

Inheritance: “A Tale of Two Perceptions”*

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Abstract

Inheritance in rural families is examined to understand the complex process in the intergenerational transfer of titled agricultural assets as well as non-titled property. Theoretical frameworks are used to describe differing perspectives of fairness among the heirs as related to the outcomes and the procedures taken to distribute an estate. The paper concludes with implications for working with farm family members going through or preparing for the inheritance process.

The word inheritance may generate mixed feelings in a rural family for a number of reasons. Perhaps the estate may need to remain intact to make it a profitable enterprise and certain family members may be depending on the farm for their lifelong occupation. There also may exist among some of the family strong emotional feelings about the land (Titus, Rosenblatt, & Anderson, 1979)¹, especially in regards to maintaining continuity of the family land from generation to generation.

Inheritance also is symbolic. It can mean more than the transfer of land, equipment, and money within an intergenerational farm family. For some, inheritance decisions symbolize trust, love, and power as well as family rituals and history. Taking all these variables into consideration, inheritance transfers have the capacity to help or harm family cohesiveness and connections (Sussman, Cates, & Smith, 1970)².

Ultimately, inheritance conflict results from differing viewpoints between and within generations regarding two issues: 1) the outcome; and 2) the procedures taken to distribute an estate. In

looking at these two issues, we need to determine the definition of inheritance before delving into theoretical foundations that can be useful in describing differing perspectives of fairness in regards to the outcome and distribution procedures. The paper will conclude with implications for working with farm family members who are going through or preparing for the inheritance process.

What is the definition of inheritance?

Sussman, Cates, & Smith (1970)³ define inheritance as “the transfer of property within families and along generational and bilateral kin lines” (p. 3). They specifically define property as something for which one assumes ownership such as land, a home, or stock portfolios, and for farm families we could add to the list machinery and other titled agricultural property. Stum (2000)⁴ takes inheritance property one step farther by including non-titled property such as family heirlooms and memorabilia in the inheritance decision-making process. By including non-titled property, Stum’s definition highlights the emotional value of transferring assets through inheritance. “Anecdotally shared experiences of attorneys and family members suggest that the transfer of non-titled property creates more challenges among family members than the transfer of titled property” (Stum, 1999, p. 159)⁵.

Thus, our definition of inheritance is any property (monetary or non-monetary) that an individual decides to leave for the remaining survivors to guarantee his or her legacy. However, legacy building can be accomplished by either preparing conscious inheritance directives during one’s lifetime or leaving the heirs to make inheritance decisions after one’s death. Both methods of legacy building have implications for surviving family members and their perceptions of “fairness” regarding distribution procedures and outcomes.

Theoretical Frameworks for Understanding Inheritance Decision-Making

Distributive justice theory and procedural justice theory have been chosen as two theoretical constructs in which to understand the inheritance decision-making process. Distributive justice is concerned about the outcome, or the distribution of property, and the fairness of that decision, whereas procedural justice is used by individuals who define inheritance fairness based on the process as much as the outcome of the decision.

Distributive Justice Theory

To distribute property or resources, the distributive justice approach first requires choosing which goals are to be met. Does an individual want to distribute inheritance equally, competitively, or based on need?

Equality principle. The assumption underlying this principle is “in any situation, rewards or benefits should be divided equally among the participants regardless of their individual contributions” (Reis, 1987, p. 142)⁶. One of the reasons equality is a popular choice by an older

generation is because of the simplicity of the decision. Being equal shows no favoritism and may avoid conflict when the estate is distributed.

Proportional equity principle. In a situation where a farm transfer is involved, distribution decisions may be based on generational influences for keeping the farm intact. “Property in the form of land (or some business) is not always easy to divide, and farming families may well not endorse equal distribution between children to preserve the property at all” (Drake & Lawrence, 2000, p. 273)⁷. Thus, an older generation may employ the proportional equity principle in which benefits or rewards are given in proportion to the heir’s contribution in maintaining the asset (Reis, 1987). For example, an older generation farmer might give the family farm to the heir who provided year-round help, knowing the difficulty of getting started in agricultural production. However, this distribution principle used on behalf of farm continuity may cause conflict from disinherited siblings.

Needs-based principle. When an older generation does not base their inheritance decisions on equality or contribution, they might use the needs-based principle in which the needs of the potential heirs are given primary consideration (Reis, 1987)⁸.

The justification for this method is a show of concern for those who are less financially secure, especially when individuals cannot work for one reason or another, although it can be perceived as favoritism among the other members of that generation.

Procedural Justice Theory

Procedural justice is concerned with both the steps of how the decision was made and perceptions about the fairness of those decisions. Levanthal, Karuza, & Fry (1980)⁹ outline seven elements of procedural fairness:

- 1) ground rules, which determine the potential rewards and behaviors to attain them;
- 2) defining the decision structure, such as order, timing, and methods of arriving at the final decision;
- 3) selection of agents, or who makes the allocation decision and the persons involved;
- 4) safeguards to ensure against abuse of power;
- 5) information gathering procedures about the distribution process;
- 6) procedures for appealing unsatisfactory decisions; and
- 7) change mechanisms to alter processes when outcomes are deemed unfair (pp. 170-171).

These researchers found support for the hypothesis that information obtained by heirs about each of the seven procedural elements is used in their evaluation of the fairness regarding the procedure itself.

Perceptions of Fairness as Related to Distributive and Procedural Justice

Perceptions of fairness determine how family members view distributive and procedural justice issues in inheritance transfers. Taylor and Norris (2000)¹⁰ conducted a study to look at sibling relationships, fairness, and the conflict over the transfer of the family farm. Their hypothesis was that conflict would be higher when the on-farm sibling and the off-farm sibling have differing rules in determining fairness, when they do not agree that the farm transfer was fair, and when they perceive low levels of warmth and closeness within the family of origin.

The criteria for the study were that the farm business was financially stable, it supported two generations, the family had completed the farm transfer or had decided to transfer the farm, and there was a farm successor and an off-farm sibling willing to participate in the study. The dependent variable in the study was the sibling perception of conflict caused by the transfer. The independent variables were agreement on rules of fairness, agreement on fairness of transfer, and family warmth.

The researchers obtained a family conflict score by averaging the highly correlated scores of the farm successor and the off-farm sibling to get a single conflict score per family. To measure agreement on rules of fairness, each farm successor and off-farm sibling chose one of four rules to reflect their definition of fairness in the family. These rules were need, equal, equitable, and competitive. To measure the agreement on fairness of transfer, the authors used a 5-point Likert scale based on the statement “In my opinion, the farm transfer is being (was) handled fairly.” Finally, the perception of family warmth was measured by the Family of Origin Scale (FOS) (Hovestadt, Anderson, Piercy, Cochran, & Fine, 1985)¹¹, a 40-item self-report questionnaire that was devised to measure perceptions of the warmth-coldness affect dimension in the family of origin.

A strong statistically significant relationship was found between each independent variable and conflict. There was a significant correlation with sibling agreement that the transfer is fair, but not with sibling agreement on rules of fairness. The findings suggest that the siblings had different ideas about the “rules” the older generation used to reach a fair decision, meaning the siblings had different definitions of the procedures of fairness.

This study supported previous studies on adult siblings’ relationships and inheritance. Bratton and Berkowitz (1976)¹² found that open communication between generations was a mediating factor in successful farm transfer, and Dyer’s (1986)¹³ qualitative analysis of succession in family businesses showed that rules of fairness as they relate to distribution and procedure were a key factor that enabled a smooth succession.

In another study on transfer of non-monetary property with a rural population, Stum (1999)¹⁴ examined how 55 females and nine males, ages 30-85, who had been involved in an inheritance (the transfer of non-monetary property), perceived and talked about distributive and procedural fairness issues. Using qualitative data methodology, Stum analyzed responses to 11 open-ended questions to find repeating patterns about the goals and rules guiding the distribution and the guidelines and elements of the distribution procedures. Five goals that family members were trying to accomplish in inheritance distribution decisions were identified as:

- (a) preserve memories,
- (b) improve family relationships,
- (c) be fair to all involved,
- (d) maintain privacy, and
- (e) contribute to society. (p. 162).

As for non-titled property, Stum (1999)¹⁵ found that “Rules for allocating personal property described by family members revolved around whether ‘fair’ meant being equal or being equitable and which rules would apply to what possessions” (p. 162). Unfairness was perceived when family members’ individual rules (definition of fairness) were violated or there was no acknowledgement for different types of contributions such as money versus gifts. Thus, he concluded that individual family members think that their perceptions of fairness should guide the outcome in distribution or transfer of non-titled property.

In regards to procedural justice issues, Stum (1999)¹⁶ found four major procedural elements that were of concern for family members during the transfer process of inheritance:

- (a) decision makers,
- (b) decision structure,
- (c) information gathering, and
- (d) appeals and changes.

To judge whether the process was fair, Stum’s participants highlighted five guidelines that were used to determine fairness. These were accuracy, bias suppression, consistency, ethicality, and representativeness. Stum (1999)¹⁷ concluded that distributive and procedural justice concepts are relevant to understanding intergenerational decision-making (p. 164).

Implications for Rural Families and Professionals Working With Rural Families

Inheritance decision-making is a complex family situation that involves at least two generations. The older generation farm family takes on the difficult task of negotiating many factors, such as one's motivation for leaving a legacy, goal(s) of the inheritance, and other influential factors such as land continuity. Walker and Walker (1987)¹⁸ studied major stressors among a farming population during the height of the 1980's farm crisis. They found that among men more than women, the future transfer of the farm was an anticipated stressor, although their immediate stress was focused on keeping the farm from bankruptcy.

In the rural community there are other influences that affect a farm couple's decision on inheritance, especially land transfer. Farmers are heavily influenced by their rural culture and the notion of intergenerational family farm continuity. One of the most important goals may be to keep the farm available for the next generation to create a desirable lifestyle, but also to fulfill the generational obligation just as prior generations had done. Farm continuity also may be important to family members because of the memories of childhood and heritage.

Although concepts of Distributive Justice Theory and the Procedural Justice Theory can be helpful to a farming couple in sorting out options in making legacy decisions, communication is crucial at this interval because the younger generation may have different definitions of "fairness" based on their understanding of distributive and procedural justice. Furthermore, how much do off-farm siblings retain their rural culture and how does this variable impact their 'fairness' perceptions? That research question is yet to be answered. An individual that stays in an agricultural career or takes over the family farm may have a greater invisible loyalty to the previous generations that built the farming legacy than the off-farm siblings. Thus, the possibility for a clash between a rural and urban perspective could easily create dissonance among the younger generation.

Another question to ponder is: Is it just differing perspectives of fairness about the outcomes and inheritance process that causes conflict or are there deeper causes? Perhaps inheritance conflict is a result of the pileup of stressors that sibling relationships have endured during childhood and adulthood. When a parent dies, these stressors may play themselves out as assets are divided. In addition, what are families that transfer land smoothly doing differently from those families that struggle with inheritance? Perhaps there also are intergenerational patterns of inheritance conflict.

Professionals who work with the rural community, whether these are financial consultants, bankers, farm management specialists, lawyers, or counselors, need to know some of the influential dimensions that have an affect on a farming couple's inheritance decisions. They also need to be cognizant of practices among family-based businesses that are known to lay the groundwork for smooth intergenerational transfers and succession.

Farm families who have come to an agreement on shared values generally will then have guidelines on how they interact, how they approach the farm-based work, and how they manage the accumulated assets in the present as well as the future (Jaffe, 1990)¹⁹. This could come through the consensus process of creating a mission statement for the farm-based business as well as a vision statement long before the older generation passes on.

Regular family meetings in which a clear process is laid out for discussing ongoing farm business matters as well as conflictual issues create an environment where each family member can feel valued and heard and each person knows where he/she stands in the farming business, whether they are an on-farm or off-farm family member (Jaffe, 1990)²⁰. Furthermore, it is important that all persons impacted by farm business decisions be invited to participate, including persons who have married into the family.

This process may not be easy and might require a neutral third party to facilitate the family meetings. Ground rules may need to be established with meeting agendas known beforehand and coming as a surprise to no one. Individual assumptions need to be clarified and each person's interests and motivations need to be addressed. Differing positions and options can be outlined and an ideal outcome listed whether it is day-to-day farm management, marketing decisions, clear roles and responsibilities for individual family members, or planned asset distribution. Complex legal and financial business possibilities most readily will require legal and financial consultant advice to help the family understand possible options in structuring the future of the family farm business. In an ideal situation, the family can select consensus options, have time to reflect on them, revise, and then follow through with implementation. Follow-up assessments need to be part of the process to help the farm family move their business toward a smoother intergenerational transfer (Astrachan & McMillan, 2003²¹; Bork, Jaffe, Lane, Dashew, & Heisler, 1996²²).

When communication is not adequate, the probability of family conflict is high. Empirical studies show that inheritance conflict can cause separation in families, creating cut-offs and other destructive family dynamics (Lustbader, 1996²³; Stum, 1999²⁴, 2000²⁵; Titus et al., 1979²⁶). Professionals such as marriage and family therapists possess practice-supported therapies to work with families during inheritance conflict. Treatment might focus on redeveloping trust that may have been challenged or severed because of different definitions of fairness during the inheritance process. "Trust is the fundamental property of relationships. It can be depleted or restored. Relationships become trustworthy to the degree that they permit dialogue concerning issues of valid claims and mutual obligations" (Boszormenyi-Nagy & Krasner, 1986, p. 206)²⁷.

Jurich and Russell (1987)²⁸ studied rural families who came to family therapy and compared them to their non-farm counterparts and found that "rural families seem to act cautious at first, testing to see if the professional is safe enough to be allowed to pierce the boundary of the family" (p. 366). Thus, it is not uncommon for rural families to informally visit with trusted

members of their known community, such as pastors, Extension agents, and other agricultural professionals who may or may not have experience and training in working with difficult family dynamics before seeking professional help. Furthermore, bankers, lawyers, financial consultants, and farm management analysts may be faced with disruptive family communication as they work on financial and farm succession planning with family members. Learning to coach families through these difficult times requires skills in family communication and family dynamics.

Conclusions

Farms and ranches operate within a family-based business system which, in reality, encompasses three distinct systems. The family system is oriented toward security, nurturance, growth and fun; the business system demands productivity; and the ownership system seeks a return on investment and creates a plan for moving the business into the future. Successful farm and ranch businesses effectively co-mingle and manage these three systems simultaneously (Jaffe, 1990)²⁹ and are prepared for intergenerational inheritance transfer. However, the management of human relationships may be the weakest link (Fetsch, 1999)³⁰ as family members have differing perceptions of fairness as related to distribution and procedural issues during the inheritance process.

An integrated approach to succession planning encompasses not only legal and financial decisions, but also attention to communication among family members that can lead to clear goals and expectations prior to the passing of the older generation. Thus, making linkages among diverse professionals for providing farm family business training has the possibility of addressing a wide range of needs related to the succession of the family agricultural enterprise.

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* Note: This journal article is based on the following master's report: Osborn, T., (2006). *To give or not to give: An inheritance decision*. Unpublished master's report, Kansas State University, Manhattan, KS. Candyce Russell, Ph.D., major professor. [\[back\]](#)

Author Information

Charlotte Shoup Olsen ([back to top](#))

Dr. Charlotte Shoup Olsen has created multiple educational programs for the Cooperative Extension Service that have been adopted in Kansas and other states throughout the nation as well as internationally. These programs focus on strengthening family relationships in the context of their individual family units and the communities where they reside. This work has created opportunities for her continuing involvement in creating a national Extension model for relationship education. More recently, she has become involved with projects that include the role of family dynamics in intergenerational farm family businesses.



In the international arena, Olsen worked as a Peace Corps volunteer in Liberia, West Africa, where she served as an Extension agent in family and consumer sciences. Her role evolved into the Liberia National Extension Leader in that field. Since that time, she has been a Kellogg Fellow with the Partners of the Americas International Fellowship Program in Community Development and is currently working on family strengthening resources for persons from diverse backgrounds.

She completed her academic work at Kansas State University and received the university's College of Human Ecology Extension Excellence Award in 2002. Prior to holding an academic appointment as an Extension Specialist with K-State, she has held numerous university positions in student support services for persons from underrepresented families. Olsen comes from an agricultural background in southern Kansas where her family homesteaded in the 1870's.

Ted Osborn ([back to top](#))

Ted Osborn graduated from Kansas State University with a Masters degree in Family Studies and Human Services with a specialization in Marriage & Family Therapy. His academic goals are to pursue a doctorate degree in Family Studies and continue to build upon the current research on estate inheritance.



Osborn comes from an agricultural background in northeastern South Dakota where the farm has experienced the transfer of ownership by three generations of Osborn farmers.

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