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GLOBAL ADVISORS

**Freedom From Wealth:
The Family Farm and
the Modern Global Family**

A Perspective From Charles Lowenhaupt

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The Family Farm and the Modern Global Family

At a recent European family office conference, a member of the audience from a substantial family asked me what would be the best investment for a family of wealth. I responded that if she meant a truly long-term investment with a fifty to one hundred-year horizon, I would rely on the advice of a wise old American friend of mine. The best investment, he said, would be farm real estate in a common law jurisdiction with a good recording system, such as the U.S., Canada or Australia.

One year after that conference, I met with an advisor to three wealthy Beijing families. I asked him what his clients were buying as investments, and he replied that their attention was focused on finding good farm or timberland in the Southeastern U.S. "We believe that is the best long-term investment," he said.

Throughout the world, many families of substantial private wealth have owned farms or timber real estate for generations. Other wealthy families are now buying farms. In fact, the family farm can have more than purely financial benefits. It can help build and preserve family legacy (as identity) in a number of ways. But making the family farm serve its purposes is getting more complicated than ever for the modern global family.

A Long Time Horizon

Well-selected and well-run farmland can be an excellent investment for the long-term – fifty to one hundred years. That generations follow generations allows a family to look beyond the quarterly performance and even beyond the five-year, long-term of corporate finance.

As a financial investment, though, farmland rarely provides substantial current income. For this reason, its most effective ownership should be without debt and with the perspective that its value will come with capital appreciation. There will be little current economic income for living, and there can be years where earnings are minimal on account of climactic events or commodity prices. However, there have been many landed families over the generations, and those families have held great value in the land.

As many wealthy individuals have come to understand, the family farm is much more than a purely financial investment. If managed strategically, farm ownership can help a family build legacy and maintain harmony, two challenges every family faces.

A family farm can come to represent a family's place geographically, historically and in a community. The farm itself can generate comfort and represent sentimental value for many generations, while also being the geographic marker of the family. Consider the medieval estate, the noble family surrounded by serfs and tenants. It is geographically fixed, it has a history within its boundaries, and it represents status and role in a community. The family members gathering at the farm are respecting history, locating in place, and having presence in a community.

Building Family Legacy

The family farm can be seen as a refuge from the grime and dangers of the city. It is a retreat in times of trouble. It is a place of wholesome living and minimal distractions. On the farm, family members and their children can spend summers and weekends together being outdoors and close to nature.

A farm represents production of food, and much of a family's identity is involved in food. The family grows up around a dining room table and dinner is often a family ritual. Holidays, reunions and other celebrations are often filled with an abundance of food and full of rich interaction that creates the fabric of a family. The family farm can highlight the relationship of the family to its world.

The farm is also a place to reinforce old-fashioned values reflecting the importance of family, concern for community, and engagement in productive activity. The farm is still a place of hard work and strong relationships with neighbors and the community. The family farm is a place where a child can learn life lessons parents and grandparents hope to instill in the next generation.

The notion of stewardship, that we have responsibilities to future generations, is inherent in the family farm. Cicero observes in *de Senectute* that old farmers plant trees as well as annual crops. Although they may sow the seeds of the annual crops, they will never live to see the full growth of the trees. When asked why, the old farmer replies: "For the immortal gods, who have willed not only that I should receive these blessings from my ancestors, but also that I should hand them on to posterity".

The well-managed farm embodies legacy that can be passed on to future generations, whether planted in trees or managed so as to stay fertile and productive over many years. It can be a legacy to be preserved and enhanced.

The Challenge for the Modern Global Family

The capacity of the family farm to embody legacy and to sustain harmony is challenged for the modern global family. Climate change can threaten the long-term investment quality of a farm if areas once lush and fertile become arid. The transition from farm to dustbowl threatens many areas of the world, even in common law countries with good recording systems. Economic pressures to produce crops can result in denigration of the land, so that the old farmer is not planting for future generations.

Even as climate and economic developments threaten the economics of farming, the modern global family itself has difficulty owning and using a family farm. The family itself may be based in Beijing or Singapore, where there are no "backyard" family farms with common law and recording stability and the family faces the multitude of difficulties of managing far away property. The modern family is likely to be scattered around the world, so that there is no opportunity to gather on the farm; indeed, place for each family member may

be different. Multi-jurisdictional families have difficulty finding a place to gather for any purpose and instead build a kind of “virtual” place rather than geographic space. Multi-culturalism can make the family farm breeding hogs anathema to the in-law who is an orthodox Jew or Muslim.

It may be difficult for the family farm to serve as a refuge for all family members when they live in remote places. Equally challenging for the modern family are the plague of pollution and the consequences of poverty and political upheaval. These scourges can touch even the most remote farms. Parts of the rural US have all the turmoil of cities as the rural population loses the advantages of wealth and education. The farm’s “healthy environment” may be inaccessible or gone for the modern family.

Apply State-of-The Art Technology To The Farm

For the modern global family farm, agriculture technology can play an important role. Technology is being developed to allow sustainable farming to increase productivity without denigrating the environment. Indeed, one of the goals of new agricultural technology is feeding a global community without destroying the environment. Drought and disease-resistant crops are being developed so that food itself can feed a hungry world. Agricultural-based fuels may ultimately replace fossil fuel, and timber may be harvested so that there is a replenishing inventory of mature trees in a forest.

It’s important for a family farm to utilize the technology not only to ensure sustainability and productivity, but also so the farm itself can be a good long-term investment. Utilizing agricultural technology may ensure a farm’s value. Investing in the development of that technology, which is global in its use, can expand the family’s sense of place into a global community both geographically and historically. Consider how a family-owned company like Cargill can establish a family in the world community.

Developing good technology can feed the world. Investing in agricultural technology that promotes sustainable farming can help eliminate hunger and improve the planet. By applying technology to the farm, values are transmitted to past and future generations of a family. This type of “impact” investing allows the family to make a difference in the world. A family’s legacy can truly be improved by applying modern technology to the farm and by investing in ways that improve farms everywhere.

Given the turmoil in the world today, it is time to redefine the family farm for the modern global family. If it is to be a physical place, it must be a model farm that operates with the latest available technology. If it is to be a vision, it must be as an investment in technology that helps feed the world and keep it clean. In fact, a wise family will realize that the farm is an opportunity to set the standard for sustainable and efficient farm management and encouraging others to follow.

About Lowenhaupt Global Advisors

Lowenhaupt Global Advisors has been helping families of substantial wealth build, preserve and control their assets for more than 100 years. Lowenhaupt Global Advisors provides sophisticated, independent advice on family wealth transfer, taxation, estate planning and probate, investment portfolio allocation and business structuring.

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Charles Lowenhaupt is Chairman and CEO of Lowenhaupt Global Advisors, a financial advisor whose family has been managing significant wealth for more than 100 years. Mr. Lowenhaupt is a recognized industry leader in managing wealth for ultra-high net worth families around the world. He is also Managing Member of Lowenhaupt Global Advisor's affiliated firm, Lowenhaupt & Chasnoff, LLC, the first U.S. law firm to concentrate in tax law and established by Mr. Lowenhaupt's grandfather in 1908. He is also co-author of the book, *Freedom From Wealth* by McGraw-Hill.

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