

Succession – Taking control:

Succession will inevitably happen whether we want it to or not, we will all have our “last fence post” there is an end, sooner or later you will finish your life as an active farmer and most will hope to reflect that they have had a good life farming handing their legacy onto the next generation in a better state than they had inherited it.

The sooner you start looking at and discussing your own succession the more options you will have ahead, it is never too soon, but it can be too late.

Start by asking these questions:

- When will succession happen, have you a retirement age in mind, or will it be on death?
- Who will succeed to the farm, or will it be sold?
- How will you treat all of your children fairly?
- What money will you have, will you need?
- What are your expectations for retirement: financial, housing, walk away or to stay on & help out part time?
- How will you avoid crippling your successor / farm debt – should they inherit debt free?
- How will you communicate to others regarding your succession?
- How will you transfer the management of the farm?
- How will you transfer the ownership of the farm?
- Will you plan and control the process or just leave it to fate see what happens?

It's time to stop looking down towards your wellies and instead to look up and forward and plan the future life you want and deserve. Getting succession right – setting the last fencepost effectively and harmoniously – this is the ultimate challenge of the farmer's life. Identify where you are, where you want to be and what is holding you back, make a plan, get professional advice, communicate with your family and make it happen.

The most common triggers for succession planning include:

- New family members, school leavers, joining the business
- A family member retires
- Starting a new family
- Illness in the family
- An individual or family member wanting to exit the business or family
- High levels of conflict
- Communication breakdown
- An unhappy or discounted family member

The most common reasons for avoiding Succession:

1. Fear of conflict

Fear of conflict and arguments is probably the biggest reason why people avoid succession planning. Farming is a unique type of business in that you are working with your family members, so avoiding conflict with the people you live and work with is important? There are ways of navigating the succession planning process to minimise conflict and increase family harmony.

2. Too difficult

Many families feel that the whole thing is just too hard. Succession planning is a big process. It takes a lot of effort, time and resources and there's no quick fix. You have to develop your plan, implement it and then review and modify it as needed.

3. Don't know how

Many families do not know where to start and have often only heard of the horror stories where succession has gone bad. Start by asking your friends and your network, who did they use, who would they recommend to approach, who would they recommend that you avoid? Speak to your accountant, bank manager, and lawyer. Read articles, attend seminars, research websites and organisations.

4. Bad past experiences

If the head of the family farm has had a bad experience with succession planning with their own parents or family, it has probably left a bitter taste in their mouth and given them a good reason to stay clear of succession planning. If managed well, a succession plan can avoid this type of bitterness and can be liberating for all involved

5. Not their job

Who has responsibility for the succession plan? Some may say it's the job of the head of the farm. But what if they are unwilling to bring it up, then what? A succession plan is the responsibility of all members of the farming family. It might take one person in the family to have the courage to say, “Hey, we really need a succession plan.” Someone has to say it, why not you?

6. Fear of what next

For many farmers, farming is who they are and what they do, they fear the loss of purpose and identity, what will the neighbours and my peers think, will this alter my relationships and status? Will they think I am past it?

- Be Proactive** Take initiative, your decisions and actions are the primary determining factors for the effectiveness in your life. Take responsibility for your choices and the consequences that follow.
- Begin with the end in mind** Clarify what you want and have a clear vision of what you want for your family, your life, your career and your retirement. This will need lots of discussion with family, friends in the same position and professional advisers.
- Seek First to Understand, then to be understood** Genuinely listen to all family members so you can understand their needs. This can create an atmosphere of caring and positive problem solving as well as encouraging others to really listen to your needs too.
- Understand that Fair may not always mean Equality** Fair and equal are not the same thing. There needs to be an understanding that fairness is often more important than equality.
- Create a Professional Support Team** You need the help of a professional support team to create your succession plan this should include your accountant, lawyer, facilitator or succession planning consultant, your
- Act only on sound advice** Discussion with family and friends is good and necessary but only act with the help of a professional advisor and do not be afraid to ask for a 2nd opinion. Only take advice from people who are qualified to give you advice? These are the people who have your best interests at heart and have the knowledge and expertise in the area you're talking about.

Get the best adviser for you and do not be afraid to change advisers or to ask for a 2nd opinion.

Recommendations in Succession planning:

- Keep the **bigger picture** in mind – the long-term future and happiness of you and your family. The future success of the farm may be part of this or perhaps selling the farm will be the best option.
- Think of succession planning as a **process** rather than an event – it takes time and effort
- **Start planning now** – the earlier the planning begins, the greater the number of options
- Maintain a **positive attitude** - it can make a huge difference as attitudes are contagious
- Complete a **financial analysis** of the past and present farm business along with some financial projections. If your farm is not making money now, what can be done to make it profitable? Is the farm business viable in the long run?
- Become **educated about succession planning** – take workshops, seminars, read articles and complete self-assessment questionnaires related to succession so that you are an active participant in the planning process
- Use a **family business meeting** to open the lines of communication among family members. An objective, third-party facilitator can help ensure that the initial meetings run smoothly and everyone has an opportunity to voice their interests and concerns.
- Determine the **most important things** (values and their priorities) to each individual family member as a starting point. The business meeting mentioned above can be helpful with this.
- Figure out **each individual personal, family and business goals**, which should be based upon their values and priorities.
- Ensure **good communication** among family members about plans, strategies and issues.
- Address the tricky issue of **fair (equitable) vs. equal** division of the farm early in the process – especially if there are off-farm family members involved.
- Prepare a **power of attorney and legal will** early. A will can provide guidance on how the estate should be settled, power of attorney details both your intentions should you require medical intervention and your business and financial instructions
- Generate and discuss various **options**. You can narrow these down over time but in the beginning, have a big brainstorming session thinking about all possible options, too often people just follow what has been done previously, but is this the only or the best option open to you?
- Assemble your **team of professional advisors** (e.g. lawyer, accountant, financial planner, banker etc) and work with them on your succession plan.
- **Take responsibility** for development and implementation of the plan with help of your team of advisors. This is your families plan, not the advisers. Family members have to buy into the plan for it to be successful.
- Consider **tax implications** but don't focus solely on them as the most important thing. For example, rather than saying, "we don't want to pay any taxes," make your goal, "transfer the farm business efficiently while considering tax consequences and preserving as much family capital as possible."
- **Document your plan.** By writing it down, all family members see exactly what's in the plan and how it is going to be rolled out.

Avoidances of Succession Planning

- **Don't procrastinate** – There is never a right time or good time, start the process now.
- **Don't be afraid** to ask questions and listen to the answer, no matter how uncomfortable some of the answers may be.
- **Don't assume** you know what others are thinking or how they feel about the process or what they want to achieve from the succession plan. If you don't understand, clarify with questions and listen carefully and write everything down.
- **Don't be afraid to share responsibilities.** Generations need to work together to develop the best succession plan. Use a professional succession planner or facilitator if you need to.
- **Don't define life as a business.** There is more to life than work – family, friends, leisure enjoyment, sports, hobbies etc.
- **Don't put all of your eggs in one basket.** Plan ahead, think early about retirement, save and invest off-farm so that you will have some options in the future.
- **Don't rely on just one professional advisor.** Use a team of people with different skills and expertise.

So, where are you at?

- Do you know what you want?
- Are you ready to make the change?
- Have you a time frame in mind?
- Do you have an exit plan?
- Do you know what your spouse wants?
- Do you know what your children want?
- Have you discussed this with your family?
- Is there a plan in place?
- Is there a written will?
- Have you done your numbers?

How are you feeling?

This may feel very awkward and strange for many but it is important to be fully aware of how you are feeling. Emotion plays a huge part in our decision making and, in our action, or in-action. It is helpful to name your feelings and identify what the feelings relate to.

Are you:

Excited about

- Opportunities on the farm, being able to influence and be in control of your destiny
- Getting to do other things off – farm
- Being free of the 24:7 work commitment

Engaged regarding

- Planning for succession
- Planning your lives for the future
- The life you and your partner will succeed to?

Anxious about

- How succession will be resolved
- Having enough money for the future
- How your partner will adapt to the changes

Worried that

- There will be disputes in the family
- Your partner will not know how to keep busy after the farm
- Your farm won't sell for enough money
- Your successor will not do a good job?

Afraid of

- The future
- The unknown
- Leaving the only life, you know
- Family fall out

Conflicted about

- Going or staying
- Now or later
- Which child should succeed?
- What your partner wants

Concerned about

- Your partners reaction, what will be say or think
- What the future holds
- Your successors competence
- Yours children's relationships

Once you have established where you and your partner are at, and when you know what you want and you are clear about what's important to you both, then it's time to start thinking about communicating with the whole family.

ARRANGING & RUNNING FAMILY MEETINGS

Establish Meeting Guidelines

Put some meeting guidelines in place, such as:

- Set a time and date that is convenient and Involve **all** active **family** members
- Consider the venue, would being off farm be more professional and neutral?
- **Don't personalise** issues (us versus them)
- Set an **agenda prior** to the meeting
- Stick to the **agenda**, don't rehash old grievances
- Set meeting **ground rules** and **listen** without judging, hear each other out
- Seek **common ground** and **mutual benefits**
- Always consider time, tone and language

Outline

Outline specific and attainable objectives for your family meeting.

Succession options available to discuss:

- Sell the farm
- Partnerships
- Diversification
- Buy out
- Off farm assets
- Family Trusts
- Education
- Life insurance
- Subdivision

Getting agreement

Reluctance from some family members is often due to their lack of clarity about the meeting process. Have an agenda which should be circulated in advance. Important issues signaled early, so reducing the risk of nasty surprises

Booking your facilitator

Aim to choose a chair or a facilitator everyone is comfortable with. Things to consider include:

- what have you heard about them?
- is there any alliance - real or perceived?
- do they have professional indemnity?
- are they professional?
- do they have any quality assurance measures in place?
- what training or experience do they bring to the job?
- what training or experience do they bring to your family and business?

Book your accountant

You will need to include a professional who understands the business side of the family business. An important part of the facilitated family meeting process is to balance the needs of the family and the needs of the business - therefore these meetings work best with two external people. The facilitator provides expertise in getting people to talk openly and the second person provides the business expertise. This might be your accountant, consultant, or rural financial counsellor.

Recording the meeting

It is crucial to have a written record of the meeting. It is best to have an agreement about who will do this before the meeting - the accountant/financial counsellor might be able to do it, or another impartial person who is not involved in the meeting process could be asked to attend in order to record the meeting.

Arrange a suitable venue for the meeting

It is important to hold the meeting in neutral venue. This minimises distractions and maximises the opportunity for family members to contribute. The venue should have a large table to seat everyone.

Who should attend

Depending on the business and the family dynamics it is encouraged that all members of the family, including in-laws attend. Feedback from families indicates that when family members are not included (ie off-farm children) they feel excluded, possibly upset and relationships can be damaged as a result. The inclusion of off-farm children is very useful as they often bring a different perspective to those involved in the day-to-day running of the business. Some families might choose not to include in-laws.

It is important to understand that when a family is given an opportunity to express their hopes and concerns they do so. The potential is that a can of worms may be opened.

- Wherever you are in the family or the business cycle the time to start is now, as tragedy can trigger a succession plan at any time.
- If you, your partner or brother were killed tomorrow are you happy with what would happen the next day?
- Have you raised your children to expect equality?
- Are your plans consistent and with expectations you have created?
- Have you created a communication environment where everyone can be completely open?
- Review your plans regularly. Many professionals suggest five years as a good time to review: how long is it since your last review?
- Success is more likely and easier to achieve when everyone comes to the table prepared to give more than they receive!
- Endless help is available: access what you need and make a start!!!

Managing Disputes

There will be times when people just won't agree on things. So, it can be really helpful to have a discussion – before a dispute arises – about how you are going to deal with disputes.

You may decide that each member of the family gets to vote on the issue or that a third-party mediator needs to be called in.

Whatever you decide, it's important that you have this discussion ahead of time.

You don't want to be arguing about how you're going to manage a dispute while you're already in the middle of one.

No Magic Bullet

Farms, like many family businesses, have a problem in that a great part of the family wealth is likely to be tied up in a single asset.

No one solution exists in that all families are different and circumstances continue to change. The best approach is to start early and adopt a flexible strategy that can accommodate changes as they arise in your family and wider circumstances.

It also goes without saying that not everyone gets what they want in any business meeting – family business or not. A meeting does not always imply consensus. It is desirable but not always possible, but by being included and having opportunity to ask questions and to listen to all views this helps to go a long way to understanding the process and accepting the ultimate conclusion and decision reached.

Getting your Professional team together

CHECK LIST

Some of the technical information you need to collect and have ready for your meetings with your professional legal and advice teams includes:

- Legal will(s)
- Power(s) of attorney
- Property deeds
- Mortgages and loan information
- Past and any current tax records and information
- Past and current financial records & statements

- Past and current production and performance records
- Bank account information
- Savings and off-farm investment information
- Retirement planning and savings
- A current list of debts and other liabilities
- A current list of suppliers and service providers (e.g. lawyer, accountant, nutritionist/feed company, equipment supplier, etc.)
- Any other business-related material or information
- **Land Ownership**
 - Title references
 - Acreages
 - Relative location of properties
- Mortgagees
- Diversification projects / ownership

If you're looking at this list thinking that's a lot of information to collect, you are right. But this is the information you need to have organised, regardless of succession planning, as part of managing your business.

Choose Your Team

In choosing your team of expert advisors, here is what you need to look for:

- Up-to-date knowledge and expertise in your field of business
- A willingness to communicate openly with family members
- An ability to explain technical terms in easy to understand language
- An understanding of family dynamics, especially in farming families
- A willingness to work in collaboration with other advisors
- Happy to ask the hard questions
- Ability to be honest even when it's difficult for the clients to hear

Interview Potential Legal & Professional Experts

When choosing new advisors, you can set up an appointment with them and basically interview them to see if they are a good fit for you and your family.

- What kind of training do you have?
- What certification do you have (Law, Accounting, Agri Business, Financial Planning Accreditation, etc.)?
- How long have you been doing this kind of work?
- What experience do you have in working with farm businesses similar to ours?
- What farm succession planning experience do you have?
- How much are your fees and what is the fee structure?
- Give them some example situations and ask them how they would approach these situations.
- Ask for references and check with them.

It is really important that you feel comfortable with your advisors as you will be working with them closely on personal and emotional issues, so make sure they are a right fit for you, so do not be afraid of asking for a second or third opinion!

Start by:

Thinking about what it is that you would like?

What you do not want to happen?

Where are you now, get the financials up to date, know the partnerships and ownerships and legal situation?

Set up a plan with realistic time scales and deadlines, who do you need to speak to?

Work out how best to communicate your plan and who needs to know?

Record and minute all meetings and agreements

Make it happen, don't give up when it gets too difficult

Don't be afraid to challenge or change your advisers

Good luck