



## Legally Speaking



# A robust succession plan

Taking a step back from the daily management of the family farm can be a difficult stage of life for some parents, particularly for those considering the transfer of farming assets to the next generation.

**with Mia Hofsteede**  
Helmore Stewart Lawyers

With the rise in property values, interest rates and farm working expenses, the ease of the next generation raising sufficient equity to enable a fair and equal succession is becoming increasingly onerous. As a result, succession is often delayed until later in life or avoided altogether.

Succession is a process which involves the whole family and should result in a member of the next generation taking over the farming operation on terms agreed by parents and their children.

Involving trusted professionals such as a bank manager, accountant, farm advisor and lawyer from the outset will assist with the bringing together of viable and appropriate individual and family viewpoints.

Trusted professionals can provide an objective view to the existing profitability of the farming operation and the viability of economic growth.

A farming operation in the midst of succession will likely need to financially support

the exiting parents (such as the purchase of a property off-farm and sufficient ongoing maintenance payments), enable a distribution to non-farming children and have the ability to raise sufficient profit to encourage the success of the farming operation in the hands of the next generation.

The existing financial books will need to be sufficiently healthy or the farming operation will need to have scope for economic growth to support the period of transition.

Engaging these trusted professional early can iron out the viability of succession for a family. Early discovered flaws may be able to be remedied with time and it may be that a restructure of assets is required.

For example, if a lack of non-farming assets is preventing a more equitable succession, time may enable the purchase of these assets or alternatively, it may be that a company or trust structure can enable a progressive transition of equity from one generation to the next.

In some situations, the financial position of the farming operation may mean that succession is simply not viable and the farming



operation may need to be sold instead of being transferred to the next generation.

Although this may be a heavy conclusion, families are better to be aware of the long-term outcome. For children, it is particularly important that this discovery occurs at an age where they might look to alternative opportunities.

The rural team at Helmore Stewart believe that the early commencement of succession planning (often with delayed implementation)

coupled with the right approach, can result in succession that adequately meets the goals of each unique family.

An assessment of the operational, financial, legal and accounting aspects of the family farm can provide for an all-round robust succession plan. A robust succession plan is one that encompasses a changing landscape and fits with each family's goals and aspirations, as opposed to being a model that the family must fit into.