

Tips for Succession

Lack of a robust succession plan is the biggest threat to the survival of the family farm. Succession will happen - none of us get out of this alive! Therefore it is important that succession is a part of your business plan and is discussed with all concerned. This will ensure that if unexpected events happen there are no nasty surprises that could threaten the business and family relationships.

1. Plan for succession as soon as your children are born. This means that there is time to ensure that all children are treated fairly without endangering the core business. Questions to ask are - what if they all want to farm? if some don't want to farm what can I do to help them get a good start in life? These questions will help you make sensible decisions at every stage.
2. Talk about succession with the family frequently and openly so that it does not become a taboo subject. Include all family members who are linked to the business including in-laws. Be honest and don't raise unrealistic expectations that may cause problems in the future.
3. Have a proper plan for retirement. What does retirement mean to you? Put a date on when you will be stepping back from the responsibility of running the business. Do you still want to be involved in the business. If so what will your role and responsibilities be? Where will you be living? Have you enough pension? If not where will the top up for the pension be coming from? If it is from the family business work out exactly how much will be needed each year so that it can be part of the business budget.
4. Everyone should have a Will – no excuses! The contents of the Will should be discussed with the beneficiaries. It is very unfair to expect the next generation to commit to the business if they are not sure of succession.
5. If a young family member is coming back into the family business, have a proper plan of integration. This will include where they will live, what hours they work, payment, responsibilities and how to include them in the decisionmaking.
6. Lack of proper communication is the number one cause of conflict in family businesses. Having proper, regular, business meetings will help with effective communication between everyone working within the business. Make someone responsible for ensuring these meetings happen. Decide how often to hold the meetings and how long they will last. Also decide how to record and share decisions to ensure clarity. WhatsApp is a good option.
7. When considering succession, the assets and the business should be thought of separately. A family member can become part of the business before having a share of ownership of assets.
8. Consider Power of Attorney for those in the business. Get good advice from your solicitor about this.
9. It is good business governance to review succession at least once a year to ensure that everything is on track and consider any changes that may have happened.
10. Use good professionals at every step. Always check with a tax expert before taking any course of action. Always have a proper partnership agreement. Having a clear idea of what you want to achieve means the professionals can work to what you want far easier. However remember succession is not just about tax. Any plan has to work for the family.



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Tips for Young People going back into the Family Farm

Deciding to come back into the family farm deserves far more thought than it is often given. In lots of families there is an unspoken expectation that the person who is keen on farming will join the business at a future date. When that time comes little is said of how that person will be integrated into the business and if/how/when the business will eventually pass to them. In fact little is discussed at this time and wrong assumptions are often made. Years down the line the result of this lack of planning is often the loss of good family relationships and people feeling they have wasted the best years of their working lives.

Things to consider -

- Why do you want to join the family business? Because 'you can't think of anything better' or 'the family expect me to' are not good reasons! Clarity in this means you are prepared for a meaningful discussion on how you would fit into the business.
- Should you go to work for someone else after education? This demonstrates to your family and importantly to yourself that you have skills and experience to offer the business. It may also give you the ability to acquire capital to grow the size of the business to accommodate you.
- Often young people don't want to appear ungrateful by asking questions about their future role and expectations. However if you find it difficult to discuss these issues, will you find it difficult to work together? These are fundamental questions and if you cannot discuss them as a family then you have to ask do you have the capacity to sort out future succession issues and run a successful business together in challenging times.
- Do you get on well with family members currently in the business? If you don't, going into business together is not going to work and your relationship will deteriorate even more.
- What if it doesn't work out as planned? How will you know? What will you do? Have a plan for this to give yourself options.
- Is there a planned path with dates on when you will take on various responsibilities in the business?

Communication is the key

The key to a successful collaboration is good, clear communication. Here are a few tips.

- Have several family meetings to clarify your role before you commit to the business. Sort out payment, living arrangements (do not live within sight of the previous generation!), responsibilities and a timeline for complete succession. If you find this difficult use a trained facilitator.
- Hold weekly or fortnightly organisational meetings so that you are integrated into the running of the business and share the decision making.
- Hold an annual strategic meeting where you assess the last year's performance and set targets for the next. This can involve your advisor, accountant or bank manager. This is also the time for you to examine how your succession plan is working and implement changes if needed. Succession plans are living documents and can change with circumstances so it is important to revisit them and revise if necessary.



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- If you need professional advice on the tax or legal implications of succession make sure you have had a family meeting to clarify what you want to happen. You can then go to the professionals with your agreed plan and they can advise you on how to implement your plan. Going to the professionals first and trying to make your plan fit to their advice is the wrong way round!
- When discussing succession separate the ownership of the assets from the responsibility of running the business because they do not have to happen at the same time.
- Get good advice on business structures from specialist advisors.
- Set a date for when you intend to retire. This creates a smooth pathway for another generation. It also means you will tend to make the best of your time. Don't lose your hobbies. You will need to have something to do when you retire!! It's your generation's responsibility to make sure succession in the future is a smooth effective process and not the taboo subject it is today.



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