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Blog: Keeping it in the family – succession planning advice for farmers

Succession planning is essential to protect your assets, your business and your family – our **tax planning, trusts and wealth management expert** [Ian Naylor] tackles the common pitfalls and main issues which need to be considered when addressing this sensitive subject.

Understanding most farms are family homes and businesses, succession planning can be a difficult challenge involving multiple generations and a desire to avoid conflict.

Yet the reality is that a large majority of farming businesses can only support one successor, so a succession plan is required not just to ensure business continuity but also to deal with events such as **death**, **divorce**, **disputes** and **taxes**.

Ian says: "The key challenge is to try and get people to think five to 10 years ahead. This means establishing a family ownership and occupation strategy.

"Individuals must be honest about their ambitions and objectives, which may not always turn out to be what other family members expect.

"Once everyone's objectives are clear, then you can consider whether to keep things together as one business or to split it into different business interests."

First steps:

- **Review** – drawing up a succession plan requires a thorough review of the farmer's assets; the land, the buildings, the business, the stock and machinery and the interests in any separate trading enterprises, as well as any assets outside of the farm, including, possibly, pensions and life assurance. Everything should be listed and valued stating who owns what, what are partnership assets and what is owned by individuals or companies.

- **Requirements** - it is essential to be clear about the roles, responsibilities and objectives of successors as soon as possible. The biggest hurdle will usually be how to provide for a retiring generation and/or non-farming family members. Pensions play an important part in succession planning. They can provide a source of income for the older generation which may allow them to take less from the business.

- **Risk assessment** – assess the principal risks which are often capital taxation, unwanted legal rights claims following the death of the farmer, and the possibility of matrimonial difficulties where value might be lost to divorcing spouses. Your goal is to prepare for these changes in a way which will allow for the greatest preservation of assets.

What next:

- Make sure that all members of the family involved in the business have **valid wills** and, where appropriate, **a partnership (or shareholder) agreement** is in place. This will ensure the ownership of the business ends up in the right hands at the right time.

- When giving assets away, consider what would happen in the event of a son or daughter divorcing in the future. **Pre-nuptial agreements** can help protect the family business. Getting the right legal advice in this area is essential.

- **Inheritance Tax,** associated **Agricultural Property Relief**, **Business Property Relief** and **Capital Gains Tax** all have an impact on your succession plan. Careful **tax planning** is essential to maximise any reliefs which are available so farmers can exit the business in the most tax-efficient way possible so make sure you take professional **financial advice**.

Other considerations:

- The timing of the handover
- How to equip the successor with the experience and skills they need
- Making sure the succession plan is communicated to suppliers, buyers and the bank

Are you in the process of planning for the future at your farm? Ian Naylor and Rob Fearnley here at Bowcock & Pursaill Solicitors can help you with everything from tax planning to trusts, wills and property arrangements. Call them today on 01538 399199/01889 598883 or email icn@bowcockpursaill.co.uk or rf@bowcockpursaill.co.uk