

THE McANANEY REPORT

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HOPE, DOUBT, FICTION & FACT

The DOW exceeded 26,000 for the first time on the morning of January 16, signaling for many the promise of a financially strong 2018. The market ebbed to 25,792 by the end of the day then plummeted 1,175 points on February 5 and another 1,033 points on February 8, finally moving back up to 24,601 by the close on 2/12. This correction was predicted and, while nerve-wracking, the market is up over 280% since 2009 and business is thriving, so the level of faith, hope and enthusiasm for further bounty should remain reasonably high.

Among the optimists and cheerleaders, however, there are those who remain skeptical that this New Year will be much different than a tumultuous, unique and generally unstable 2017. Human beings tend to seek stability, certainty and the *known*. While there are those few souls who enjoy chaos, unrest, bickering and outright conflict, most prefer steady personal, family and career progress in an atmosphere characterized by harmony, good will, trust, and courtesy. From a national perspective, and with reference to the recent federal shutdown(s), it would appear that various aspects of the past year have carried into 2018...and many of those carry-forwards will remain caustic, disruptive and deeply troubling.

That is not to say that all hope is lost for this year. On the contrary, a lot will be settled, bringing greater clarity, more faith and a measure of optimism. For all practical purposes, new tax reform legislation, while doing the middle class few favors, brings new options for business—whether repatriating overseas capital, building new facilities or adding employees. And, there is even hope that higher wages will be an added benefit to much lower corporate tax rates.

Of course, tax and fiscal accountability experts are suggesting that, while we ride this new wave of prosperity and cash flow, the darker side of revenue depletion quickly leads to exceptional deficits and the federal government's inability to retire debt without significantly reducing Social Security and Medicare. During the fourth quarter of 2017, dozens of polled economists from America's top universities were virtually all concerned about the proposed (now real) tax cuts due to the short- and longer-term effects of reducing operating revenues at a time when population growth, social needs, deteriorating infrastructure, security and other needs are escalating. Additionally, support for education, environmental protection, public health, basic and applied science, national parks, and many other programs have already been or are being seriously reduced. Their deep concern is the lack of thoughtful planning, careful analysis and multilateral collaboration. Whim and fantasy do not foster prudent reform, especially in the U.S. where the level of complexity is enormous. This is not to say reform isn't good or warranted; what is being said is that there is a difference between scalpel and ax, and certainly between uninformed hacking and wise, calculated curtailment.

As a nation, we have entered a new era. But it is not an era with a positive seminal force, like the end of a world war, space travel, civil rights, or a new, shining vision of what America could be. The past eighteen months have introduced more divisive and accusatory language, more ethnic and social disunity, greater financial inequity, and more international disharmony than at any point in the past century. Historians, such

as Douglas Brinkley, Doris Kearns Goodwin, David McCullough, Ken Burns, William Chafe, Joseph Ellis, David Blight, H.W. Brands, Edna Medford, and dozens of others have spoken eloquently about the devolution of the

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Office of the President since November 2016. As of this writing, hundreds of historians and economists from both major political parties have signed petitions, published essays or written books warning that continued abuse of power will erode America's ability to thrive, not just economically, but as a beacon of unity, hope and global leadership.

Embracing reality as we enter this year, it might be difficult to not let the clutter of 2017 contaminate an otherwise optimistic vision. In our view, a combination of balance and careful analysis is the most important ingredient of success. Financial markets are embracing opportunities for expansion, consumer confidence and motivation is high, automobile and housing markets are strong, trade remains decent, and America is still attractive to foreign investors. The number of small businesses is escalating, innovation is rampant (think SpaceX, Tesla, and a host of rapidly growing industries- solar, electronics, telecommunications, healthcare, human services, security, etc.), and humans continue to pursue greater connectivity. Certainly, it is important to retain a calm, informed perspective, understanding that, where there is conflict and uncertainty, there are also opportunities and benefits for those who are willing and prepared.

Clearly, the pace is accelerating far beyond many citizens' ability to cope, understand or keep pace. The result is often backlash...and a tendency to retreat or remain static. Many are going backward, unable to accept rampant change or the importance of continuous improvement. Regardless of personal decisions, the nation is strong and, even though society is being challenged, it will ultimately endure. Intuition and data indicate that there are some intense challenges ahead. However, there will also be many opportunities to understand, grow, improve, and evolve. As you face forward, the best advice is to seek truth, verify fact, and commit to kindness, goodwill and acceptance. This is our nation. If it is to write a new chapter in its history, let's make sure it is one that future sons and daughters embrace while celebrating our courage to stand for the fundamental values that have always made America great.

MY POINT OF VIEW: THE TAX CUTS AND JOBS ACT OF 2017 *[David P. McAnaney, J.D., LL.M. Taxation](#)*

The recent passage of the Tax Cuts and Jobs Act of 2017 (the "TCJA"), signed into law by President Trump on December 22, 2017, was billed as his signature legislation (after failing to amend Obamacare). It was not the only legislation/executive order recently signed by the President, but was possibly the most expansive. I find it interesting that the Republican Congress and the President called this a middle class tax break, especially when the President, in a celebration on December 22, 2017, said "you all just got richer" to members of the Mar-a-Lago Club (as reported by CBS), a club that requires a \$200,000 initiation fee.

While I understand that the rich (the top 5%) pay an enormous portion of the federal income tax, the sale of the TCJA was based on the promise that it was a *middle class* tax act and would not increase the deficit. Yet, as I read what are purportedly to be independent analyses, it appears the deficit will increase by \$1.5 trillion over the next 10 years. Does that make sense to you?

The bill was reportedly passed on the assumption that allowing international corporations to repatriate funds back to the United States at a lower tax rate (21%) will stimulate the U.S. economy by encouraging investment in U.S. facilities and worker compensation. Really?? So far, I have heard of only a few token \$1,000 (or smaller) bonuses to employees and small wage increases; why would a company build or expand here, using American employees, when they can build and employ foreign employees at a substantially reduced cost??

If I remember, business is run by officers and a board with a duty to return a dividend to its investors. I am not saying we won't see new plants and employment, but it appears certain that artificial intelligence and robotics will, over time, replace considerable numbers of rank and file employees. My guess is that a lot of U.S. investment will be made in those areas, not employment, which will ultimately impact taxes paid to the government.

Whether the TCJA is sustainable exceeds the scope of this opinion. I am concerned about the ease with which it was adopted (seems the only fight was within the Republican Party) and its future impact on the country.

Back in 1986, President Reagan signed the Tax Reform Act of 1986. At that time, the individual tax rate was 28% and if memory serves, the bill was a stimulus to economic prosperity. Over the last 21 years, the rate climbed until the tax rate under President Obama was 39.6%, plus Obamacare surcharges (3.8% passive incomes and 0.9% higher incomes FICA). So, on average, the income tax rose consecutively by 0.5% per year.

The TCJA has now eviscerated itemized deductions, the principal area where the major fights took place, as special interests protected their constituents and their own pocketbooks. Assuming Republican proposals are wrong, as the deficit grows, how hard will it be to increase the tax rates? My guess is the Democrats will do so when they regain congressional majorities and the White House. That said, the Republicans may have to increase rates if the deficit continues to grow to the \$1.5 trillion mentioned earlier. My question is this – how many times did the increase in income tax rates cause large debate and public reaction? It seems we may have been set up!

There are two other issues that should be discussed. If the TCJA does result in middle class tax hikes, when and how will this huge segment of society react? I note that the loss of personal exemptions for a five-member family results in lost deductions of \$20,250 (\$4,050 each) assuming they don't itemize. This results in an increase in taxable income of \$8,950 (\$20,250 + \$12,700 standard deduction 2017 less \$24,000 standard deduction 2018). This will be mitigated by the inclusion of child care credits, but unfortunately, in this simplistic computation, this family will pay more income tax. Middle class tax relief?

The final issue is what the States will do. Idaho piggybacks on the Federal system; that said, before 2018, federal itemized deductions allowed deductions for State and local taxes, and miscellaneous itemized (over 2% of AGI). Thus, the piggyback removes the deduction for property tax which is now capped at

\$10,000. Will the state provide relief or accept the windfall?

Thanks Veterans and God Bless America!

NEW ADMINISTRATION – NEW TAX LAW **David P. McAnaney, J.D., LL.M. Taxation**

On December 20th, the House passed the reconciled tax reform bill, commonly called the “Tax Cuts and Jobs Act of 2017,” which the Senate had passed the previous day. It is the most sweeping tax legislation since the Tax Reform Act of 1986. While the TCJA reduces tax rates, it also eliminates or limits many tax breaks, and much of the tax relief is only temporary due to budgetary constraints.

Below is a quick review own of several key changes affecting individual and business taxpayers. The changes are effective for tax years beginning after December 31, 2017.

Important Individual Changes

- Reduces individual income tax rates to 10%, 12%, 22%, 24%, 32%, 35% and 37% - through 2025
- Standard deduction doubled to \$24,000 (married couples filing jointly), \$18,000 (heads of households), and \$12,000 (singles and married couples filing separately) – through 2025
- Elimination of personal exemptions (\$4,050) – through 2025
- Doubles the child tax credit to \$2,000
- Eliminates the individual mandate under the Affordable Care Act for taxpayers not covered by a qualifying health plan to pay a penalty
- Reduces the (AGI) threshold for the medical expense deduction to 7.5% for regular AMT purposes – for 2017 and 2018
- Establishes a \$10,000 limit on the deduction for state and local taxes (on a combined basis for property and income taxes; \$5,000 for separate filers) – through 2025
- Reduces the mortgage debt limit for the home mortgage interest deduction to \$750,000 (\$375,000 for separate filers), exempts mortgages pre- 2018 (up to \$1 million) – loans to buy, build or improve primary residence or one second home

- Deduction for interest on home equity debt – through 2025 eliminated
- Elimination of the personal casualty and theft loss deduction (with an exception for federally declared disasters)
- AMT exemption increase, to \$109,400 for joint filers, \$70,300 for singles and heads of households, and \$54,700 for separate filers – through 2025
- Alimony payment, currently payment of alimony is an above-the-line deduction; recipient includes in his/her income. Eliminates deduction for payer; recipient excludes from income
- Charitable contributions (itemized deduction); increases AGI limitation for cash contributions to 60% and eliminates deduction related to athletic seating rights
- Eliminates all miscellaneous itemized deductions
- Limitation on itemized deductions (Pease Limitation); eliminates the limitation on itemized deductions
- 529 Education Accounts: expands definition of qualified higher education expenses to include expenses for elementary and secondary schools. Elementary and secondary school expenses are limited to \$10,000
- Student loan indebtedness discharge; student loans that are discharged after December 31, 2017 are excluded from income

While touted as a *simplification act*, the changes add substantial complexity to planning.

Estate and Gift Tax

- Gift, estate, and generation skipping transfer (GST); doubles the gift and estate tax exemptions to \$10 million per person (\$20 million for a married couple); 2018 exemption amount is approximately \$11 million (\$22 million for a married couple) with inflation indexing – through 2025. In 2026, the law reverts to \$5 million threshold (indexed for inflation).
- Basic adjustment at death is retained

While these changes provide certainty for the estate tax, new legislation could easily modify the exemption amount, tax rates and planning options.

Today's tax provides a great approach to strategy *before* change occurs.

Major Businesses Changes

- Graduated corporate tax rates changed to a flat corporate rate of 21%
- Repeal of the corporate AMT
- New 20% qualified business income deduction for owners of flow-through entities (such as partnerships, limited liability companies and S corporations) and sole proprietorships – through 2025 – subject to a complex formula
- Bonus depreciation 100% and expansion of qualified assets to include used assets – effective for assets acquired and placed in service after September 27, 2017
- Doubles the Section 179 expensing limit to \$1 million and an increase of the expensing phase-out threshold to \$2.5 million
- Disallows deductions for net interest expense in excess of 30% of the business's adjusted taxable income (exceptions apply)
- New limits on net operating loss (NOL) deductions
- Eliminates Section 199 deductions (the domestic production activities deduction or manufacturers' deduction)
- Rule limiting like-kind exchanges to real property that is not held primarily for sale
- New limitations on excessive employee compensation
- New limitations on deductions for employee fringe benefits, such as entertainment and in certain circumstances, meals and transportation
- Reduced corporate dividends deduction – to 50%

The effect of these provisions is far from clear at the date of this article. Obviously, any tax law change provides significant planning opportunities.

Whether the changes result in an increase or reduction in tax depends upon your particular circumstances and planning. Contact this office or your CPA, or both, to review and discuss strategies and opportunities.

Center for Business Success

THE VALUE OF PERSONAL DEVELOPMENT

*John F. Luthy, Co-founder
Center for Business Success*

Introduction

For most humans, learning begins at birth. We first learn to eat, make sounds, stand up, walk, identify objects, and construct ideas into meaningful sentences. As we grow older, we are introduced to symbols (i.e. letters and numbers) that create additional meaning in the form of words and equations. Our capacity to absorb information increases, and we're off and running, physically and mentally.

Over time, additional lessons are learned through experiences and interactions with others. Some lessons are neither positive nor correct (e.g. putting your hand on a hot stove or hitting your sibling as an appropriate means of expressing anger), and the process of unlearning incorrect ideas or assumptions begins. This is when learning becomes more difficult and changing erroneous behaviors and beliefs more challenging. Hence, as we aged, the need for continual training became apparent as we interacted with others at work, school, and play.

Moving through formal schooling and into the workforce brought many of us face to face with numerous instructors, trainers, and various intervenors who provided tips, ideas, suggestions, and remedies for improving performance in every conceivable way. Various training sessions, delivered in many ways, provided us with learning outcomes that can be divided into two specific categories: personal and professional development. For purposes of this article, we will focus on personal development.

Personal Development

When people commit to personal growth, several things usually happen: they dedicate time to learn new things, embrace new ideas, and search for solutions that enhance the ability to cope, perform, engage, and motivate. The very essence of personal development embodies a process of identifying areas

Personal Development

- Identify Weakness
- Overcome Shortcomings
- Practice New Behaviors

of weakness, learning how to overcome shortcomings, then practice behaviors that lead to productive habits, cherished attributes and valuable skills.

Facing inadequacies and weaknesses can be painful when we realize that we have ample room for improvement. Being a supervisor, manager or team member may be more challenging than we originally thought. Beginning a new job, entering a new organization, or perhaps being asked to speak before a group of peers can create feelings of anxiety and humility when we assess the magnitude of the task and expectations—ours and others.' We will make mistakes, errors in judgment and blunders that can shake our confidence. It is in these moments that we either become teachable and open to personal development or withdraw from the prospect of continued progress under the shield of pride and conceit.

The Problem of Pride

Pride can evoke **positive** or **negative** emotions. We can feel proud that we accomplished a task, met a deadline, produced a quality result, or helped someone in a meaningful way. We feel good about ourselves; self-esteem and confidence increases. These are positive emotions that can spur us to greater achievements and personal successes.

However, pride can also produce negative outcomes that halt progress. If we acquire an inflated opinion of ourselves, our abilities, our own importance or superiority, we can view ourselves as better than others, above reproach, and immune from personal improvement. In this sense, pride becomes a barrier to personal change and progress. Left unchecked, this can escalate to narcissistic personality traits, which are virtually always contrary to established leadership and management principles.

Too frequently, persons who are promoted to positions of authority will begin to control or dominate others, assuming more of a 'foreman-type' approach. Managers, supervisors and owners must take care that their position does not lead to actions that suppress or control others; and certainly, there must be self-awareness and an understanding of motivation so there is not a tendency to develop condescending or arrogant behaviors. While pride

can produce positive results, negative results can be devastating to an enterprise, department or organization.

The Need for Humility

Humility is the opposite of pride. Those who are humble recognize their faults and weaknesses, and are open to personal improvement. They are respectful and teachable. Humble people have a healthy sense of self-worth, but do not overestimate self-importance. They understand and acknowledge personal strengths while recognizing areas of development. The world becomes their classroom and they willingly learn from others.



Humility is a required attribute for personal improvement. Without it, progress declines and stagnation occurs in thought and performance. Humble people press forward, seek collaboration, learn from mistakes and strive to improve.

We achieve humility when we realize we may not be as good or as competent as we could potentially be, and that there are others who are far superior in experience, knowledge and skill—people from whom we can learn, *if* we are willing to seek their help. It becomes apparent that many others can do things better than we can. We begin to recognize certain situations that showcase gaps in our experience, knowledge or skill and we might begin to question our own competence. In these moments, taking specific action is helpful to maintain confidence as personal limitations are addressed. We can avoid the destructive aspects of pride by taking an effective approach for personal improvement. Everyone needs to develop...that is what lifelong learning and continuous improvement is about.

Force-Field Analysis

During the 1940s, Kurt Lewin devised a method for identifying factors that either helped or hindered progress towards a desired objective. Although his ideas were primarily used in organizations, it makes sense to apply them to personal development.

As one considers personal goals or objectives, it is important to examine what contributes to goal achievement and what impedes it. By identifying

attributes, characteristics, or strengths that aid progress, and recognizing weaknesses that hinder progress, we can create a plan for personal change that will accelerate desired result(s).

Lewin's fundamental model demonstrates that as one strives for personal improvement, he/ she already has strengths that are moving them towards a better state of being. At the same time, there are inherent weaknesses that are holding them back. Lewin's simple message is that, as we eliminate our weaknesses, we can rapidly move towards goal achievement and positive personal change.

Areas of Development

Personal development does not imply there is a specific attribute, skill, or attitude that applies to all people. Applications are as varied as there are individual needs. Simply stated, personal development can be whatever one chooses or whatever is needed in the eyes of the individual (or others). The common theme for anyone engaged in personal growth always is self-improvement. The list below shares several topics one might consider for personal development.

1. Improving self-awareness
2. Increasing knowledge and skills
3. Improving physical health
4. Improving mental health
5. Improving spiritual health
6. Strengthening a specific talent
7. Increasing income or wealth
8. Becoming debt-free
9. Improving employability
10. Improving social skills
11. Becoming an effective communicator
12. Learning to be more assertive
13. Learning a new language
14. Increasing one's sphere of influence
15. Making new friends



Areas for improvement are infinite. One only needs to ask, 'What do I want to do or be?' The answer will facilitate a process of establishing goals, identifying daily tasks, and creating a plan to eliminate weaknesses that prohibit or slow personal growth and development.

Conclusion

This brief article is designed to introduce the importance and need for personal training and development. It is essential that we understand that personal development is a natural process of learning that begins at birth. As we grow older and interact with others, we discover that our ideas, thoughts, and behaviors may not always be correct, or are insufficient when measured against those who are more experienced, wiser, and better trained. All people stumble, make mistakes, and must sometimes unlearn principles they 'knew' were right. Learning new concepts first requires the willingness to change, learn, and embrace life as an endless opportunity to assimilate new ideas, talents, understanding and skills. Unlearning old habits or outdated information takes time and training, but more importantly, it takes introspection and commitment to continuously improve.

Issues with pride and the need for humility are integral parts of personal development. Pride can create problems that inhibit progress, whereas humility is a critical requirement for continued learning and development. Lewin's model provides a logical approach towards personal improvement by helping one identify strengths and eliminate weaknesses. Finally, the sample areas of development listed earlier offer examples that might be considered for personal change. In sum, in this enormously complex and challenging world, we all need training to help us learn and improve. We need instruction, time for introspection, and time to practice and apply desired skills and attributes. For those who are in positions of influence, please accept training and overall workforce development as one of your organization's most cost-effective competitive advantages—one that will improve productivity and profitability while also directly contributing to the personal fulfillment of your employees.

Great talents are the most lovely and often the most dangerous fruits on the tree of humanity. They hang upon the most slender twigs that are easily snapped off.

Carl Jung

HIRING THE BEST TALENT

*John F. Luthy, Co-founder
Center for Business Success*

Introduction

In an age of reduced budgets and fiscal oversight, hiring the best people has never been more critical. This 'criticality factor' will become more apparent because there are so many people competing for a finite number of positions. This makes recruitment, winnowing, interviewing and final selection more complex and more rewarding.

This short article provides a variety of suggestions that can foster good hiring decisions at a time when every organization is faced with retiring Baby Boomers, competing generations, and an enormous number of talented, experienced people looking for work. As you review the suggestions below, consider them along with your organization's hiring rules and guidelines.

In a previous article, the *Critical Continuum* was presented, in which recruitment was the initial phase. How an employee is recruited often determines if ideal candidates are identified and can even set the tone for future interviews. In reality, recruiting is much more complicated and important than most realize.

Prior to Advertising

Once it is determined that an employee must be replaced or a new position filled, far too many supervisors and managers rush to advertise. Several things must be considered prior to placing an ad that will ensure a sensible process and help you find and select the best candidate.

- Managers and supervisors (the hiring authority) must own the hiring process. This simply means that, even though Human Resources may manage the process according to established rules and procedures, the future supervisor has the most to gain or lose in the process. They must get involved and remain active in the process.
- Rules, statutes, policies, and guidelines pertaining to recruitment are already

established and are important. They provide a pre-existing framework that must be understood and followed. Once various rights and responsibilities are fully understood, the process will be easier and more rewarding.

- Human Resource professionals are there to assist and most are experienced with recruitment. Visit with the HR person who will assist with recruiting and fully explain the position and what knowledge, skills and abilities the job requires. It is important that the HR professional assisting with the advertising and recruitment process understand the position and the type of people you are seeking. Take time to forge an approach for advertising the entire recruitment process. This will create a stronger partnership with HR and will increase the probability of finding ideal candidates.
- Review the position description and note if there have been any changes in job requirements since it was last posted. This ‘snapshot’ of a current job description is called a Job Profile. Because most jobs change over time, I typically provide information on Job Modeling and Job Profiling, as well as *job descriptions*. Take time to ensure the job announcement provides a clear and detailed review of the job as it *currently* stands. The advertised announcement must provide clarity about what the position entails and describe basic job requirements, such as typical duties/responsibilities, knowledge, skills, and physical requirements. Prospective candidates can then decide if the job fits their abilities and experience and apply or not. Well-done announcements help to preclude applications by people who cannot possibly qualify. It is very frustrating for managers to receive several hundred applications when only a handful actually qualify. Time spent up front with thinking and planning will save time during the winnowing process.
- Establish clear, written qualification criteria for evaluating candidates. As the position is reviewed prior to announcing, these criteria will become clear. Make notes and use them to

develop guidelines that can be used during initial winnowing and top candidate interviewing.

Advertising the Position

- Use Human Resources to advertise vacant positions whenever possible. HR professionals are experienced with the process and have the necessary contacts with the media, Internet outlets, government and business entities, associations and professional organizations. Hiring managers may have many of the same experiences and also have good contacts, but advertising and recruiting is not their primary function. It merely takes time away from other priorities.
- It may seem apparent to anyone who has recruited, but it is best to advertise widely, through as many avenues as practical. Some positions will require intensive advertising due to the required skill requirements. Identify various talent pools that would be a good source of candidates, especially professional associations. Labor unions can also be helpful when placing announcements, and many contracts require it.
- Although not often mentioned, employees often know ideal candidates who might fit in the organization, so don’t forget this in-house resource, but be aware of favoritism.
- As noted earlier, have *written criteria* for selecting the best candidates. From this list, develop a more detailed list of questions that will be used to select the top five or ten candidates to be interviewed.

Before the Interview

- Develop a separate list of questions (and even problem solving activities) that will be used during all candidate interviews. Questions must be varied with few, if any, closed questions. The best questions involve thinking and problem solving or allow the candidate to explain some technical aspect of the job. It is essential to determine candidate qualifications as well as interpersonal skills, manageability,

work attitudes, values, and approach to assigned tasks.

- Agree beforehand on the type of technical skills as well as key personal attributes that are required for the position. Keep in mind that any criteria used must reflect job requirements and NOT a personal preference. Most seasoned managers and interviewers understand that the best candidates will have the required technical competence along with appropriate values, attitudes, and an approach to work that fits the existing culture. However, they all must be essential for proper execution of position duties and responsibilities.
- Well before the actual interview, carefully review and analyze each candidate's résumé. Take notes to record your thoughts and ideas. As noted previously, prepare several open-ended and problem-solving questions that will allow candidates to share thoughts, interpretations, experiences, and approaches to job related topics. Create questions that allow them to share accomplishments described on the résumé, and be vigilant for explanations and responses that indicate there are unsupportable representations.

Interviewing Tips

- With so many applicants and the time requirements related to interviewing, it is probably best to interview no more than 10 candidates to fill a key position. Some best practices recommend having two tiers of candidates, with perhaps 5 to 8 in Tier I and another 5 to 8 in Tier II. Place the very best candidates in the top tier and work through them first. If required, move to the second tier. Hiring decisions often have implications for the harmony, productivity, and effectiveness of a work unit for 20-30 years, so take time to interview as many candidates as practical.
- Per the above, keep in mind that some of the best candidates are typically missed and for some reason place out of the top 10 or 20 applicants. If an absolutely great candidate is not found, don't hesitate to move to other

candidates further down the rankings. Diamonds exist in every candidate pool.

- When interviewing, instincts are important. You may suspect that a good candidate has not been entirely truthful about his/her previous job, accomplishments seem inflated, or you have knowledge that something is misstated. If this happens, explore it further. Don't be overly suspicious, but don't hesitate to follow your intuition.
- Candidate experience is important, but may not be critical. Many people have long tenure, but have done the same tasks for 15 years without much variation or new learning. If an individual spends many years doing work without accomplishing anything significant, the "experience" may not mean much. Look for a record of accomplishment and career development. They are much better indicators of future success.
- Use a rating system based on the questions created for interviews; it helps to assign values to each question. That way, each candidate can be given a numeric score after the interview. These are based on responses to previously prepared questions, which might have different values based on importance. This provides a simple system of comparing all candidates after interviews are completed. It won't cover every aspect of rating candidates, but is a good platform for evaluations.
- It is wise to complete the post-interview assessment as soon as an interview is completed. It makes sense to assign a rating and to make notes re: impressions relative to tone, body language, eye contact, flow, ability to articulate, etc. If you wait to complete the assessment, a great deal will be forgotten.
- Always contact the references of your top candidates. While some information is confidential and cannot be revealed, you can learn a great deal from previous employers and others who may have worked with the candidate.

- As stated earlier, if all qualified candidates are interviewed and none of them meet established criteria, don't hesitate to re-advertise the position. This is much better than accepting a candidate that cannot meet minimums.
- Interviewing is an art. We have historically offered a comprehensive course on Interviewing Skills, which is recommended due to very few managers and supervisors having ever received training in how to properly interview. There are hundreds of questions in various categories that might be considered for interviews. Choosing proper questions and topics to explore is critical. Also, consider professionalism, tone, location, timing, length, how many interviewers will be involved, etc. All are important. Very few people are great interviewers, so decide early in your supervisory or management career to learn all you can about the interview process.

After Hiring

The ideas and suggestions in this brief article provide a good beginning to advertising, interviewing, and selecting good employees. Anything you can do to enhance your ability to hire talented employees will pay dividends. Even though there is no single process that can predict future performance, good recruiting, sound interviewing, and a reasonable probationary period will reduce errors.

Virtually every human resource text recommends probationary periods. While there is not total agreement on the length of probation, there is little disagreement that a period from 90 to 180 days will help determine if a good hire was made. Because managers in every organization are dedicated to quality performance, it is essential that everything possible is done to remove all but strong performers. Fellow employees and other stakeholders deserve the very best from employees and supervisors can't afford marginal performers or people who do not express dedication to their organization, work team or customers.

Take time to recruit the best people possible; interview to find the best among those, and take time through a probationary period to determine that they are everything you need and expected. Remember, if

an employee is considered marginal but promising after the first probationary period, a second probation is possible. The key is to know what you want, actively seek it, and, to the extent possible, make certain that you hired the best talent. Take this phase of the Critical Continuum seriously and invest the time. It may be one of the most beneficial efforts a manager can make outside of normal work duties. Done well, recruiting, identifying and hiring great employees could very well be the greatest legacy a manager will leave during an entire career.

If you ask a hungry man how much is two and two, he replies four loaves.

Hindu proverb

THE EVOLVING FAMILY FARM

[Jennifer S. McAnaney Swajkoski, J.D.](#)

*F*our years ago we shared thoughts on how family farms have changed and suggested a variety of strategies that would protect families through successive generations. Over the ensuing years, there has been a marked acceleration of retiring farmers and ranchers, with a corresponding number of 'next generation' family members faced with the choice of continuing on or selling property that has a deep family history and enormous emotional ties to all living generations.

A study of historic norms would reveal that, for centuries much of the labor undertaken in farming and ranching was done by family members, with hired hands where the property or enterprise required extra help. Of course, during the 20th Century and now in the early 21st we have seen more corporate agricultural enterprises replacing family-held businesses. But for those family members who elect to remain on the property and continue their rural life and operate the business, there are assumptions that the older family members will naturally pass the farm or ranch to the next generation. For many family businesses, this is a common practice, but with modern statutes and regulations it is not always a simple process.

Unlike many enterprises, agribusiness is a way of life. For those growing up in open spaces working with crops or animals, it often evolves into a labor of

love, with deep affection for the property, assorted critters and a natural but at times difficult lifestyle that captures heart and soul. Over many years we have worked with dozens of farmers and ranchers, finding that, while each is unique, they share a common bond best characterized by independence, devotion to the land, respect for the natural world, and a desire to pass the life on to future generations. However a family chooses to proceed, each year it becomes more critical to understand the pitfalls and embrace the fact that many complex decisions must be made to insure a farm's long-term viability.

In addition to long-term commitment to the land and enterprise, another key question is whether younger generations exhibit the same wisdom, deep commitment, grit and foresight as their parents and grandparents. With the maturation of Millennials and Generation X it is becoming more important to pay close attention to the process of agricultural business succession.

As noted some years ago, we have witnessed and been told a variety of horror stories regarding succession that did not work out as planned or expected. Every rural community, not only in Idaho, but in Kansas, Nebraska, Oklahoma, Montana, Oregon, and virtually all states with rural areas, there are tales of conflicts between succeeding generations and conflict among siblings and grandchildren. The message: these potential issues, if not addressed openly and early, strains relationships and can create issues that may devolve into serious conflict. In extreme cases, the business fails, property is lost and a cherished way of life is gone forever. This is why planning, foresight and open, honest discussions among family members is vital.

As a firm, we have had the privilege of assisting the owners of numerous farms, ranches and dairies throughout the Pacific Northwest establish personal visions, develop strategic plans, create growth strategies, and link family and business elements together through sensible estate planning. One lesson continues to be a constant, occurring many times over the years: not enough attention is paid to the challenge of determining who will be the next generation of owners and how that will occur.

National studies indicate that less than 30% of agricultural businesses survive intact and are passed to the next generation. Even fewer continue to thrive and grow. The data also show that some of the fatalities stem from planned sales to third parties, who are often close friends and community members. The good news is that, remarkably, less than 10% are due to estate taxation. Sadly, the primary reason many family farms are lost is, very clearly, the failure to design and implement a succession plan.

Within this context, the central questions for current owners are: 'Where are you going with all this? and, Why build a successful farm or ranch, possibly over several generations, and then let such a valuable, cherished asset be liquidated?' Over many years, we have kept a running list of the many issues identified as client concerns and causative factors that lead down the wrong path, often migrating clients to poor decisions, false expectations and lost opportunities. As with most things, issue identification is the first step toward avoiding problems and establishing positive, creative and sensible succession. If properly planned, no problem is insurmountable, or, better yet, avoidable. We love the book, *Confronting Reality*, by Ram Charan and Larry Bossidy because it shares many examples of why knowing the truth and facing facts saves a lot of heartache later on. Below are a variety of factors and questions that must be addressed.

1. Failure to discuss *everything* with family.
2. Knowing any issues among family members that makes #1 difficult.
3. What role(s) do parents play?
4. Issues of parents' need for control.
5. Who is 'the family?' Does it include in-laws or only blood relatives?
6. What if Mom outlives Dad? What if she remarries? Can Mom run the farm?
7. What if Dad outlives Mom? What if he remarries?
8. Transfer of ownership- is it legally arranged with proper documentation?
9. Transfer of control from Parents. Can children exert their own independent ideas and direction? Will parents control after retirement? Is this clear?
10. The issues of non-farming children. Who is part of the succession? The issue of on-site farmers

vs. equity holders and the question of sweat equity contributed by farming children.

11. What is a fair purchase price? Can the parents retire on the proceeds? What operating cash flow is required?
12. What are the expectations of the children who work the farm? Can the farm support a mortgage to the non-farm children who choose to not work on the farm?
13. Do the parents have favorite children? Is there a jealousy factor? Who is most capable of successful long-term management?
14. Non-communication by parents who don't want hurt feelings.
15. What if a farming child is killed or divorced? Where does his/her ownership go? Are parents in business with daughter-in-law or son-in-law and possibly his or her *new* spouse?
16. Have the current owners/ parents developed a plan and executed it?

There will be other questions and considerations but these are examples of the depth to which an agricultural family with land and an enterprise must go if future generations and the business are to be protected. The key is there can be no surprises.

Another key is foresight and a long-view of how current owners see the future—of the family and the business. The questions and issues are numerous, but if facilitated properly, can lead to greater security, more trust, harmony and comfort. Farming and ranching is an iconic American industry that preserves a way of life, protects the land, and feeds the nation. For those who have a deep and abiding devotion to their farms, dairies and ranches, their continuation is essential. It is part of your personal and family legacy and might be the most important thing you ever do.

With a lot of experience in this unique area of succession planning we have found that working with an educated team of advisors is the best way to build a strategic plan and implement it. In our view the agricultural community is America's most essential cornerstone. Preserving farms, dairies and ranches for succeeding generations is essential to our national way of life and for the continued prosperity of this American economy. In their view, the full impact of digital technologies will provide immense bounty in

country. For those working in this critical industry, continue to consider the future of both your family business and the land. As we stated several years ago and believe even more strongly today, it is worth the time and effort...for all of us.

RECOMMENDED READING

An American Sickness: How Healthcare Became Big Business and How You Can Take It Back, by Elisabeth Rosenthal, Penguin Press, New York, NY (2017)

While those who study American health care would attest that there is a lot right about the current system, there is also evidence that the U.S. is significantly behind other western/ developed countries when measuring cost vs. health status. This Best Seller provides a deep dive assessment of this country's expensive and often dysfunctional healthcare system, as well as solutions to its myriad problems. Over the past several decades the medical system has been overrun by organizations seeking to exploit for profit the trust that vulnerable and sick Americans place in their healthcare. Politicians have proven themselves either unwilling or incapable of reining in the outrageous costs faced by patients, and market-based solutions only seem to funnel larger and larger sums of money into the hands of corporations. High insurance premiums and inexplicably large bills have become facts of life, to the point that fatalism has set in. But with this fatalism is also anger and a call for action. Dr. Elisabeth Rosenthal explains the symptoms but also clarifies exactly how to decode medical doublespeak, avoid the pitfalls of the pharmaceutical racket, and get the care citizens deserve. This is a compelling book on a complex topic.

The Second Machine Age: Work, Progress, and Prosperity in a Time of Brilliant Technologies, by Erik Brynjolfsson and Andrew McAfee, W.W. Norton New York, NY (2014)

This *New York Times* Best Seller was called "fascinating" by Thomas L. Friedman of the *New York Times*, as two of MIT's top thinkers, Erik Brynjolfsson and Andrew McAfee, reveal the forces driving the reinvention of human lives and the

the form of dazzling personal technology, advanced infrastructure, and near-boundless access to cultural items that enrich human life. Autonomous cars and associated digital technologies with emerging hardware, software, and networks will in the near future diagnose diseases more accurately, apply enormous data sets to transform retailing, and accomplish many tasks once considered uniquely human. Unfortunately, amid this bounty will also be wrenching change. Professions of all kinds—from lawyers to welders to truck drivers—will be forever upended. Companies will be forced to transform or die. While (r)evolutionary changes are not new (think the automobile, electricity, jet engines, solar power, air travel, telephones, satellites, etc.), recent economic indicators reflect an accelerating shift: fewer people are working, and wages are barely rising even as productivity and profits soar. With some optimism, the authors provide suggestions for both survival and prosperity. This is a highly recommended book—a fundamentally optimistic

narrative if you are interested in understanding a challenging future!

How Successful People Think: Change Your Thinking, Change Your Life, by John C. Maxwell, Center Street Publishers (Hachette Books), New York NY (2009)

John Maxwell is considered by many as America's preeminent leadership expert, along with such luminaries as John Gardner and Warren Bennis. We have followed his career and writings for many years and believe several of his books warrant review in the McAnaney Report. This book addresses the point that, if you review successful people from all walks of life their most apparent attribute is the way they think. As with all of Maxwell's books, this is a short read that is packed with reminders, prudent suggestions and insight that helps the reader capture the big picture while focusing thought, tapping into latent creative potential, and collaborating to develop shared ideas to better plan for the future.

MCANANEY
& ASSOCIATES PLLC

ATTORNEYS AND COUNSELORS

David P. McAnaney, J.D., LL.M. Taxation, CPA
Jennifer S. McAnaney Swajkoski, J.D.

1101 W. River Street, Suite 100, Boise, Idaho 83702

T: (208) 344-7500

F: (208) 344-7501

www.mcananey.us

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