

# Saviours Guide to Succession

VISION • COMMUNICATION • COLLABORATION



# Contents

Disclaimer	
Contributors	
Foreword	
About the author	
<b>Chapter 1</b>	
Introduction	?
Reason for avoiding succession	?
The 6 D's that spell disaster for your farm	?
Guide to succession planning	?
The do's and don'ts of successful succession planning	?
<b>Chapter 2</b>	
Communication	?
Arranging and running family meetings	?
Check list for family meetings	?
Managing disputes	?
Family agreements	?
<b>Chapter 3</b>	
Getting your profession team together	?
How to choose your advisers	?
Check list to help you chose your advisers	?
What to expect from your accountant	?
• Lawyer	?
• Financial adviser	?
• Consultant	?
• Facilitator	?
Check list of all that should be covered or asked by your legal team	?
<b>Chapter 4 - Case studies</b>	
Example 1 - Mr. McTavish dies without a valid Will. He has died "Intestate". He is survived by Mrs. McTavish and their 2 children.	?
Example 2 - Valid Will, Farm held by Partnership	?
Example 3 - Partnership Issues	?
Example 4 - Mum and dad put in place Wills 30 years ago when the children were young, leaving everything to each other, whom failing the three children equally. No powers of attorney in place.	?
Example 5 - Mum owns a half share of the farm and her two daughters own a quarter each	?
Example 6 - Larger Enterprise:	?
Example 7 - Smaller enterprise	?
Example 8 - Generational conflict	?
Example 9 - Parents ready to retire	?
Example 10 - Fall out between on farm and off farm children	?
Example 11 - Concern about profitability	?
Example 12 - Decision to leave and sell the farm	?
Example 13 - Father /mother feeling over committed	?
Example 14 - Unhappy daughter in law	?
Example 15 - Divorce	?
Example 16 - Concern over father's new wife	?
Example 17 - An accident or illness forces retirement	?
<b>Chapter 5 - Check list</b>	
Are you fit to retire - questionnaire	?
Plan for your retirement	?
Is your business fit for succession - questionnaire	?
Are you ready to retire – questionnaire	?
Is the successor ready to take control – questionnaire	?
The numbers game – how much money will you need to retire?	?
<b>Chapter 6</b>	
Components of a succession plan	
• Check list	?
• Governance	?
Preparing the next generation.	
• Who is the best person to take over the business??	?
• What skills will they need?	?
• Is the business viable for someone to take over?	?
Conclusion	
Executive summary	
Testimonials	

## Foreword

**Succession... this simple word seems to put fear and dread into many. Why? Why is it so hard, why are people afraid to discuss it? Why does it generate so much emotion in so many? How can it hurt and destroy some and yet empower and release others?**

Believe it or not but 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.

My aspiration for this publication is to enable people to approach their own family succession in a calm, structured way, before family fall out, allowing everyone in the family the opportunity to speak up and to share their hopes and expectations. For each business to tailor make their own succession plans in a way that works for them. Giving the retiring generation the reassurance that the farm has been handed over in a professional manner so that they can retire with dignity, in a home of their choice and be able to live independently of the farm. 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 aspiration also covers the wellbeing of the off farm children, fair does not mean equal and the sooner this can be discussed the simpler it is too resolved and expectations managed.

My hope is to encourage 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 55. This allows you time to plan for your retirement, you may wish to never leave the farm until the day you die, which is fine this is your right, 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 early also allows you the opportunity to hear what you're off farm children wish from the business. If they too wish to come home to the farm is the farm 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. Then keep reviewing the plan as situations and circumstance can and do change.

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?

## Disclaimer

I Heather Wildman am not an accountant, lawyer or financial planner. But I am passionate about helping people and helping farming families. This publication has arisen through an identified need during my work with young farmers, discussion groups and 1:1 family coaching sessions. Following this I had with discussions and consultations with professionals such as accountants, lawyers, bank managers and advisers who all agreed that currently there is no such thing as a simple step by step guide to help people approach their own succession. After a study trip to Australia researching family Succession I have consolidated my findings into this step by step guide on how to approach your family business succession. This book is an accumulation and summary of many great publications that I have read, authors who I have met and advice and recommendations from experts and farming families who I have interviewed on my travels

I accept no liability for any loss whatsoever including consequential loss suffered by you arising from information provided in this book. No person should act on the basis of the contents of this publication without first obtaining specific independent professional advice.

All the information, ideas, skills and concepts contained within this book are of general comment only and are not in any way recommended as individual personal advice. The idea of this publication is to offer a broad variety, example and information to provide a range of choices now and in the future, recognising that every business and family all have very different circumstances, view points and expectations. Should anyone choose to make use of this information contained within this publication, this is their decision and the contributors (and their companies), authors, and publishers do not assume any responsibility whatsoever under any condition or circumstance. It is always recommended that the reader obtains their own independent professional advice.

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Due to the risk of forgetting to mention someone I have elected not to name everyone who I have met and interviewed individually during my research, but many thanks must go to all of the experts, families and professionals who I have spoken to me on my travels and in my research, who offered me their advice and their significant contributions and to the huge amount of people who gave up their time, stories, hospitality, material, resources and expertise so willingly and enthusiastically. The support and encouragement for the completion of this book and this topic has been overwhelming, I thank you all and I do hope that this book is helpful to many others.



## About the author

Heather Wildman is a farmer's wife and daughter. A Cumbrian Girl born and bred – Brought up on family sheep and beef hill farm in the lake district and now living and working in Scotland for over 17 years.

Heather has used her entrepreneurial skills to build a businesses and to create a lasting impression. Heather offers a fun and unique glass half full approach combined with an ability to keep up with industry changes and challenges.

Heather provides a comprehensive network of industry contacts, from political to grass roots level. She has a reputation for getting things done, for being able to help individuals and businesses collaborate with others to achieve stronger, more lasting impressions and results.

Heather is highly motivated, passionate and a straight talker, who is not afraid of tackling difficult and sensitive issues and situations but who always ensures that trust, respect, values and confidentiality are respected.

With over 25 years' experience of working with both farmers and industry in Scotland and the UK. Heather also has an International network having worked around the world, through her developing career and Nuffield Farming Scholarship travels in 2012 where she studied "Communication – influencing and motivating change"

# Saviour Associates



## Chapter 1 INTRODUCTION

This resource has been designed to help you and your family to prepare and plan for your own succession. This book has been brought together with the help and support of leading UK and Australian professionals to help you to prepare for questions and considerations that your advisers will need to know so that you come out with a plan that works for you and yours, meeting both personal expectations and aspirations but also ensuring that financially these obligations and expectations can be met.

The aim of this guide is to help you quickly and easily access the information, advice and guidelines that you need when you need them. Some people will read the guide from front to back. Some will just go to the relevant chapters that interest them. This resource should be used to also keep a copy of your wills, power of attorney, most recent business accounts, succession plan and any other relevant legal paper work associated with addressing your succession so that when you have a meeting with your lawyer, accountant, bank manager or legal adviser you have everything at hand in one place

The aims of this publication are to increase understanding and to stimulate conversation and communication about succession planning between family members and also with their professional advisers.

The sooner you start the more options you will have ahead, it is never too soon, but it can be too late.

Start by addressing these several questions:

- When will succession happen?
- 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?
- What are your expectations for retirement: financial, housing, to stay on part time?
- How will you avoid crippling your successor / farm with debt?
- How will you communicate regarding 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 see what happens?

Good luck for your succession, it's time to stop looking down towards your wellies and instead to look up and forward and plan you're 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.

“Change won't happen until the pain of staying the same is greater than the pain of change”

### 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 Hard

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. You will see later in the book that there is a lot of work involved in succession planning but all the elements of the plan help you build a stronger business while looking after the needs and aspirations of family members.

#### 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.

#### 5. Not Their Job

Who has responsibility for the succession plan? That's a good question. 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, take this away and they fear the loss of purpose and identity. From being “The Boss” to just “the old man”! Also what will the neighbours and my peers think, will this alter my relationships and status? Will they think I am past it? What will I do with my time, will I be bored, and don't retired farmers just give up and die?

### Common triggers for succession planning include:

- New members, school leavers, joining the business
- A family member marries
- Starting a new family
- A family member wishes to retire
- 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 discontented family member

Problems occur when expectations are not met.

## The 6Ds that could spell disaster for your farm

Disaster can strike at any time if you're a farmer. And in family farming life, there are six major events that can totally rock your world and potentially destroy your business. The potential of these disasters alone should motivate you to work on your succession plan.

Here are the 6Ds that could impact your farming business:

### 1. Death

A farm would continue to operate if a spouse dies who does not work on the farm. But what happens if the person who manages the farm and does much of the labour dies? This would totally change the way the farm is managed and operated. Life insurance can provide protection for families and the business in the event of death and is worth looking at for your family.

If a rented farm, what happens to the tenancy lease? Some agreements require notification within 30 days or you can lose your tenancy!

### 2. Disability

Farming is by nature a risky business and accidents can easily happen on farms. According to statistics, farming is one of the most dangerous jobs in the country. Sometimes these injuries are short-term and the person can recover enough to continue working on the farm.

Other times, these injuries create permanent disabilities that mean the person can't work on the farm like they used to. Whatever the case, you still need to have a plan in place to

deal with the potential of disability. You may want to look at getting disability or income protection insurance for the key family members. Of course, prevention is critical, so having good practices in place to minimise the risk of injury and accidents is very important.

### 3. Disaster

Natural disasters happen all the time. Floods, fires, disease and droughts. Mother Nature can throw anything at us at any time. There are also other manmade disasters and so called acts of God that can spell disaster for your family. You need to be ready with an action plan to deal with disaster before it strikes.

### 4. Divorce

Divorce can create a lot of problems for the farming business as you've probably seen in your own community. You can have a pre or post nuptial agreement that stipulates where assets will be distributed upon divorce which can protect the farming business in that event.

### 5. Disagreements

Farming is stressful and major disagreements can really destroy a farming business. There are lots of reasons why disagreements occur. Generations might disagree on how things should be run. With multiple families involved in running the business, there will be different expectations. Circumstances change and children get married and have their own children.

Acknowledge that major disagreements are almost a certainty if you farm long enough but they don't need to spell disaster for your farm if you have strategies in place to deal with them if they arise.

### 6. Debt

The level of debt the farm is carrying will also have an impact on the stress levels in the family. Many farmers are excellent at manging the land and caring for their stock but some are not naturally skilled or experienced in running businesses. The level of debt that you are comfortable with will vary between people and businesses. If too much debt the destiny of what happens may be out of your hands

These 6Ds pose potential risks for you and your business and should motivate you to get started on your succession plan.

## Guide for succession planning

There are a number of guiding principles to keep in mind when you embark upon the succession planning journey, including:

### 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.

### Think lose-lose

Aim for a lose-lose outcome where the succession plan is a mutual compromise and benefit for each family member where possible. Value and respect people by understanding a “win” is ultimately not a better long-term resolution if only one person in the situation had gotten his or her way.

### 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 lender/bank, etc.

### 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.

### Be the Victor not the Victim

Be the Victor by taking ownership, accountability and responsibility for your actions, thoughts and emotions. Do not be a victim where you blame others, make excuses or live in denial.

## The Do's & Don't's

### The do's

- 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 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 actually viable in the long run?

- Become educated about succession planning — take workshops and seminars, read articles and complete self-assessment questionnaires related to succession so that you are an active participant in the planning process. (And read the rest of this book!)
- 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's 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 legal will early. A will can provide guidance on how the estate should be settled.
- Generate and discuss various options. You can narrow these down over time but in the beginning have a big brainstorming session about possible options.
- 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 from your team of advisors. This is your family's plan, not the advisors. Family members have to buy into the plan for it to be successful.
- Consider the 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 and effectively while considering the 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.

### The Don'ts of Succession Planning

- Don't procrastinate - start the process now.
- Don't be afraid to ask questions and listen to the answer, no matter how uncomfortable some of the answers might 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.