

Getting the ball rolling on your succession plan

Given the average age of farmers (57), succession is a topic that is on the radar for many farm families, advisors, industry stakeholders and policy makers alike.

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Almost 5,500 families have attended Teagasc Transferring the Family Farm Clinics (TFFC) between 2014 and 2018. The age group was generally on the older side, but in reality all farmers regardless of age should be attending these events.

Succession is important for many reasons:

- The family farm unit is the cornerstone of Irish farming and this is critical to food production (the world population is still growing) but also for rural communities, where farmers are key stakeholders.
- Over the last 20 years, the average age of farmers has increased from 48 to 57 years old and a small proportion are under 35 (5.9% and falling).
- The farm business has a lifecycle of its own and it begins with a development phase that can continue on an upward trend where succession is dealt with early. Progress can stall or go into reverse on farms where there is no identified and committed successor.

What is succession?

The process of succession is regularly misunderstood as meaning the legal transfer of land. Succession is actually the gradual transfer of management and decision making in the farm business, leading eventually to the transfer of financial control. Succession occurs well before farm transfer and should start quite early in life.

Inheritance

Inheritance is a legal process by which land and other farm assets are

transferred legally through a life-time transfer or through a will. A significant group in Irish farming, which is growing in importance, are inheritors who do not wish to farm themselves. Collaborative farming business structures such as partnerships, share farming and long-term land leasing, have a key role to play where active farmers can engage with these inheritors to farm the land.

Engaging with succession

A key message from the recent RDS Facilitating Land Mobility and Overcoming Current Issues Seminar for Farm Families was to: "Engage in the succession process early, as a family, rather than putting it on the long finger."

Speaking to families at the TFFC's over the years, I have seen that farmers build succession up in their minds to be a major mountain rather than a mole hill. In many cases, this is due to a lack of accurate information or being influenced by a relative, friend or contact who has had a bad experience in what was a very particular set of circumstances.

The message is to start early and take your time to gather the required information and to build up an expert, professional team that can help you to make the best decisions possible on succession and inheritance.

Planning for succession:

Planning facilitates earlier engagement of a farming successor through a registered farm partnership, which enables them to grow gradually into the business, allowing a smooth transfer between the generations.

It also allows space and time to achieve clarity for all family members. A key reason for planning is

that we are gaining two years in every 10 in life expectancy. This means that a farmer will need an income for many years after retirement. Security and provision for parents or older farmers is a key element in the succession process.

The financial requirements of both generations during the transition phase can have a big impact on the farm business. It may have to generate all, or part of, the necessary income for two generations.

There are very generous reliefs against the main taxes involved in the eventual farm transfer and this is another reason why succession must be planned, so as to maximise the reliefs and reduce any potential tax liability.

Part of this planning must be that a will is made or updated. It is astounding the number of farmers or farming couples who have not made a will, or have a will that is very much out of date. In recent months, a number of cases have come to light where the beneficiaries of a will had predeceased the now deceased farmer by 10-15 years. This created wide ranging legal complexities as the process

of passing on the estate played out. This could have been avoided had the farmer updated their will as circumstances changed.

Succession and inheritance team

There are a number of key people who need to be involved in the succession and inheritance plan. The critical thing here is to challenge these professionals to work together to achieve the best outcome. This is especially true in the case of the accountant and the solicitor. The ideal scenario is to get these two professionals into the one room for this part of the planning process. The people who need to be involved are:

- Family: communication and consultation with all family members is critical to arrive at a successful outcome.
- Teagasc advisor: it is important to look at the farm business from a physical and financial perspective, to see if it is capable of providing part, or all, of the income required for both generations.
- There may be scope for the

successor to start an agri-tourism or artisan food enterprise on the farm to build expertise, develop their skills and most importantly to help bridge any income gap.

• Solicitor: the ultimate transfer of property is a legal process. What is important here is to find a professional who understands the overlap between the legal elements and taxation requirements.

• Accountant: choose an accountant who is expert in the taxation linked with property transfers (Capital Gains Tax, Capital Acquisitions Tax and



Audience members at the ICMSA conference on farm succession in the Tullamore Court Hotel.

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Stamp Duty) and the reliefs associated with these taxes including: retirement; agricultural; business; consanguinity and young trained farmer reliefs.

• Mediator: in some cases, it may be necessary to engage a mediator to arrive at an agreed succession plan. This is very dependent on the dynamics in the family and on all family members being willing to engage positively with the mediator.

• Bank manager: the bank will need to be involved in the succession plan where farm loans have been secured using land, or where parents have gone as guarantors on loans for other family members.

Teagasc hosted six 'Transferring the Family Farm' events in the northern half of the country in 2018 and is planning to host six events in the southern half of the country in the autumn of 2019. These meetings will take place in October, consult the Teagasc web site closer to the time for dates and locations.

These events provide a fantastic opportunity to kick-start your succession plan by engaging informally with key professionals to answer initial questions that you may have.

This can be followed up with more detailed consultations with the various professionals at a later stage. Contact your local Teagasc office in southern counties to express an interest in attending.



Tom Curran speaking at an ICMSA event on farm succession in the Tullamore Court Hotel on 16 January 2019. Thomas O'Hanlon