

BOOTH ASSOCIATES



NSW BUSINESS CHAMBER – MURRAY RIVERINA

SUCCESSION PLANNING CONSIDERATIONS

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www.boothassociates.com.au



BOOTH ASSOCIATES

- Based in Griffith, NSW
- Founded in 1981
- Advisors to farmers
 - Succession Planning
 - Business Planning
 - Compliance





PRESENTATION OVERVIEW

- What is succession planning and why it is important
- Outcomes
- Steps
- Goals
- Options





SUCCESSION PLANNING

- A succession plan is about planning for the future, including survival of the business
- Family farm is a business with your family
- Succession may be seen as the beginning of the end we are discussing “Progression Planning”



WHY SUCCESSION PLAN?

What are the consequences of not addressing the issue?

- Breakdown of family relationships
- Undermine longevity of the business
- Undermine the family balance sheet
- Undermine business performance
- Implications for retirement, pension and aged care
- Banks see succession planning as a significant risk often rate higher than weather and low prices



HOW TO SUCCEED

- Inheritance is good luck not a birth right
- Successful outcomes are built on:
 - Trust and transparency in the process
 - Certainty of outcomes
- Information empowers all
- Key measure of success is process in place before younger generation reaches age 30



KEY OUTCOMES

- Emergence with all family relationships intact
- Provision for retirement of the older generation
- Consideration of the family members not working on the family farm (non-farmers)
- Recognition of ‘sweat equity’
- A clear pathway – fair but not equal



KEY OUTCOMES

A good succession plan will provide a clear pathway towards:

- Retirement for the older generation
- Transfer of assets
- Transfer of management and responsibilities

Succession plans are not a set and forget process



STEPS

1. Start early – the sooner the better
2. Identify goals (fears)
3. Explore options
4. Communicate
5. Formalise

Seek advice and assistance from your trusted business advisors.



START EARLY

- Start early – the sooner the better
- Start communicating when everyone is happy
- Aim to have in place before younger generation reaches 30
- It is never too late to start



GOALS

- Younger generation want the opportunity to establish themselves, seek freedom not \$\$\$
- The older generation want to retire comfortably whilst protecting assets, stay living in family home and consider of non-farmers
- Fears include future business failure, death and divorce



EXPLORE OPTIONS

- Vendor finance
- Lease
- Second mortgage
- Restrictions on sale (5 – 10 years)
- Security for bank loans
- No one size fits all but many options
- Seek advice and support from your trusted business advisors
- Don't make rash or uniformed decisions



COMMUNICATE

- Succession planning requires trust and transparency
- Information empowers people
- Provide certainty for all
- Communicate with all family members including non-farmers
- Avoid conflict, does not have to be round table meetings



FORMALISE

- Create a Memorandum of Understanding for all family members to sign
- Wills can be used, show all family members
- Not a set and forget process, can be revisited as circumstances change
- Written agreement avoids the risk of confusion later on:
 - Wantagong Farms -vs- Bulle 2015
 - Kerr -vs- Kerr, 2006



SUMMARY

- Start early – the sooner the better
- Seek advice
- Explore options
- Identify goals and address fears
- Communicate
- Formalise
- Execute the plan and revisit as necessary