



SUCCESSION PLANNING FOR

FARMING FAMILIES

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DEALING WITH FARM SUCCESSION CAN OFTEN BE VERY CONFRONTING AND, FOR SOME, QUITE STRESSFUL.

by Wayne Turner, Carrick Aland Managing Partner

Failure to appropriately address such an important family issue is unlikely to deliver an acceptable outcome for anyone!

Whilst being a common thread of desire, weaved into the psyche of many farming families, the concept of business custodianship for future generations is often difficult to translate into reality. Personal fears and insecurities, family dynamics, economic and financial realities are often cause for procrastination that clouds commitment to the underlying desire, resulting in family disharmony and even business “gridlock”.

On a positive note, though, many farming families that proactively recognise business succession as an ongoing process continue to bathe in a glow of united achievement and satisfaction. Having armed themselves with a well-considered planning framework and a willingness to confront personal challenges and possibly uncomfortable conversations, they have achieved an almost seamless succession with minimal angst, family or business disruption.

In our series of articles, Wayne Turner highlights the elements of a successful succession planning process which he subscribes to in assisting farming families with this transition. But he emphasises that the first step must come from within.

The term ‘succession’ literally means to take over a role from someone else or succeeding someone else in that role. It is not about a revolution or a coup!



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In a family business environment, it tends to mean the older generation stepping back, if not stepping out, when it comes to their level of business involvement and the role they play. With current technological advancements in farming and grazing practices there is often a very real advantage for the enterprise in encouraging multi-perspective input, fresh ideas and a renewed energy injection from the next generation. By the same token, smart successors recognise the value of experience, the need for a balance between personal autonomy and continuing connectivity for older generations and join with all in approaching the process with respect for the objectives and desires of others.

We do need to recognise, though, that some individuals, in the midst of intricate family dynamics, overlaid with competing objectives and desires, will be tempted to find personal comfort in deferring a 'stepping back' or a 'stepping out' for as long as possible. But, as we often see, by failing to commence a transition they could not only be missing out on the business advantages that can come from nurturing and developing another level of management autonomy, but also run the risk of missing out on real financial opportunities that have the potential to deliver a significantly enhanced the outcome for all.

In addition, when considering the need and timing for commencement of the succession process, there is often something to be said for “tending to your own housekeeping”.

Every family situation comes with a mix of challenging interpersonal issues and business circumstances that have evolved over time and inevitably will require some thoughtful management in a business transition scenario. But the smart leaders of their families realise that it is best to be proactive and set about managing those difficult issues during their lifetime, rather than leave their family and their family business without direction, should the unexpected occur.

Family businesses can tend to develop structurally for any range of reasons, and it is not uncommon to see business structures determined purely from an efficient tax planning point of view. Accordingly, whilst those structures may work well for that purpose, they can end up with financial and legal implications that do not necessarily align with how family dynamics have evolved. Those business structures typically start out ensuring multiple family members are involved, but with the passage of time, that practical involvement may have come to an end or significantly changed. Individuals develop interests away from the farm, but they may still find themselves structurally, financially and even emotionally connected.



“People need to look at their current family dynamics and business structure and assume responsibility to avoid an unworkable ‘mess’ for successive generations. In assisting farming families looking for a pathway forward, we are prompted to ask what this interaction of family dynamics and structure means, what the implications are for the successors going forward, does it create unrealistic expectations and is there something that needs to be sorted out and dealt with whilst those family members best positioned to do so, are able to make those decisions”.

WAYNE TURNER

Appropriately this responsibility tends to fall at the feet of the older generation. If tackled early they seize the opportunity to convey to all family members their reasoning for the essential decisions, impacting individual opportunity and equity, that may be perceived by others as unfavourable or unanticipated. At the same time a proactive approach provides peace of mind and satisfaction, in knowing they are not ‘passing on’ an arrangement or expectation that hampers the ongoing business fortunes. These can be challenging family conversations but, by engaging in them early within a structured framework and allowing sufficient time for contemplation and digestion, a level of amicable understanding and acceptance is more likely achieved, than where individual family members or even a surviving spouse are left wondering.

“In relation to spouses and on a practical note, I think it can also be safely said that couples, in tandem, tend to deal with decisions that impact upon the future of their family, more effectively and with less stress than the individual alone. On their own and without emotional support, often succession decisions become more challenging with the remaining spouse left to continually reflect on ‘I think this is what he/she would have thought!’”

Do not leave planning for farm succession too late – there is a lot of good to be achieved when it is taken on proactively and within a structured process. Having wholesome conversations that discover the objectives and desires of all involved and dealing with challenging decisions without delay makes the process, that future articles will seek to expand upon, much easier and rewarding for all.

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By proactively planning for the handover of your farm business and related assets, contemplating the future needs of family group members, borrowings and appropriate entities, be prepared for the unexpected when it happens and gain certainty for the next generation wanting to take over the family business. Wayne Turner understands the difficulty in starting those conversations.

