



## **Succession Planning – The sooner you start planning for it the better the outcome**

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Succession Planning – To some it's a dirty word that conjures up feelings of fear and anxiety, for others it's a conversation/process that can't be talked about or started soon enough.

So what is it and what's involved?

When it comes to family farms and the farming business, succession planning is the discussion/planning of how the business and its assets may continue to be used and operated by the next generation. Sounds pretty simple on the face of it, so what's the big deal?

The big deal is that it is usually a once in a generation event and that there are large consequences involved if you get it wrong

The horror stories you hear include potential preventable capital gains tax and stamp duty liabilities running into the hundreds of thousands of dollars, disputed unfair outcomes and family breakdowns. So what can be done to try and mitigate some of these risks?

The first thing that everyone will tell you is how every families situation is different and that there is not a one size fits all approach that will work, which is 100% on the money. In saying this though there are some things that most successful succession plans have in common:

- Communication – An open line of communication is vital, everyone needs a safe space to voice their opinion and to feel like they are being heard.
- Timing – In most cases this isn't a two day event. Communication needs to start early so that everyone is pulling in the same direction a long way before the plan is actually enacted. Most problems arise when people assume that they were promised something or have earned a right when no such discussion has ever taken place. A proper succession plan is usually years if not decades in the making.
- Compromise – If Jack can't get over the fact that Bob took an extra weeks holiday 5 years ago and Bob can't get past the fact that Jack's house has a 20m shed when his is only 15m then we aren't going to get far. Some of these points can be valid but the bigger picture always needs to be kept front of mind. Draw a line in the sand on the smaller issues that have arisen over the years and move past them.
- Knowledge – It is important that those involved have a good understanding of what is happening. From trading structures, to where land is held to potential exemptions on offer, as the saying goes "knowledge is power" and in this case a good understanding of your situation can help put a lot of unwarranted fears to rest.

In finalising the process, the technical side of things while complex is usually the easier part. Capital gains tax, stamp duty, mortgages, wills & estate planning, family loans, heads of agreements, retirement planning, long term budgeting, investment advice, Centrelink advice, disparity of assets (on farm v off farm), asset protection, off farm siblings - All these things need to be considered and require a different skillset. As such, a proper plan is likely to involve multiple people and professionals,

including but not limited to your accountant, financial planner, bank manager, solicitor, and farm advisor.

While that takes care of the technical issues it still doesn't cover off on the emotional aspect. Succession planning is usually a highly charged time in our lives and from experience I can say that the main hurdle facing most family plans is working through the emotive side of things. 90% of the time things go quite smoothly due to discussions and plans that have been talked about previously, for the other 10% it may get to the stage where it's worthwhile getting a family counsellor in to help resolve some of the underlying issues. As previously stated a lot of the little gripes that have been building over the years may need to be left at the door in order to get a desirable outcome.

At Byfields we have been working through these issues with our clients quite successfully for a very long time now. We have a solid process in place that stresses upon knowledge and communication. If you are interested in the services we have to offer or simply want a second opinion regarding advice you have already sort, please don't hesitate to get in contact with us as we are more than happy to help.

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