy of the farmer

X₉ = Farm acquisition by purchase

X₁₀ = Farm acquisition by inheritance

X₁₂ = Joint ownership of property

X₁₃ = Sole ownership of property

X₁₅ = Business organization, single proprietorship

Results of the analysis are presented in table 16.

Three dummy classes for the method of property ownership were less significant according to the statistical criteria set forth than other factors presented in table 14. However, these factors were not judged unimportant. They had an effect on net worth although the probability of the association being due to chance was somewhat higher than desired. Hence, these factors were not completely deleted from the analysis. A negative value for sole ownership and the positive value of joint ownership indicated a probability that farmers were attempting to do estate planning by having their spouse share in ownership. However, this could not be fully confirmed from the data.

The analysis explained 84 percent of the variation in the value of net worth of Alabama farmers (R^2), table 16. There were seven statistically significant variables in the model.

Age of the farmer (X_1) was expected to positively affect net worth; that is, as a farmer became older his net worth was expected to increase. However, net worth decreased \$1,971 for each 1 year increase in a farmer's age. The exponential form of X_1 was tested to determine if a curvilinear relationship existed; that is, if net worth increased as age increased until some point at which it began to decrease as age increased. This would tend to indicate that farmers had reduced their estates through estate planning. However, the coefficients derived in

TABLE 16. RESULTS OF MULTIPLE REGRESSION ON NET WORTH OF ALABAMA FARMERS FIELD SURVEY RESULTS, 1974

Y = Net Worth

		Regression coefficient	Standard error
Age of the farmer	X_1	-1,971**	920.90
Acres owned by the farmer	X_2	490*	25.10
Value of real property owned by the farmer in dollars	X_3	0.58*	0.06
Testacy of the farmer	X_8	66,316*	20,500
Farm acquisition by purchase	X_9	-40,250***	22,953
Farm acquisition by inheritance	X_{10}	-81,320***	45,989
Joint ownership of property	X_{12}	17,106	20,629
Sole ownership of property	X_{13}	-22,578	33,253
Business organization, single proprietorship	X_{15}	62,840***	29,395
Coefficient of determination (R^2)84	
Standard error of estimate		\$123,534	
Intercept value		101,168	
Mean value of net worth		\$336,270	

*Significant at .01 level of probability.

**Significant at .05 level of probability.

***Significant at .10 level of probability.

the curvilinear form did not differ significantly from the linear form. Thus the negative coefficient actually supports the survey data that indicated older farmers owned small farms all their lives.

As expected, acres of land owned by the farmer had a positive effect on net worth. Net worth increased \$490 for each acre increase in land owned. This amount of increase was somewhat (20 percent) less than the average value of land reported by the surveyed farmers. Thus land was an important variable in explaining worth, but it did not explain an amount of variation in net worth equal to its reported value. This relationship is not unusual for survey data which involves extreme variation in farm size and value.

The value of real property owned by the farmer (X_3), proxy variable for all dollar value variables, was highly significant. This variable exerted a positive influence on net worth. For each dollar in value of real property, net worth increased by \$0.58.

Four estate planning variables were significant. Testacy of the farmer was most significant of the estate planning variables. A farmer with a will had \$66,316 greater net worth than a farmer who had no will. This suggested that larger farms were associated with basic estate planning by the owners.

Farm acquisition by purchase (X_9) was inversely related to net worth. A farmer who purchased his farm had \$40,250 less net worth than a farmer who purchased part of his farm and inherited the remainder. Similarly, farm acquisition by inheritance (X_{10}) was inversely related to net worth. A farmer who acquired his farm by inheritance had \$81,320 less net worth than a farmer who acquired his farm by a combination of purchase and inheritance. This was related to the fact that larger farms in the survey were inherited in part and purchased in part.

The final significant estate planning variable was single proprietorship (X_{15}). This variable had a positive effect on net worth. Each farmer who operated his farm as a single proprietor had \$62,840 greater net worth than a farmer who operated his farm in partnership. Or, single proprietors had larger farms than farmers operating in partnership.

The data showed further that farmers tend to direct their net worth in order to provide for subsequent heirs. If estate planning and tax minimization are con-current goals, the current

trends among farmers are in conflict. The general absence of estate planning techniques other than wills, plus the lack of knowledge concerning other methods indicated that considerable farmer education effort is warranted.

There is little question that other estate planning techniques such as lifetime gifts, lifetime exemptions, and trusts could have an important influence on the variation in net worth of a farmer. It was hypothesized that more extensive use of these techniques could have reduced farmer net worth considerably. In addition, incorporating these tools with a marital deduction could result in valuable estate tax savings.

Minimizing estate tax liability is a primary objective of estate planning. However, efficient estate planning can only be accomplished if the planner is able to coordinate planning methods with total asset structure. Thus, estimates of effects of various factors on net worth variation are helpful in devising efficient estate plans. The models presented were designed to show what factors explained variation in net worth among farmers. The model analysis and the survey showed that farmers did not have a clear understanding of estate planning, either in objectives or actual planning.

SUMMARY

This study analyzed the general level of estate planning among a sample of 204 farmers from the more prominent agricultural counties in Alabama and the factors which affected farmers' net worth. In conjunction, the relative degree of legal counsel afforded the surveyed farmers in their estate planning was analyzed, and probate procedures available to the farmers were examined.

Alabama farmers included in the study had four common estate planning objectives. They were: (1) to save taxes, (2) provide for transfer of property to desired persons, (3) provide for property management, and (4) to remove property from the gross estate which is another way of saying to save taxes. The objective of tax minimization ranked highest in priority among respondent farmers. However, the overall lack of uniformity in response of the farmers concerning their estate planning objectives substantiated the view that estate planning must be done on an individual basis.

Perhaps the most revealing statistics regarding the surveyed farmers was their record of testacy. Seventy-eight, or less than

40 percent of the farmers had drafted wills. In addition, many had wills of an age that might have done more harm than good had they not been reviewed periodically. Will provisions, as a group, tended to be simple with security of the spouse being of utmost importance to most of the testators.

Other important estate planning tools were utilized but only sparingly. Three farmers had created trusts. Seven had used lifetime gifts. But, only two of these could be described as well planned long range giving programs.

The data compiled from the survey of attorneys indicated that attorneys who counseled the respondent farmers did little comprehensive estate planning either by choice or instructions from clients. The general lack of use of the various instruments such as gifts, trusts, or wills among respondents could lead to this conclusion. However, individual decisions not to abdicate control were possible. Only a third of the respondent attorneys had special training in estate planning and 29 percent had taken special tax management courses. Adequate training in these two areas was expected to be a prerequisite for rendering estate planning advice.

Probate procedures were found to vary somewhat from county to county, especially in regard to bonding and obtaining forms to file for letters testamentary or of administration. It was indicated that probate administration and settlement of a will or petition for letters of administration can be a difficult undertaking for the executor or administrator. Sentiment in favor of amending the probate process ran high among the respondent probate judges and attorneys. Over half of the respondent attorneys and probate judges favored a revamping.

CONCLUSIONS

The importance of estate planning for Alabama farmers has become more acute in recent years as inflation, increased capital investment, and increased farm size made many farm estates in Alabama subject to greater Federal estate taxation and other problems related to estate settlement. Nevertheless, some farmers in Alabama are risking substantial losses to their estate from tax erosion, property mismanagement, etc., because they have failed to plan for property distribution after their death. The 1976 Tax Reform Act provided relief to a substantial number of farmers. However the *real* effect of the new law may be questionable.

The new estate tax code provides significant relief on estate taxation for farm estates valued at approximately \$500,000 or less. Larger estates up to \$1,000,000 also receive some benefit but the amount is not significant. This size estate may seem at first to be so large that it is irrelevant. However, previous reports from numerous sources show that production on only 20 percent of American farms accounts for 80 percent of total output. These farms must necessarily be relatively larger both in land area and capital intensity. For tax purposes, the new revisions mean that the tax burden is shifted from the smaller to larger operations. Again, on the surface this may seem to be a desirable means of income redistribution, but the long-run implications for food and fiber production are uncertain.

It was noteworthy that few surveyed farmers had actively engaged in comprehensive estate planning. Perhaps farmers failed to utilize the several estate planning techniques because they were unaware of the benefits to be gained.

Many farmers tended to emphasize day to day farm operations while neglecting long range estate planning. Other farmers tended to misconstrue the scope of estate planning; thinking that estate planning was only applicable to very large farm estates. Others had misconceptions of ownership arrangements and intestate succession laws.

A logical cure for farmers' lack of estate planning is increased educational efforts. Potential sources of instruction include Cooperative Extension agents and farm credit agencies. However, these sources usually are not versed in all the intricacies of the law. Hence, legal and other professional counsel must become more attuned to special estate planning needs of farmers.

Expanding capital requirements and increasingly complex tax considerations accentuate the need for competent legal and accounting advice. But this dire need has yet to be realized by farmers and the legal profession in Alabama. An apparent lack of counsel was reflected by the simplicity of farmers' wills and almost total absence of estate planning. The legal community must become cognizant of the special needs and problems of farm estates; and farmers must become alert to the existence and desirability of estate planning.

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- (10) *Code of Alabama*, Tit. 13, Sec. 280.
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- (12) *Code of Alabama*, Tit. 61, Sec. 96.
- (13) *Code of Alabama*, Tit. 13, Sec. 274.

APPENDIX A
Alabama Law
Descent and Distribution
Descent of real estate¹

The real estate of persons dying intestate, as to such estate descends, subject to the payment of debts, charges against the estate, and the widow's dower, as follows:

(1) To the children of the intestate, or their descendants, in equal parts.

(2) If there are no children or their descendants, then to the father and mother, in equal parts.

(3) If there are no children or their descendants, and if there be but one surviving parent, then one-half to such surviving parent, and the other half to the brothers and sisters of the intestate, or their descendants, in equal parts.

(4) If there are no children or their descendants, no brothers or sisters or their descendants, and if there be but one surviving parent, then the whole to such surviving parent.

(5) If there are no children or their descendants, and no father or mother, then to the brothers and sisters of the intestate or their descendants, in equal parts.

(6) If there are no children or their descendants, no father or mother, and no brothers or sisters or their descendants, then the whole to husband or wife of the intestate.

(7) If there are no children or their descendants, no father or mother, no brother or sisters or their descendants, and no husband or wife, then to the next of kin to the intestate, in equal degree, in equal parts.

(8) If there are no children or their descendants, no father or mother, no brothers or sisters or their descendants, no husband or wife, and no next of kin capable of inheriting, then it escheats to the State.

Distribution of Personal Estate²

The personal estate of persons dying intestate as to such estate, after the payment of debts and charges against the estate, is to be distributed in the same manner as his real estate, and according to the same rules; except that the widow, if there are no children, is entitled to all the personal estate, or, if but one child, she is entitled to one-half; if more than one, and not more than four, children, to a child's part; and if more than four children, to one-fifth.

¹ Code of Alabama, Title 16, Section 1.

² Code of Alabama, Title 16, Section 10.

APPENDIX B
The Alabama Laws of Descent and Distribution¹

<i>Decedent</i>	<i>Personal property</i>	<i>Real property²</i>
Married man, no children.	All outright to wife.	One-half to wife for life and one-quarter each to his father and mother. Upon wife's death her share goes to husband's parents: if only one is living he or she gets half of that share and brothers and sisters and their descendents get the other half. If no parent living, brothers and sisters and their descendents get all the property.
Married man, fewer than five children.	Equally divided among wife and children.	One-third to his wife for life, then to his children: two-thirds to children in equal shares.
Married man, five or more children.	One-fifth transferred to wife, and balance to children in equal shares, or to their descendents if children are not living.	One-third to wife for life, then to children; two-thirds to children in equal shares, or their descendents.
Married woman, husband and no children.	One-half to husband and one-quarter to each of wife's parents. If either parent is deceased, his or her share is divisible among wife's brothers or sisters or their descendents. If both parents are deceased their shares are divided among the wife's brothers and sisters or their descendents.	All to husband for life, then to wife's parents.
Married woman, husband and children.	One-half transferred to husband, and one-half to children or their descendents in equal shares.	All to husband for life, then to children or their descendents in equal shares.

¹This describes who gets the use of the property based on *Code of Alabama*, Title 16, para. 1-13.

²This includes the wife's "dower right" and the husband's "statutory right." (Code of Alabama, Recompiled 1958. Title 16, Sec. 12).

Widow or widower with child or children.	Equally divided among children or to their descendents.
Unmarried person or widow or widower no children or parents.	Estate divided equally among her brothers, sisters and their descendents.
Unmarried person or widow or widower, no children, but father and mother surviving.	One-half to father and one-half to mother. When only one parent survives, he or she takes one-half, and one-half is divided among the decedent's brothers, sisters and their descendents; if there are none, the surviving parent takes all.
Married person, no children, brothers, sisters, or descendents and no parents.	All to wife or husband.
Person leaving no spouse, parents or children, brothers or sisters or their descendents.	The next of kin in equal degree, and in equal parts.
Person leaving no spouse, parents, or children, brothers, or sisters or their descendents, or next of kin.	Then the estate is transferred to the next of kin of the intestate's pre-deceased spouse in the same order of priority as provided for descent to the kin of the intestate.
Same as above and no next of kin capable of inheriting.	Escheat to State.

APPENDIX C

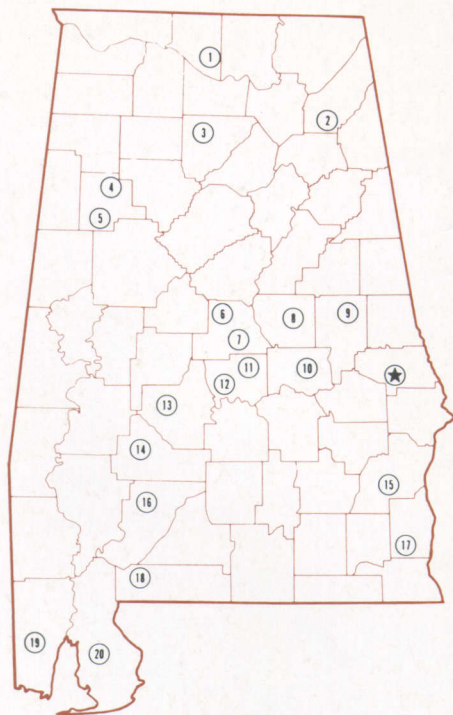
Selected Glossary of Terms Related to Estate Planning

- Administrator**—(Administratrix) A male (female) person appointed by the probate court to administer the estate of a person who dies leaving no will, or who left a will naming an executor who cannot serve and no substitute was named in the will.
- Appraisal**—An estimate of property value if offered for sale on the open market.
- Assets**—Property of an individual which is (a) valued in estate planning, (b) owned at death and is subject to payments of debts and gifts, (c) in a trust account.
- Beneficiary**—An individual or institution named to receive property or property benefits.
- Bequeath**—Transfer of property under terms of a will.
- Capital gains (losses)**—The difference in value of purchase price and sale price of assets.
- Chattel**—Any property, usually movable, except real property held under free-hold conditions.
- Codicil**—An addition to a will or change in a will executed in the same manner as the original will.
- Contemplation of death**—The expectation or anticipation of impending death as the primary motive for making a gift.
- Decedent**—A deceased person.
- Deed**—The legal instrument used to transfer title in real property between individuals.
- Dependent**—A person who looks to another for support.
- Descendent**—One who is the offspring of another.
- Devise**—To give real property by will.
- Dower**—A widow's legal interest in her deceased husband's real property.
- Escheat**—Reversion of property ownership to the State when a person dies without a will and no legal heirs.
- Estate**—All real and personal property owned by an individual.
- Executor (Executrix)**—A male (female) appointed in a will to carry out the specific requests and dispositions of property identified in the will.
- Fee Simple**—Exclusive title to property by an individual or institution with no restrictions on the individual owning it or inheriting it.
- Gift**—A free will transfer of property from one individual to another without any, or full, consideration based on market value.
- Gross Worth**—Total value of all real and personal property assets owned by an individual. Used interchangeably with Gross Estate.
- Guardian**—An individual or trust institution legally empowered and charged with the duty of taking care of another person or his property.
- Heir**—A person who inherits property on the death of another as provided by the decedent.
- Intestacy**—The state of having died without a valid will.
- Intestate**—A person who dies without leaving a will.

- Inter vivos—Transfer of property from one living person to another during their lifetime.
- Irrevocable trust—A trust arrangement that cannot be cancelled, or voided in anyway by the maker (testator).
- Joint tenancy—Form of property ownership in which two or more parties hold an undivided interest in the whole of the property. Property conveyance for all parties was by the same instrument at the same time.
- Joint tenancy with rights of survivorship—Same as joint tenancy except rights to devise of each party are specifically directed to the surviving joint tenants, not to legal-line heirs.
- Laws of descent—State statutes which specify how property of a decedent is to be divided among heirs if there is no will.
- Liability—Legal claims for debts or obligations against the gross worth of an individual.
- Life estate—A property interest that is limited in duration to the life of the individual (tenant) holding the interest.
- Marital deduction—The deduction that can be taken by a surviving spouse in the determination of estate and gift tax liabilities because of the existing marital relationship at death of the other spouse.
- Net worth—Gross worth minus liabilities.
- Probate—Official proof of the validity of a will. Also the legal process designed to administer and distribute a decedent's estate.
- Tenancy-in-common—Type of property ownership in which two or more parties hold undivided interest in the same land with no rights of survivorship. Each party may sell or devise his share.
- Testamentary trust—A trust established by the terms of a valid will.
- Testate—To die leaving a valid will.
- Testator—(Testatrix)—A male (female) who leaves a valid last will and testament.
- Trust—An arrangement made during life or under terms of a will by which a property interest, real or personal, is held by one person for the benefit of another.
- Trustee—A person or institution holding and administering property in trust.
- Trustor—An individual who creates a trust.
- Will—A legal declaration of the manner in which a person wishes to distribute his estate after death.

Alabama's Agricultural Experiment Station System AUBURN UNIVERSITY

With an agricultural research unit in every major soil area, Auburn University serves the needs of field crop, livestock, forestry, and horticultural producers in each region in Alabama. Every citizen of the State has a stake in this research program, since any advantage from new and more economical ways of producing and handling farm products directly benefits the consuming public.



Research Unit Identification

★ Main Agricultural Experiment Station, Auburn.

1. Tennessee Valley Substation, Belle Mina.
2. Sand Mountain Substation, Crossville.
3. North Alabama Horticulture Substation, Cullman.
4. Upper Coastal Plain Substation, Winfield.
5. Forestry Unit, Fayette County.
6. Thorsby Foundation Seed Stocks Farm, Thorsby.
7. Chilton Area Horticulture Substation, Clanton.
8. Forestry Unit, Coosa County.
9. Piedmont Substation, Camp Hill.
10. Plant Breeding Unit, Tallassee.
11. Forestry Unit, Autauga County.
12. Prattville Experiment Field, Prattville.
13. Black Belt Substation, Marion Junction.
14. Lower Coastal Plain Substation, Camden.
15. Forestry Unit, Barbour County.
16. Monroeville Experiment Field, Monroeville.
17. Wiregrass Substation, Headland.
18. Brewton Experiment Field, Brewton.
19. Ornamental Horticulture Field Station, Spring Hill.
20. Gulf Coast Substation, Fairhope.