

How Much Should You Pay Your Children?

Editor's Note: This article is Part 3 in a series of 4, focussing on having your family involved in your business. Judy Walters is the Promotion Coordinator of The Canada/British Columbia Farm Business Management Program.

Your sibling has just come home to work on the farm. You can't figure out how much to pay him/her. They're due to inherit the farm, so you don't feel they would be justified in expecting an executive salary. Besides, you're trying to put as much money aside so you can be financially independent when you retire. On the other hand, you realize you have to offer them an attractive compensation package, otherwise they'll be tempted, as other siblings were, to pursue a secure, well paying career in town. At the same time, you don't want to fan the fires of jealousy.

Your best bet, according to B.C. Ministry of Agriculture, Fisheries and Food Farm Management Specialist, Lorne Owen, is to base your son's — or daughter's — salary on "the going rate."

Determining what the going rate is, may require a little research, explains Owen, who organized a series of family farm management and communication seminars last Winter under the Canada-British Columbia Farm Business Management Program. This joint federal/provincial initiative was aimed at helping farmers improve their business management skills, competitiveness, self-reliance and long-term sustainability.

If your child does pretty well the same job your neighbours' children or hired hands do, you can ask them how much they pay them and calculate the average. Another option is to sit down with your child and list all the responsibilities he or she has, and figure out what it would cost you to hire someone else to look after all these chores.

Once you've done your research and determined what the "market value" of the work your child does is, you need to decide whether you want to pay at, above, or below, the market average.

Some farmers maintain that paying a successor-elect too much does a disservice to both the child and the farm. Above average pay raises a child's expectations to unrealistic heights. High income expectations can burden the business and disappoint the child later on, when he takes over the farm, explains Owen. Over paying a child may discourage him from learning to manage his money carefully.

Other farmers argue that attractive compensation rates are necessary to compensate for the unpredictability and long hours that farming entails.

Whatever compensation policy you decide on, it should be rational, defensible and applied consistently, advises Owen. If another son or daughter comes to work on the farm, his or her salary must be based on objective criteria, also.

After you've decided what your compensation policy is going to be, you

need to set a policy regarding perks, such as free housing, and personal loans. You also need to decide what your policy regarding raises, performance incentives, and profit-sharing will be.

"It's vital that you differentiate between wages and other kinds of money," says Owen. Nothing generates more heated debate and hard feelings than money.

Throughout the entire decision-making process, it's important that communication be open, candid, and include all family members. The child coming to work on the farm has a right to know how much money he or she will have to live on. So does his or her spouse. Non-farm children should be told what criteria their sibling's salary is being based on. Doing so will help alleviate suspicions or misgivings they may harbour. The farmer's spouse also has a right to be included in this discussion.

The benefits of clear, objective compensation policies, says Owen, is that they prevent misunderstandings and hurt feelings, are difficult to manipulate, stand the test of time, and help ensure a farm prospers for future generations.

The Deadly Dozen Key Causes of Family Business Compensation Conflicts:

- 1. Role/Relationship Confusion.**
Parents must differentiate between emotional and business reasons for giving children money. Don't pay the person, pay the job they do.
- 2. Paying too much or too little.**
Doing either confuses and frustrates children, both those working on the farm and off, and other employees.
- 3. Using pay to achieve tax savings.**
Inflated salaries, phantom jobs and lavish perks send children a confusing message about their worth, family goals, and ethics.
- 4. Using pay to ease parents' discomfort.**
Parents must resist the temptation to use money to ease their guilt, whether for past failings or current inequities.

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5. **Using pay to assuage children's hurt feelings.** Money should not be used in an attempt to "cure" children's bitterness, resentment or jealousy between siblings.
6. **Using pay to smooth ups and downs.** Wages should not be raised because times are good or a child needs extra money, anymore than they should be lowered when times are bad.
7. **Using pay to achieve "fairness".** Children's pay should be based on their responsibility and contribution, not what their sister or brother is getting paid.
8. **Prestige without pay.** Giving children fancy titles is no substitute for giving them a real job and paying them a fair wage.
9. **Using pay to "help" errant children.** Bailing out a child who just can't seem to get it together not only discourages him from changing his ways, it insults his siblings who manage their affairs responsibly.
10. **Secrecy.** It is not indiscreet, impolite or wrong to talk about who gets paid what and why. It's essential.

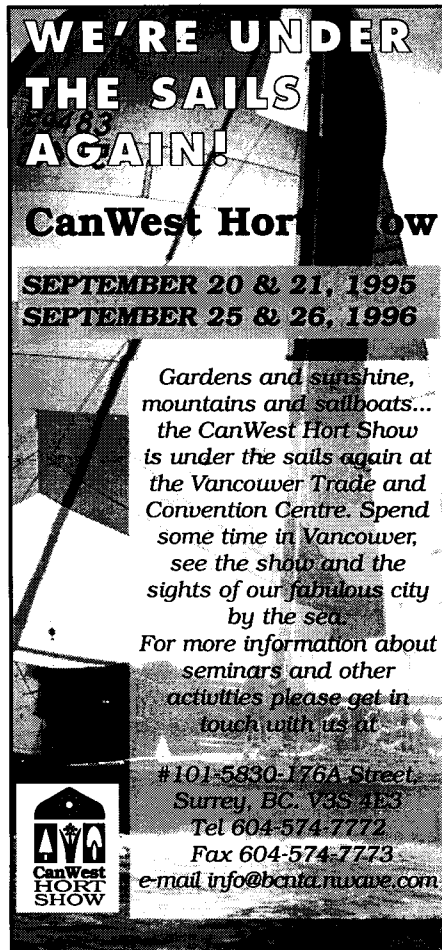
11. **Misusing perks.** Perks should be earned, not given in lieu of pay or used to lure children into the business.

12. **Using pay to influence or control children.** Pay should never be used to convey messages or accomplish ulterior motives, such as persuading children to come into the family business or pressuring them to be come more frugal. □

(FLORAL DAZE, cont' from Page 2)

I would like to give mention and thank the U.B.C. Botanical Garden for displaying some very interesting items in their booth. I hope to see these items being made available by some of our local growers in the near future. Two products in particular that caught my (and everyone else's) eye were the Chinese Poke Weed and the Himalaya Honeysuckle.

Finally, a special mention and 'thank you' must go out to the United Flower Growers, and to the wholesalers, who made such a special effort in donating products and participating in this event. **Floral Daze** is so much richer for their participation and generosity.



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