

# Farm Succession Planning



*"It's the most difficult decision of my life to share the farm evenly so that all the family are going to be happy... it's very difficult to share a family farm."*

Eddie Hooper,  
beef farmer, Wangaratta

Succession planning is an issue that eventually faces nearly every farming family. It involves the transfer of the ownership and management of the farm. The successful outcome of any succession plan will be designed to meet the needs of all family members and ensure a viable and sustainable farm for the future.

Sometimes succession planning can seem like a huge task, with too many difficult decisions. There may be a risk of conflict or disagreement, and this can discourage families from starting the process. One approach is to break it down into bite size tasks that can be shared between family members. It can be useful to seek the assistance of a succession planning professional. The sooner these decisions are discussed, the more choices are likely to be available to the family. However it is never too late to start.

When families ignore succession planning, they may find that they are forced to sell assets in order to free up money to settle an estate, or to deal with family disharmony.

## The Planning Process

### 1. Gather all the background information

It is useful for everyone involved in the planning process to have a clear understanding of all the people in the family, the past history and current financial position of the farm. If this is written down, it is easy to communicate between family members and to your professional advisors. One person could take responsibility for gathering this information for the family.

Details to include are:

- The family – create a family tree showing the age and relationship of everyone in the family.
- The farm – draw a map of the farm and write a short history. Include the title boundaries and ownership details.
- The business – list all businesses involved in the farm, their structure and the people involved. You could include a short history of these businesses and how they may have changed over time.
- Financial position – prepare a statement listing farm and personal assets and liabilities.
- Collect the past 5 years tax returns and prepare a cash flow budget for the next 12 months.
- Write down any other factors that are unique to the family, farm and business that need to be taken into account in the succession plan. This may include gifts given to children in the past or special circumstances of individual children.

### 2. Clarify the main priorities

The legal land owners need to decide what is most important to them. These priorities form the basis for future discussions.

- What do the land owners really want to happen to the farm?
- What are the needs and desires of the children?
- What are the owners' financial needs for the future?
- What are the financial needs of the children for the future?
- What involvement would each family member like to have in the farm business?
- What are the tax implications of the decisions?

*"We've always known that the business was here if we wanted to come back to but we weren't obliged to come back to it. It was our decision and we've been really lucky in that we've had all the support we've wanted."*

Ben and Toby Acocks,  
cereal farmers, Rochester



### 3. The first meeting

At some point everyone who may have an interest in the farm needs to be included in the consultation process. People who need to be considered and consulted include the owners and their spouses, farming and non-farming children and their spouses. You may want to hold a meeting right at the very start of the process - that way everyone will know what is going on, and you could share tasks between those involved.

If you have family business meetings, it is highly recommended that you use a professional facilitator. They will ensure that everyone gets a fair hearing and that all the important issues get discussed. It is essential not to assume that you know what everyone wants - their situation and desires may change over time. There can be a degree of conflict within the family or extended family and using an independent, skilled facilitator will give the meeting the best chance of success and a positive outcome for all involved.

A successful first meeting will finish with everyone knowing what is important for each individual and will come up with a broad direction for the future. There will also be a list of actions that will need to be taken to formalise any decisions.

### 4. Investigation

Once you have a broad idea of what everyone wants, it is time to consider the range of options. You will probably need to undertake further research into possibilities and it is suggested that you consult with professional advisors such as your accountant and solicitor for more detailed specialist advice.

A range of options can then be developed. For each option, it is essential that you consider the following:

- Is the option suitable and practical from a family and business perspective?
- What are the financial and people consequences of this option?
- Which options give the best outcome for the family and the business?
- What are the tax implications of the decisions?

Often the way a decision is made is just as important as the decision itself. If everyone is included in the process, listened to and had a part to play, they are likely to be more comfortable with the outcome. Most succession plans fail if they do not include everyone in the consultation and decision making process.

*"There are plenty of stories, or examples, of families that aren't even on speaking terms when they have finished. And that's not an option."*

Ben Acocks, cereal farmer, Rochester

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### 5. Decisions

You will probably need more than one family meeting to discuss possibilities and options. Again it is recommended that you use a professional facilitator to ensure that the meeting runs smoothly. Often a person's position may change once more information and options have been considered, and they have heard and thought about what others want.

When all options have been canvassed and agreement reached, it is then time to put the plan into practice. It might be helpful to list tasks that need to be done immediately and those to follow up at a later stage. If this is put in writing, it is easier to track and to make sure nothing gets forgotten. It is wise to review your decisions whenever a significant event occurs or at least every couple of years.

Succession planning takes time and it can be stressful and emotional for those involved, however ignoring the issue may do more harm to families than going through the process and coming up with an agreeable situation for all.

#### Where to get more information

There are some publications about farm succession planning and an increasing number of short courses and seminars.

- Rural Financial Counsellors provide free, independent and confidential assistance to farmers and small rural businesses. They can assist you with collecting the background information and with referrals to other organisations. To find your local Rural Financial Counsellor in Victoria go to [www.vtarcg.org.au](http://www.vtarcg.org.au) or call 136 186.
- *There is still a life after farming* book is available free of charge from the Department of Primary Industries on 136186.
- *A guide to succession – sustaining families and farms* produced by GRDC is a free publication available from Ground Cover Direct on 1800 110 044. (Postage and handling fee \$10).
- Your accountant or solicitor may be able to assist you, or could suggest local experts with a good understanding of succession planning.

If you would like to receive this information/publication in an accessible format (such as large print or audio) please call the Customer Service Centre on: 136 186, TTY: 1800 122 969, or email [customer.service@dpi.vic.gov.au](mailto:customer.service@dpi.vic.gov.au)