

PAYING FAMILY MEMBERS FOR WORK AT THE TREE FARM

By Clint Bentz

Nothing has more potential for conflict in family businesses than how we, as a family, deal with money. This is especially true for our tree farms. There are two issues in this area that come up constantly in my work with family forestland owners. The first is how and if to pay family members for services they perform for the tree farm. The second is the different financial arrangements parents make with their children based on their needs. In this article, I will focus on paying family members for services. We'll deal with financial arrangements in the next article.

Should we pay family members for the work they do? If so, how should we calculate the amount to pay them? There are no right or wrong answers to these questions, but they are questions that need to be answered based on your family's core values. This question goes to the heart of what is fair, what is equitable and what is reasonable to expect from our family members. Here is a typical scenario:

Mom and Dad have spent a lifetime sacrificing financially for their family and tree farm. In many cases, they have spent significant sums purchasing and improving the property, and have invested a lot of their own time working on the property without being paid for it. They have an unspoken feeling that their children should be willing to make the same commitment of time and money that they made for the property. Mom and Dad still own the property, or have transferred it to a partnership or LLC, but still retain control of the property.

Their children did some work on the property growing up, but were not paid at market rates for this work. As they began their own lives, one or two still live close by and help out while the others have scattered and only come



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back to visit for holidays. One of the children may be helping out more and more as time goes by and both Mom and Dad have come to rely on this help to get things done.

How do we compensate those children who have chosen to help out on the property? This question has consequences both for now and into the future. How you deal with this will set the pattern for how your children deal with this in the future. In our family, because we are all owners of our property, we felt it was not fair to the families who worked at the property that they be required to "contribute" these hours for the benefit of their brothers and sisters who were not working. We

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asked around to find out what we would have to pay an equivalently trained non-family member to do this work, and we pay at least that much to the person who is working. This is especially true if the family member is providing specialized services such as logging, carpentry or

accounting.

We also have summer projects at our ranch that require additional workers. We try to hire grandchildren for this work, and we pay them market rates for the work they are doing. This accomplishes a dual purpose of getting the grandkids out on the property and teaching them about what it takes to keep the property going.

We also have "fun" projects such as constructing a shooting range for the family or putting up a picnic shelter that we ask everyone to participate in, and we do not pay people for their labor as everyone will see the benefit from the project.

We do this in an open and transparent process so that everyone knows how much people are being paid, and how the amount is determined. This is vital so resentment does not build up between family members over who got "the great deal" at someone else's expense.

If you decide to hire family members to work at your property, be aware of the many state and federal laws and regulations regarding employers and employees. These requirements may include workers compensation insurance, unemployment insurance, overtime pay and withholding of payroll and income taxes. Minor children are limited in the hours they can work and the tasks they can perform. If you have an agricultural operation and are taxed as a farmer, these rules are different than if you are only or primarily operating as a tree farmer. Talk to your local accountant to determine what rules apply to your situation before you get started. It will save you a lot of grief down the road!

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Coming next issue: Sweat equity in the tree farm

