

# SUCCESSION PLANNING 101:

## *Succession Planning - An Overview*

**Succession Planning is the greatest challenge for many farming families. It impacts relationships, asset distributions, business operations and individual feelings of self-worth. No family situation is the same as another.**

*Families, are however, made up of individuals and often they have the same basic desires to feel loved, valued, validated and appreciated. Put simply, people want to know their contribution matters.*

It's not the people who are the greatest asset in a business. What's important are the relationships that exist between the people and how they interact with each other. Many families focus on building the physical assets of the business without acknowledging the importance of the ability for everyone to co-exist with each other harmoniously.

Too many properties end up being sold due to poor communication, unresolved expectations of individual family members, financial stress and the inability to separate the family business from the business of family.

Unfortunately, succession is generally addressed when someone is "fed up", there is a disagreement and a decision is forced. Alternatively, an "event" such as a death, disability or divorce results in action needing to be taken.

By addressing as early as possible the expectations of individuals, couples and the family unit against the overall asset and operating position of the business, meaningful conversations can lead to implementing plans and actions that reflect the families values and goals.

The reality is an agricultural enterprise is a business and for it to be viable in the longer-term it must be sustainable and profitable.

While looking at the needs of the business and future generations is important, the retiring generation must also be looked after.

A long-term perspective is essential, as is a commitment to financial literacy to ensure decisions are informed and effective.

Attitude is everything. Assets can be protected. Wills can be drafted to protect the interest of the business in the event of a failed marriage, bankruptcy or early death. Approaching new family members as a threat from which assets must be protected is not a good strategy.

Consider the skillset new additions bring to the business and identify areas where training and upskilling is required. Focus on the value an additional set of hands can bring and how the business could benefit from their contribution.

Many professionals are working hard to improve outcomes for families participating in succession planning and if your relationships are threatened it may be worthwhile engaging a specialist mediator.

## **Important things to remember:**

- Succession planning is a process that often involves uncomfortable conversations about the transition of roles, transfer of assets and it requires trust in the relationships to be effective.
- Succession planning is not estate planning. Succession involves the transfer of control and ownership of the business as individuals transition into new roles. Estate transfer can occur at any time and relates to the transfer of major fixed assets, for example the land.
- Disagreements between family members not only creates stress but results in financial underperformance due to productivity loss from conflict and lack of business focus.
- It is possible to achieve a fair outcome that protects relationships and family assets.
- Transition of roles within a business can occur with compromising security of assets and damaging the overall financial position of the operation.
- Documentation of agreed outcomes is essentials to allow the business to engage professionals to ensure assets are protected, wills drafted correctly and reduce the likelihood of them being contested in the future.
- Making a succession plan and communicating it with all family members is crucial. Decisions made in private and shared only at the reading of a will can result in years of litigation and legal costs that results not only in the end of the business but also the destruction of relationships between family members.

**Before you begin, remember to ask  
“what is my/our definition of success”?**