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Bridger Valley's Sean Sherwin





BY MATT HOOBLER

“Be careful to leave your sons well instructed rather than rich, for the hopes of the instructed are better than the wealth of the ignorant.” —Epictetus

Ed and Ron Rabou had always worked together as father and son. Ed was the fourth generation of his family to farm and ranch in southeast Wyoming, with Ron planning to take the reins of the business someday down the road. Two bright and strong Rabou men working hard every day together, planning their future, hoping for good decisions, high cattle prices, and low diesel costs to allow another generation of family to call the ranch home.

Ron recalls sitting on the side of a mountain with his dad during an elk hunting trip, discussing the future plans of the farm, playing out “what if” scenarios, and planning how to make it all work. What he didn’t plan was Ed’s untimely death soon thereafter, leaving a 26-year-old Ron Rabou with little direction, a lot of grief, and a new ownership in the family ranch.

“It’s one of those things that’s a vision for your life, but then it doesn’t turn

out,” said Rabou about his father’s passing in 1999. “He and I were always involved...involved together, and I didn’t want to be there without him.” Ron inherited his father’s 25 percent share of Rabou Ranch, LLC, with the remaining 75 percent shared equally between his grandfather Frank Rabou and two of Ed’s cousins (Frank’s nephews).

The Roots Run Deep

Ron’s great-great-grandmother Margaret homesteaded 320 acres in southeast Wyoming in 1906. More land was deeded into her name over the next 25 years, and by the time Margaret passed away in 1932, her

Own Your Own HERITAGE:

ESTATE PLANNING AT RABOU RANCH

Ron and Julie Rabou, owners
of Rabou Farms, Inc.

Photo by Cara Eastwood Baldwin

Photo courtesy of Ron Rabou

operation had grown to nearly 2,000 acres. Ron's great-grandfather George added another 3,800 acres during his lifetime. After his death in 1961, Ron's grandfather Frank and great-uncle Raymond continued operating the ranch together. Raymond passed away in 1969, leaving half the interest in the ranch to his own two sons, with Frank and Ed continuing their fifty percent partnership.

At the time of Ed's passing, the ranch consisted of a little over 8,300 acres and 300 cows with some wheat ground, but it struggled to fully support four families financially.

"My grandpa didn't draw a paycheck for many years, and the other three

partners didn't draw much at all," added Rabou. "We always lived slim...there was only so much to go around." Ed had been the hub of the operation for many years, taking care of everything from the business planning to the tractor repair. With Ed gone, Ron could see the writing on the wall and wondered how much longer the different sides of the family would be able to work together.

Go Your Own Way

When Frank passed away in 2002, Ron inherited his grandfather's interest in the ranch. Ron now held 50 percent of both the membership interest and the ownership interest in the ranch. These

two interests are very specific in their descriptions: ownership describes the right of title, and membership controls financial and business actions. In the Rabou estate plan, ownership cannot be prevented, but membership has to be agreed upon.

Ron was approached by a good friend who advised him to address the ranch's corporate structure and estate plan questions sooner than later, as he felt the stress associated with Ron's current situation would drive him to an early grave. He helped Ron recognize the difference in the partners' ages, individual personalities, work ethic, and approaches to financial decisions and risk management. Ron weighed

Estate planning is a task that is typically avoided and considered downright painful by many, yet the process does not need to be a negative experience. Estate planning can begin with a simple conversation about the future of a farm or ranch. Creating a hopeful plan can reduce stress and uncertainty and avoid many future issues with estate transfers, taxes, and the potential to disrupt family relationships.

1% of family-owned farm and ranch businesses in North America are transferred to a third generation

30% of all family-owned farm and ranch businesses have not considered a successor



The Rabou boys in the wheat field
(left to right): Spencer, Carson, and Mason

Photo courtesy of Ron Rabou



According to a 2011 report from the Wyoming Agriculture & Natural Resource Mediation Program and the University of Wyoming Extension, only one percent of family-owned farm and ranch businesses in North America are transferred to a third generation, and 30 percent of all family-owned farm and ranch businesses have not considered a successor.

These alarming statistics beg the question: Is your estate plan or will up to date?

A great first step is to contact a professional estate planner or download the University of Wyoming's estate planning resource guide at www.uwyo.edu/uwe/passiton.

Photo by Cara Eastwood Baldwin

his options—he could either stay, knowing that the current structure would continue to erode the operation, or he could take his portion and go his own way.

Due to a glitch in estate planning, Ron could only leave with 40 percent and would have to leave his other 10 percent with his partners. Despite taking a big hit financially, he needed to do what was best for himself and his family, all while trying not to destroy the operation itself. Ron presented his father's cousins with a proposal to divide the ranch into two viable businesses.

"It makes you want to throw up. We have a business that was in the family for 100 years and now you are going to divide it," said Ron about the divestment of the family ranch. "I had nothing negative against my dad's cousins; it was just no longer a good idea to be in business together." Ron's hope was to settle the divesture while everyone still got along.

Once he began ranching on his own, Ron started to look at the ranch as a

business and not just as an heirloom. He individually analyzed the return on his investment on each asset and trimmed everything that did not produce returns. For Ron, that turned out to be his pasture ground. He sold over 80 percent of what he received from the ranch split, mostly pasture, and has replaced it with cropland and grown it to a 7,500-acre farming operation. Ron and Julie Rabou, along with their three sons, now own and operate Rabou Farms, Inc., and continue to improve their farm with every opportunity.

A Sense of Worth

Ron remembers sitting with his grandpa Frank just before he passed away, and hearing Frank tell him how he really wanted to be a carpenter not a rancher. Ron channels that desire and feeling into a message to his own three sons, which is to follow their own hearts and not do something just because he did it. "If they want to farm, I want them to do it because they really love it and not because I farmed," added Rabou. "I'll help any one of my

boys to build their own place, to learn to run a business—not just run Dad's business."

Ron knows that he could not have been involved in agriculture production if not for his previous generations, and it's a feeling that he doesn't take lightly. Ron and Julie place high value on education, community involvement, and striving to make a difference in people's lives, including their own three sons.

"I want my heritage to be what I've built versus what I got from my inheritance," said Ron. "In agriculture, we are so focused on the legacy of our ranch or our farm that we identify ourselves with the place. The place becomes who we are, when in fact, what we have to pass on to our children are values and principles, and to have the intelligence, resourcefulness, and hard work to go do their own thing if that is what their heart tells them to do." ■

Matt Hoobler is a Cheyenne-based freelance writer.

Editor's Note: In 2016, WREN Magazine will focus on a critically important issue in Wyoming—the aging of the state's population and the process of generational change that is underway. The series will include stories about local businesses, farms and ranches, electric co-ops, and other state industries that are taking proactive steps to plan for the future.

As always, we love to receive feedback from our readers. If you have a transition story of your own you'd like to share, or if you have any comments about the series, email us at wren@wyomingrea.org.