

Succession: Preparing for the 6 D's

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For any family and business, the conversation about succession can be a difficult one to have. It is emotive and there are so many different eventualities to prepare for and many are afraid that by talking about it they are tempting fate or there will be a fall out. But this is no excuse and we all regardless of our age or ownership need to prepare ourselves for the 6 D's which are:

- Death
- Disability
- Disaster/Disease
- Divorce
- Disagreements
- Debt

Who's role is it to start the conversation? It's yours, yes, YOU!

The exiting generation: Are often nervous of bringing up the conversation of do you want to continue the business, what are your thoughts about the future? As they know owning and running a franchise or dealership can be a tough life and it can often have little reward, they don't want their children to feel they have to come home, they want to allow their children to be able to make their own career choice, they just want them to be happy.

The incoming generation: Are often afraid of upsetting their parents or family by coming across pushy or greedy and do not want to bring up the "death" word! But, the sooner families start these conversations the easier it can be and the more natural it becomes.

My ambition is for all families and businesses to have their succession plan in place and shared with their loved ones, colleagues and legal team by the time they are 50 this then allows everyone to know where they stand and to be able to make plans and take charge of their destiny. When you start this process early before there is financial pressure, family fall out or a death or illness you can be open minded, rational, you can have some fun and you have time to think, research and review

There are a number of life events that can trigger the succession conversation. A family member might get married or start a new family. Someone may wish to retire or school-leavers may join the business. Someone could become ill or there could be high levels of conflict or a breakdown in communications.

Many people do not know how or where to start with their succession plan but I always start with:

- Do know what **you** want out of your life?
- What do **you** want your career to be?
- How much do **you** need to or aspire to earn?
- Where do **you** want to live?
- How do **you** want to spend your time?
- What legacy do **you** want to leave – what has it all been for?

Then I will look to break down:

- Where are you now?
- How are we going to get there and achieve this?

- In what time frame?

Then finally:

- Have we the skills to achieve this?
- Who do we need with us to achieve this?
- How do we communicate all of this?

This is the beginning of your succession plan

NEVER ASSUME you know what your spouse or children want; sit down, talk, ask, discuss and review. Do we all know what the potential pot might be, so often the answer is not at all what you thought!

How well do you know your business:

Partnerships, Limited Companies, Trusts, Sole Traders –

- what is your business structure, is it still the right structure, do you need to review this?
- who are the signatories, who are the partners, what type of partners are they and what does this mean?
- What are you a director or partner of, what is in the partnership / company / business?
- How is the capital account split, how does a partner retire, will the partnership continue if a partner dies and there are less than 2 partners, what happens if there is a fall out or divorce?

How is the business performing?

- What are your numbers and can it afford to support or pay another person or family?
- Is there opportunity to grow, expand or diversify/.
- Or do we need to sell, move or get a job off farm?

Many families are so busy working that we do not prioritise the time in the office. But if we are honest most (not all) jobs are the equivalent of £15-£30 per hour jobs. Quality time in the office should be valued @ £250 + per hour.

Knowing your business will make your life easier, help you sleep at night and enable you to react and respond quickly to markets and trends

This exercise can be the one single biggest light bulb moment when I work with clients:-

Map it all out – get a piece of paper, draw the business, the buildings, the land, the stock, machinery cottages or property and any diversification enterprises and any pensions, savings etc. Put a rough valuation on all of this and then also list all of the debt and how long you have to repay it

Then also highlight who owns what, what is in the business, what is not?

Assets – Approx Value

Buckingham	
Farmhouse	£650k
110 acres inc biomas & buildings	£1.5m
Holiday Cottage	£350k

Sandringham– House	£300k
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Windsor	
100 acres inc Biomas & buildings	£1.8m

Moveable assets:	
Livestock	£200k
Infrastructure	£100k
Machinery	£120k
Logs	£200k

Private Pensions & Insurance	
Pensions	£400k
Isa	£12k

Royal Ltd	
Buckingham	£2.5m
Sandringham	£300k
Cash in bank	£12k

Royal Family	
Loan	£150k 10 year term
Over draft	£43k

Diversification Bus	
Cash in bank	£150k
Stock value (2/3 share)	£150k

Diversification	
Loan	£40k over 15 year term
Overdraft	£50k

But even if you cannot get your family to open up and share with you their thoughts, wishes and intentions there are still areas that you can take charge of and that it is essential to have written down

How exposed are you if something happens?

There are a number of guiding principles to succession. The first is that there is no one size fits all solution; each business solution is different and unique. It is important to obtain quality professional legal and accounting advice and do not be afraid of asking for a 2nd or 3rd opinion. Open communication is key as your family and professional advisors are not mind readers and you have to be able understand and respect the differences in generational values within the family.

Yes this will cost you money, but a sound investment now, a couple of thousand pounds spent today could save you 10's to 100's of thousand pounds down the line if you avoid doing anything or take poor advice

So many businesses and accountants address successful succession planning as being about THE TAX, we do NOT want the Tax man to get it, I swear many peoples legacies would be to have carved on their headstones "I worked and paid no tax". This is admirable and important and by being open and planning in advance the tax can be managed but by keeping things in the dark and just focussing your succession planning on tax can mean that after your day the rest of your family can feel hurt, mis understood which may lead in expensive counselling and therapy. Agriculture and rural businesses are unique, if the accountant or solicitor is not talking your language and does not fully understand and have experience of your industry then leave and join another specialist practise or ask if there is another partner who does."

Agreements? Whose name is on and can sign things like the bank accounts, contracts, land or tenancies, single farm payment?

Check List - Some of the technical information you need to collect and have ready for your meetings with your professional, legal and advisory teams includes:

- Legal will(s) – where is the will, is it signed, who are the trustees, the correct skill set?
- Power(s) of attorney for your business & your health – ensure its registered
- Property deeds where are they, what do you actually own?
- Tenancy & contract agreements – do not assume these continue after death
- Mortgages and loan information – where are they, what are they for, how much is owed?
- Past and any current tax records and information
- Past and current financial records & statements
- Past and current production and performance records
- Bank account information – where are they, signatures, whose name
- Business ownership structure– partnership, Ltd, Trust
- Passwords & Log in details for everything
- Diversifications and off site investment information
- Retirement planning, savings & life insurance policies
- A current list of debts and other liabilities
- A current list of suppliers and service providers (e.g. lawyer, accountant, insurance, consultants, advisors, company representatives, mobile phone, water, electric, equipment supplier, etc.)
- Any other business-related material or information

“Powers of attorney are just as important as having a will. It could be the case that you’re skiing and there’s an avalanche that stops you from getting home,” says Wildman, adding that it is amazing how often that often only one person is privy to bank account information.

Things to plan for when preparing for the six D’s include; current and future family expenses, education of children, building or buying a house or houses, retirement lifestyle needs and care home costs.

“There is no right and wrong answer in developing your future plan; the aim is simply to provide the best possible outcome for you, your family and your business, but this can be made easier with a clarity of vision, a robust communication strategy and by building a strong team of people around you, with the right skills and who are all collaborated in helping you to achieve this vision ”

I hope this helps you to approach your family succession in a calm, structured way, allowing everyone in the family the opportunity to speak up and to share their hopes and expectations. Giving the retiring generation the reassurance that the company will be well run and managed and that they can retire with dignity, in a home of their choice and be able to live independently of the business. Thus releasing the incoming generation allowing them to invest in their business for their family, living and working the hours and the way that they choose to. Investing and preparing for

their next generation. This also covers the wellbeing of the non-business children, fair does not mean equal and the sooner this can be discussed the simpler it is to resolve and expectations managed.

I hope to aspire you to have your succession plan in place and shared with your family by the age of 45 or at least by the age of 50. This allows you time to plan for your retirement, you may wish to never leave the firm, which is fine, but it is unfair if you do not share this with your family. Having a plan in place also allows the incoming generation time to prepare, to learn the skills or to possibly leave the business and work elsewhere until the time is right for them to come back home and take over the reins. Having these discussions also allows you the opportunity to hear what you're non company children wish from the business. If they too wish to come home to the firm is the firm big enough? Can it sustain another family? If not what opportunities are there? Manage expectations early. Have a plan, share the plan, then get the best professional advice to ensure that the plan can be and is delivered.

And be honest, is this a life that anyone else would want to continue, what kind of role model have you been? – Complaining about conditions & policy, long hours, joyless, hardworking, little to no time off and being tired and miserable – would anyone genuinely want this or wish this on someone else?

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