

SUCCESSION IS A JOURNEY, NOT A SINGLE EVENT.

THE SUCCESSION PLANNING PROCESS

Although farm succession & transition planning means talking about difficult and often emotional subjects including retirement, legacy, injury, death and divorce, succession planning on your farm doesn't have to be a difficult or conflict-ridden process. You may only hear the war stories, but IT IS possible to manage the succession process well!

Sound planning and communication over the journey can take work from all parties, including you! There are fundamental building blocks to enable interests to be balanced, ensure the sustainability of the business, and assist in a smooth transition for the incoming and outgoing generations.

Succession overview

What is succession planning?

Succession planning refers to the process involved in transitioning the management of the farm and the farm assets from the older generation to the incoming generation. It is about coming to an agreement which meets the needs and security of the exiting parties while also accommodating the hopes of the younger parties.

Succession planning should be viewed as a process that takes time – sometimes several years - rather than being the result of one family meeting.

Farm succession has been referred to as a [three legged stool](#) as there are three equally indispensable parts of the process (these do not necessarily have to occur at the same time!):

- 1 Estate planning**
Transfer of ownership of family/individual assets.
- 2 Retirement planning**
Transition of labour and management.
- 3 Business transition/succession planning**
Transfer of management and/or control of the family farm business (or part of).



Why is succession planning important?

The reasons are pretty obvious, but families still avoid starting the process. Don't delay! Why?

- It's all about family. And what is more important?
- It's about the farm business. The plan will help to ensure the business' survival and enable it to launch into the future.
- Certainty for all parties. Nobody likes uncertainty, whether it be the outgoing generation, the on-farm or off-farm siblings.
- Replaces assumptions. And you know what they say about assumptions....
- It helps to avoid legal proceedings. Expensive, heart-breaking...
- Clarity during heartache. You will be going through enough...

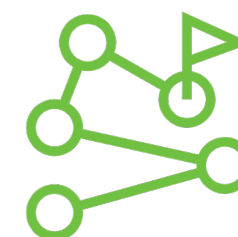
Refer to our factsheet on [common pitfalls](#).

Is there a one-size-fits all approach?

Firstly, it's important to recognise that each family business solution is different and unique. The process that was right for your neighbour isn't necessarily the one that will work for you.

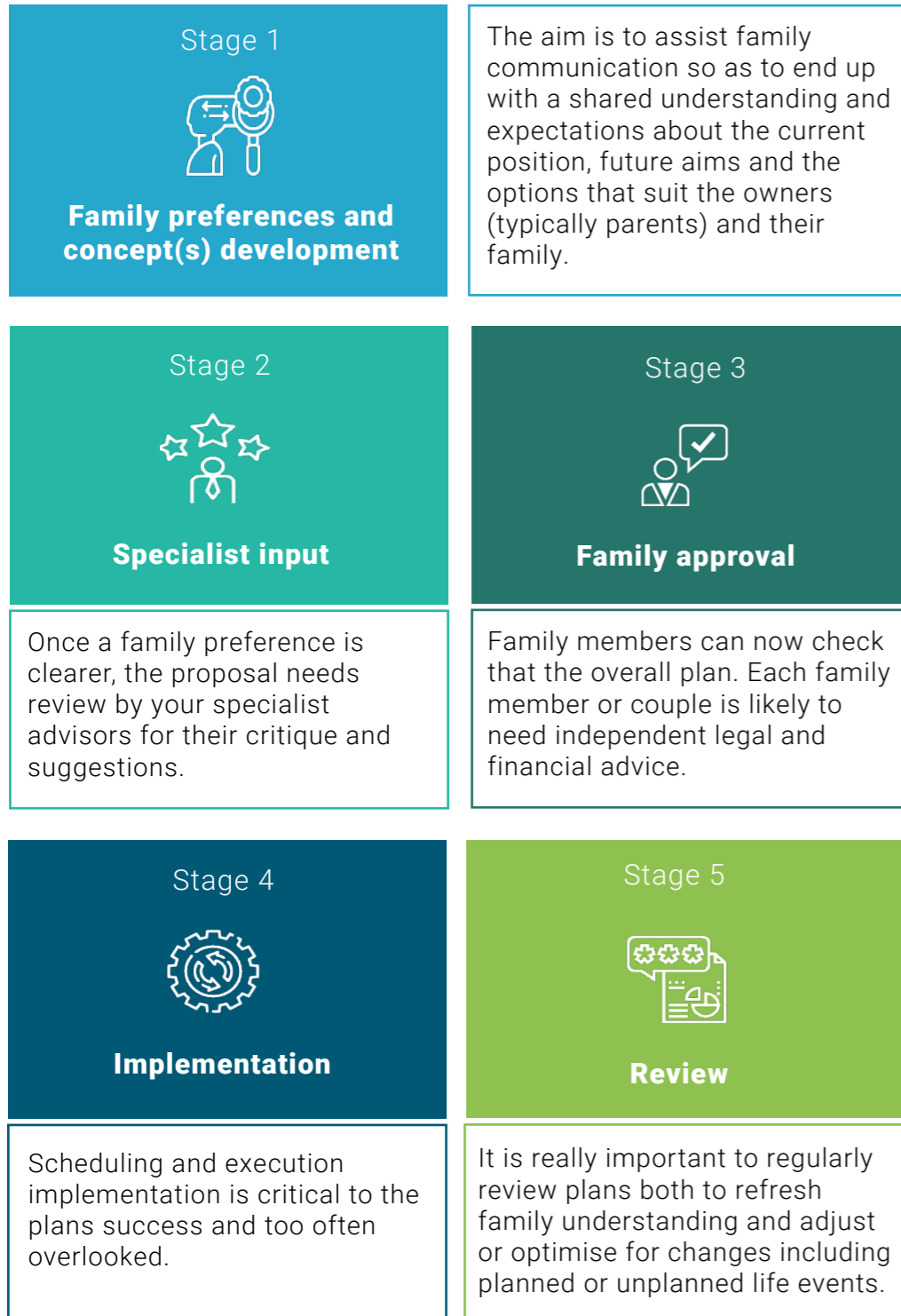
Succession planning is a complex process, there's no doubt about it! But don't let that scare you off, as starting early can lead to improved communication, relationships and outcomes.

Although every situation is entirely unique, seeing succession planning as a process may assist in working through your scenario.



Succession process

Although every situation is unique, [Peppin Planners](#) shared this useful succession process with us.



To begin, families need to first evaluate where you are at **right now** by considering the following questions:

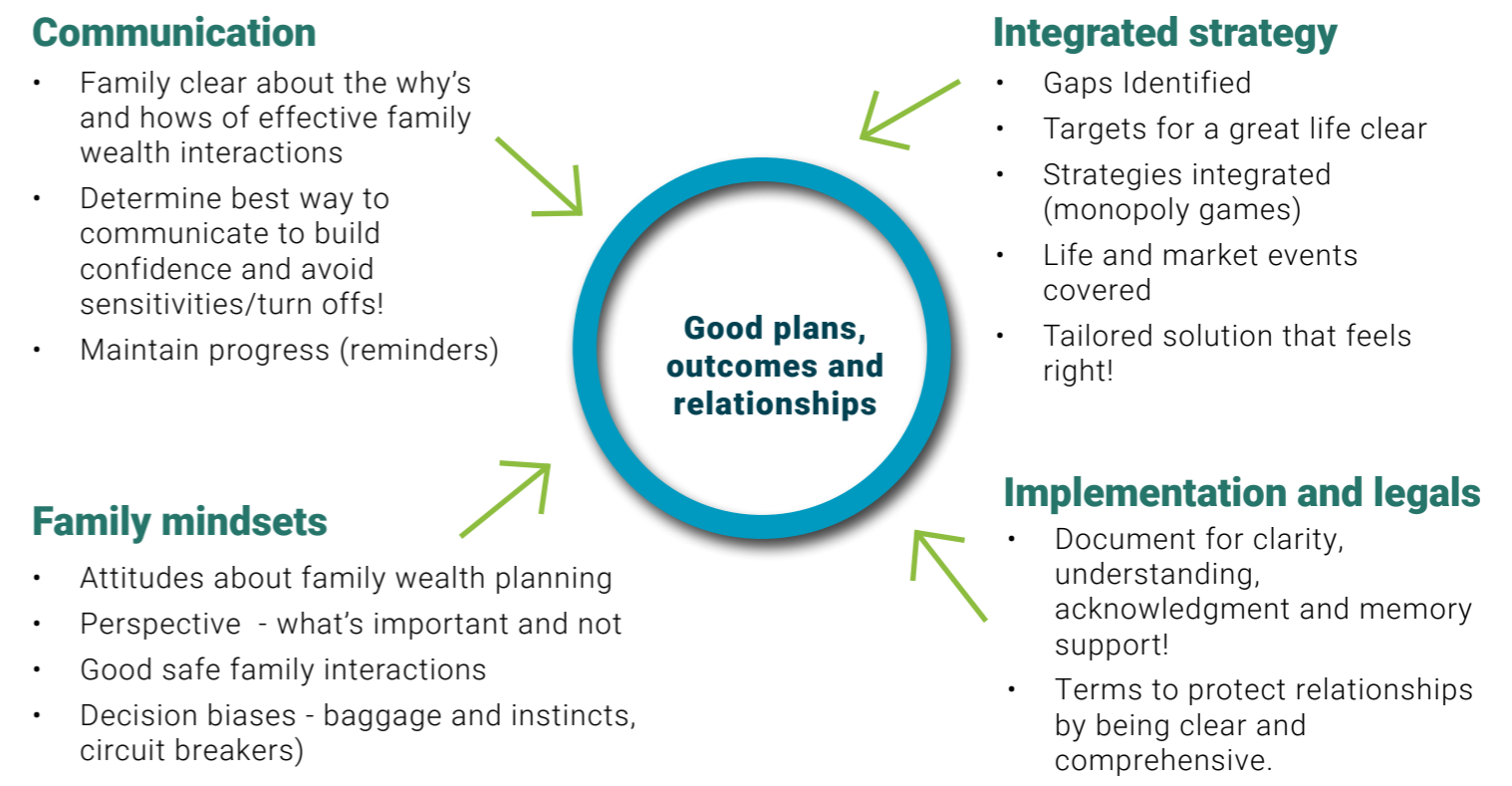
- What has worked for the family and what has not?
- What is currently in place and if there has been promises made?
- How are the parents and siblings are feeling (i.e. are they reluctant and are their specific sensitivities)?
- What is the financial position of the business and what is its performance?

Then, you need to work out what the **communication path** that's most likely to be successful and practical. It is important to involve the off-farm children and in-laws by engaging openly and transparently. Check out our factsheet on family meetings for more **guidance**.

The third step is to ensure that discussions are going to be **constructive conversations**. This means you need to understand what you're trying to achieve, both in the short-term and long-term, and what's doable and what may not. Burning a lot of energy about something that's never going to happen can be debilitating the process.

Having agreed on what your proposed succession framework is, it's essential to **document your arrangement** properly. Most people assume that they don't need legal and expert advice when times are good, however when someone tragic happens to your family, the legals are your parachute, and may avoid further heartache.

The diagram below shows the four things that need to be worked on to maintain good relationships and reach a successful outcome.



Questions to address

ANZ outline a number of key questions which must be addressed if a succession plan is to be robust and remain in place in the longer-term:

1. What are the parties' best skills and how can they be utilised in different (and often separate) roles?
2. What is the retirement plan for the exiting generation?
3. How much income does the retiring generation need to retain to live comfortably, and where do they intend to live?
4. Who is the successor, if there is only one, and what are the rights of any off-farm children?
5. Does the governance structure of the business need to be altered?
6. What are timelines on any change? Will every party be ready and comfortable to meet those timelines – both financially and emotionally?
7. What are the key risks and opportunities facing the business?
8. Does everyone consider the outcome to be fair and equitable?
9. How do you consider the time, labour and opportunity cost for on-farm children that may not have been considered otherwise?

Ten Tools for Talking About Tough Issues™ (Elaine Froese)

1. **Take CHARGE...the bull by the horns:** Change is inevitable, but growth is optional.
2. **Come from curiosity:** "I'm curious about..." and don't be judgmental or defensive.
3. **ASK DEEPLY:** Explain describing your own feelings and interests.
4. **Play with possibility:** Don't pre-judge other's goals and dreams.
5. **Really LISTEN:** "When I listen, people talk."
6. **Ponder and perk not prod:** Digest, sift, and give yourself space and time to think.
7. **Cultivate trust:** Culture of fairness, respect, commitment.
8. **Respect boundaries:** Clear roles... dad or boss? Family or business role?
9. **We all end up in a box:** Death will happen, come to terms with life, plan for it!
10. **Extend the olive branch:** Forgiveness to be able to move forward.



Succession toolkit

IN THE YOUNG FARMER SUCCESSION PLANNING TOOLKIT:

1. Videos with experts including a succession planning expert, an agribusiness banker, a lawyer, a farm consultant and an accountant.
2. Factsheets focusing on common pitfalls, fair versus equal, and preparing for the first family meeting.
3. Links to a bevy of resources to help you navigate the succession journey, including [Series 2 of the Propagate podcast](#) series on the topic.

- [A Guide to Succession: Sustaining families and farms \(GRDC\)](#)
- [The Do's and Don'ts of succession planning \(Next Rural\)](#)
- [Succession Matters \(ANZ\)](#)
- [Succession Planning: Farming the Business Manual \(GRDC\)](#)
- [Family Farm Toolkit \(Elaine Froese\)](#)
- [The Farm Family and Their Family Farm \(2016 edition\) \(Geoff Tually\)](#)
- [Farm Succession Questionnaire \(Murray Nankivell\)](#)
- [Australian Farming Families: Succession & Inheritance \(Chapman Eastway\)](#)
- [Farm Success Enabling Case Studies \(Meridian Agriculture\)](#)

