

Succession Planning - How to remove the elephants from the room

So how do you remove the elephants from the room when it comes to succession planning? Perhaps we can use a technique from business circles known as a 'premortem'.

It involves imagining at the start of a project that it has failed, allowing those involved to visualise why, so revealing the potential pitfalls and allowing them to be avoided.

It's a way of anticipating issues before they cause problems and, let's be honest, when it comes to succession planning, it's not hard to imagine failure.

When will dad hand over the cheque book? When will mum and dad retire and what money will they need from the business? Who gets to make the decisions? What happens to siblings who don't work in the business? These are just a few of the issues that can put families at loggerheads.

Given that over 60% of farm businesses don't have a succession plan, we know that the industry's current approach to this fraught topic isn't working. A new approach is required.

So instead of telling people to have family meetings to agree on all the things they can agree about, we should start the process with a family meeting to agree on all the things people are going to fall out over.

That may sound counter-intuitive, but talking about such issues can actually take the fear out of these difficult conversations. No more of the 'elephant-in-the-room' topics that no one dares mention. Instead, an upfront acknowledgement that the conversations will be uncomfortable and that some people may be disappointed, but everybody will know why the discussion needs to be had and that compromises have to be reached.

When you have talked about the areas you are going to fall out over, it should then be an easier conversation to find the subjects you agree on.

There's probably quite a few of these. In an uncertain world, we know some things for sure. Mum and dad will die at some point. You want them to enjoy their retirement. We all want to pay as little tax as possible.

We want our family to be happy. We'd like to keep the farm as a farm (or perhaps we don't, perhaps it's simply been assumed that certain people really want to farm?).

When it comes to succession planning, it's understandable why people can be tempted to avoid the topic – they're scared of upsetting their loved ones through the decisions they make.

The potential financial implications along with the ups and downs of taking (or not taking) succession planning action are highlighted overleaf. We are not trying to make light of a very serious subject but by using a visual example we can highlight the challenging issues and actions that need to be considered, together with what can happen if they are not dealt with.

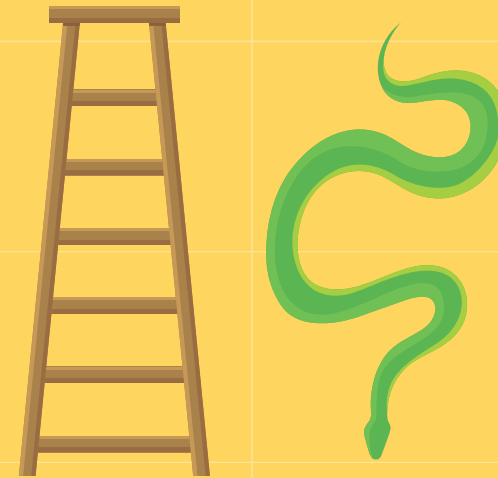
A lack of action on succession planning ultimately upsets everyone and can cost the business a lot of money. It's far better to face the issue head on and, like so many challenges in agriculture, try to break complex issues into more manageable chunks. Agreeing what you are going to disagree about may seem an unconventional approach, but at least you are agreeing on something – and it will begin this vital process.

Just in case you think we are over dramatising the importance of succession planning, Stephens Scown have just successfully won a £1.3m settlement for a client where there was a family fall out and despite working on the family farm for over 30 years for very poor wages and being 'promised' the farm it was left to their siblings.

MIKE ROWE
Consultant, Rural Team
Stephens Scown LLP

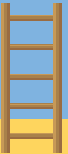


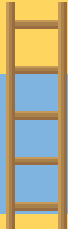
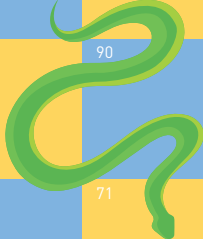

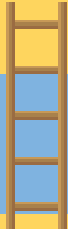








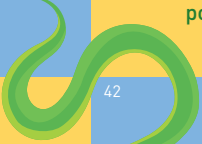










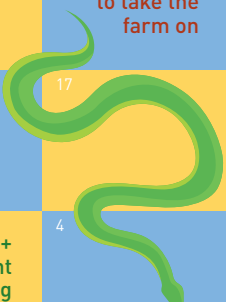






For more information please contact
info@agritechcornwall.co.uk
www.2minutefarmer.co.uk



THE UPS & DOWNS OF SUCCESSION PLANNING



100 HAPPY FAMILY!	99 No pension provisions	98	97	96	95	94 	93	92 No planning for payments to children who do not farm	91
81 	82 	83	84	85 	86 Loss of agricultural property relief	87 Powers of attorney in place	88	89 	90
80 	79 £500k potential benefits	78 Income shortfall £30,000 pa	77	76 	75 	74 Saving professional fees of £20k	73 	72 Estoppel claim by family member	71 60 acres has to be sold off to pay children
61 Business legal structure reviewed	62 	63 Ill health or loss of mental capacity	64 	65 Family meeting held and siblings agree way forward	66 Tax of £400k to be paid	67	68 	69 	70 Costing business £1.3m
60 Bank debt too high	59 Life insurance policies in place	58 	57 	56	55	54	53 Tax planning + retirement commenced	52	51 Partnership dissolution/ family dispute
41 	42 	43	44 Pre-nuptial agreements	45 Divorce with no pre nup in place	46	47 Death – with no Will or tax planning	48	49 	50 
40 	39	38	37	36 	35	34 	33 Son/daughter access to cheque book	32	31 Income loss of £40,000 a year
21 	22	23 	24 Nobody wants to take the farm on	25 Lose £700,000 in divorce settlement	26 	27 	28	29 No Will	30
20 Call children by their first names	19	18	17 	16	15 Share management decision making	14 	13	12 	11
1 	2	3 Pension + retirement planning	4 	5	6	7 Make a Will with potential IHT saving of £1m	8	9	10