

Succession Planning

A Guide to Success

Good succession planning is vital to your farm or agri business but it can seem complicated and, at times, overwhelming.

Retirement, assets, equity, multi-generational family history – how do you even know where to begin with passing on your business to the next generation?

In this guide we cover everything you need to know about successful succession planning, giving you a starting point for your own succession plan.

Why is this so important? Having a plan in place can minimise pressure on family relationships by balancing conflicting priorities and reducing the risk to your business's long-term sustainability.

Planning in advance also ensures everyone's needs are met and you're well prepared for any unexpected crises or major changes.

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BENEFITS

- Creates stability
- Prepares everyone for the unexpected
- Creates a smooth transfer of control
- Supports a successful transition to retirement
- Minimises confusion and conflict
- Caters for entry and exit of family members and others
- Facilitates agreement
- Minimises hassles and uncertainty

Where to Start



No one plans to fail, but many fail to plan

-Anon

Early and careful succession planning is essential to successfully transitioning ownership of the family farm or agribusiness.

A good plan is like a navigation tool to ensure your business is heading in the right direction.

But it's not a one size fits all approach. Your plan will be unique and specific to your situation. The following key steps can help you get started in the right direction.



LAY THE FOUNDATIONS

- Make sure your business is viable
- Review your business vision
- Get your business structure right
- Allocate plenty of time



GATHER INFORMATION

- Identify who to include in your plan
- Understand the needs of all stakeholders
- Establish what's important to you
- Gather your information about your business assets and financial position (eg. profit and loss statements, family expenses etc.)



DEVELOP OPTIONS

- Test several options
- Seek professional advice and assistance (eg. independent facilitator, legal, accounting, and insurance professionals)
- Agree on goals and actions



BUILD YOUR PLAN

- Develop the succession plan
- Develop an estate plan
- Formalise all agreements
- Build in regular reviews and adjustments

Did you know...

30%-42% of family business owners have not discussed succession with each other and 50%-63% have not spoken about it to their children.

Crosby (1998) & Barclay et al (2007)

THE NUTS AND BOLTS

Every succession process is unique but there are two standout traits common for success:



Honest communication of expectations



Informed decision making

Understand Your Business Structure and Document the Following:

- Your entities and break down your business structure/s
- Your land ownership
- Who has control of these structures
- How control will be transferred
- The impact of debt

Communication is Essential

- Hold a first meeting
- Schedule the next meeting/s
- Prepare meeting agenda
- Take notes
- Document discussion and agreement or decisions, as well as your agreed plan in writing
- Implement a clearly documented plan
- Keep communicating

Key Take Aways



A GOOD SUCCESSION PLAN IS

- Up to date
- Flexible
- Revisited regularly
- Developed over time
- Initiated by the farm business owner
- Developed with the involvement of all family members and key stakeholders

USEFUL RESOURCES

<https://farmtable.com.au/build-category/farm-succession-examples/>

<https://business.gov.au/planning/business-plans/develop-your-succession-plan>

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Do

- Start as early as possible
- Take your time
- Give all stakeholders a voice
- Allow for flexibility
- Assess all of the "what ifs"
- Use a professional to facilitate the process
- Be open to exploring all options
- Keep good records



Don't

- Expect it to happen overnight (2-5 years is likely)
- Be afraid of the unknown
- Wait until there's a crisis
- Rush the process
- Neglect all parties' needs and goals
- Jump in before you've gathered your essential information
- Transfer a business that isn't viable

