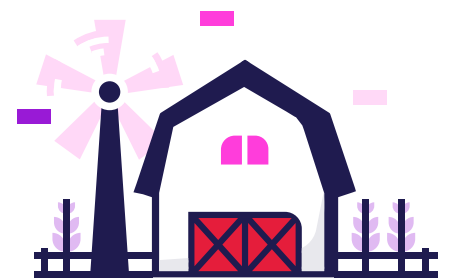


HOW TO START SUCCESSION PLANNING FOR YOUR FAMILY FARM

Handing down the family farm to the next generation is a process as old as farming itself, but one many Australians still struggle with today. On top of clear communication and approaching things with an open mind, successful succession planning involves arming yourself with information about the legal and tax side of transferring land, income and assets, then setting up plans and structures to do so.



Why do many farmers struggle with succession planning?

Succession planning can be a prickly subject to navigate, with emotion, expectations and tradition in the mix. Even today, succession plans can revert to old-school ideals that prioritise sons and leave daughters with a far smaller share of the family's assets. These factors, as well as the increase in scale required for farms to stay viable only make things more challenging and often result in properties being split into smaller farms or passed on with a debt burden. Navigating this and attempting to grasp the legal and tax elements of succession planning can be a minefield. Here's how to start.

1. Start by talking it out

As those who've been through it know, smooth and seamless succession planning relies on continuous communication between everyone involved. A good way to open the discussion is to start with a family meeting. For impartial

support, you may want to engage a mediator with experience in this space. Sit down with everyone – including non-farming partners and children – and share each person's hopes and expectations for the future. Start slowly with this initial meeting but be prepared for more throughout the process to align on the ins and outs of the plan. Coming equipped with details of your property's cash flow, the possible risks and opportunities on the horizon as well as financial forecasting information makes the bigger picture clear for everyone.

Remember, if you're going to be handing the reins over to someone new, they need to feel empowered to set their own goals. Simply writing up a handover document for them to obey isn't going to cut it because research suggests **younger farmers differ from previous generations** in that they prefer open communication, collective decision-making, and are more likely to seek professional advice. If you haven't already, you'll want to engage a good accountant, lawyer and financial planner. Plus, a dedicated agricultural consultant with experience in succession planning can ensure no detail is missed.



2. Provide support and guidance

Whatever type of farm you run, your successor will have a lot to learn, especially considering the rapid growth of technology in the agriculture industry. Context is an enormously important part of your handover and the next generation will need your knowledge to move forward, whether that's teaching new skills, sharing responsibilities, or simply telling stories about your approach to your work and your experience over time.

Also, consider taking advantage of mentoring programs such as [The Graeme Acton Beef Connections Program](#), which helps foster future leaders in the beef industry. The program helps young farmers achieve their goals by pairing them with an industry-recognised mentor and offering other training and personal development opportunities.

3. Consider your handover options

Succession planning isn't something that can be rushed. If you have the time, a slow and steady handover may help you minimise tax while also having the added benefit of training and support for the younger farmer. This could include a buy-in spread over a decade or more or, if your successors are working for you, an agreement trading lower wages for a gradual handover of equity.

Alternatively, increasing the younger farmer's wage can allow them to start covering any mortgages, equipment maintenance or other expenses as they gradually take on more ownership. Work out which process suits you and your successors, then nut out a clear and detailed plan, including timings and milestones, and have everyone involved agree to it in writing.

4. Include risk management

Remember, any handover arrangements must include a detailed contingency plan in case the successor decides to opt out. For many farmers, wealth is tied up in assets and there isn't a lot of cash to spare. Chances are, your life's work

involves facing seasonal unpredictability, so you're already great at [conservatively managing risk](#) and being prepared to face times of downturn.

Your succession plan needs to include estate planning to cover the transfer of ownership of your assets as well as the business transition from a management perspective. Think about the property and your assets as separate to the business to give yourself more options. But think beyond the farm - you need to set yourself up for retirement, which means having a steady flow of cash support to draw on. This is where your financial planner will be able to help.

A golden opportunity

If you are planning to pass on your life's work to your family members, it's likely you'll share a similar outlook and capabilities. Take this opportunity to evaluate whether you need to bring a new skill set into the mix to shore up your business for the future. Proactively building on your existing capabilities with new skills or fresh thinking will help you and the next generation innovate and adapt to the changing agriculture industry.

When it comes to succession planning, the stakes are high when business and family are so intertwined. That's why clear communication and providing help and support to younger farmers is so vital to success. Even the best-laid plans can go awry, but this isn't a reason to avoid making them. All you need to get started is to open up the discussion, engage the experts, gather the legal and tax information that's right for you, and be open-minded and ready to offer support.

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