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# Farm Succession Planning

As the baby boomers reach retirement age, farm succession is something we are hearing more about. The average age of a farmer in NZ is 58. While 61% see keeping the farm in the family as their plan, just 10% have developed a formal plan for this to take place. Succession planning is therefore something that is becoming increasingly higher up the list of priorities for many farmers and their families.

With the changes in retirement needs of farmers and the surge in land values in the last decade, family succession is much more challenging to engineer and there is no “one size fits all” solution. Families have different make-ups, beliefs, profitability levels and investments on and off the farm. The traditional value of leaving it to the oldest child has changed and has been successfully challenged in Court.

A Will is not a succession plan unless there is only one child. Working through the succession process there are five steps that I work through with my farming clients and encourage them to follow.

- **Step One** is educating the owners and successors around farm succession, the issues to be considered and what is involved.
- **Step Two** involves undertaking a needs review of both the owners and successors. This involves identifying what’s important, what the parties believe the outcome should be and getting an understanding of the future of the farm. A review of Wills to ensure they align is also important.
- **Step Three** is getting to that shared vision. Undertaking a SWOT analysis or looking at the strengths, weaknesses, opportunities and threats from a family perspective.
- **Step Four** is developing the plan, talking about it with the family so agreement can be reached and it isn’t left to come as a shock with the reading of the Will.
- **Step Five** is implementing the plan and keeping it on track. Various farm improvements may be required to support the debt levels being taken on and investment may be required to bring the farm up to the top quartile of profitability.

Having a shared family vision and a profitable farm are two key ingredients for successful transition of farms. Having that “whole of family” shared vision, not only between the farming members of the family but also those non-farming members is an important element in keeping a united family. Ensuring the farm is operating as a strong profitable business that will give an appropriate return on family equity is critical in ensuring there are funds for off farm investment and to support increased debt levels of the successor.

Working with clients to develop these plans can be challenging, especially when family members are not in agreement but it is also a very rewarding side to my business when these plans are successfully put in place.

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