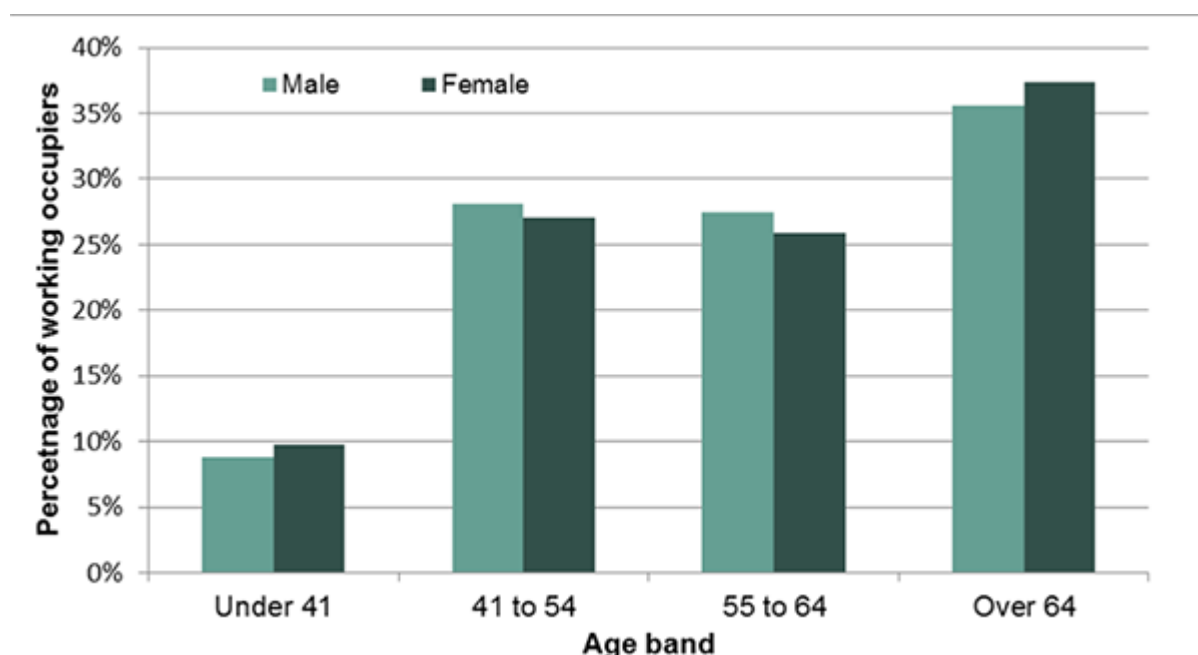


SUTHERLAND MONITOR FARM Succession Planning

THE CHALLENGE

Succession Planning is a unique subject that affects all farm businesses. However the majority of those businesses fail to undertake Succession Planning, at least not properly. The challenge faced was to educate all community group participants to think about and act on Succession Planning for their own business.

Why? – The average age of Scottish farmers is 58 and very few farm businesses have any succession plan in place. New data was collected by the Scottish Government in 2015 which illustrates the largest age band of principle farmers remains in the over 64 bracket.



Source www.fas.scot

Benefits – There are a number of benefits to having a Succession Plan in place:-

- They ensure the ownership of the business ends up in the right hands at the right time
- The plan looks at what each member of the family wants or needs from the farm
- The longer term direction of the farm and its business can be facilitated in the plan
- It identifies what role each member of the family will play now and in the future
- Tax considerations can be looked at in terms of Inheritance Tax and Capital Gains Tax

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- Introduces a phased plan that enables the senior generation to `mentor` the successor in the responsibilities that come in running the business, without stifling or interfering with the ambitions of the new generation. This is not always easy in a family environment. Again, independent advice or a professional outsider can help to facilitate this.
- Gives the younger generation the skills and experience to drive the business forward while the older generation take a step back or sideways.



WHAT WE DID ON FARM

Heather recommended taking small steps in succession planning by following this order:-

Steps	Action	Why
Create Plan	<p>What do you want? Is it succession or retirement or something else?</p> <p>Know where you are and where you want to be</p>	To give a direction and ensure personal objectives are met.
Take Advice	<p>Obtain legal advice</p> <p>Obtain accounting advice</p>	To mitigate any potential; future legal pitfalls

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		To minimise taxation with regard to inheritance tax and capital gains tax
Keep control	<p>Manage expectations among family members</p> <p>Have family meetings with a time limited agenda for everyone involved</p>	To maintain focus and minimise family conflict
Communicate with family	<p>Recognise that there will be differences in generational values</p> <p>Identify the needs and aspirations of all family members, including non-farming family</p>	To ensure all views are considered by all members of the family
Have facilitator	<p>An independent professional person</p> <p>Present at all family meetings</p>	To mediate and also reduce the likelihood of conflict
Wills	<p>An up to date legal will</p> <p>Ensure you have a Power of Attorney</p>	In the event of death, there is a clear pathway
Business agreement	<p>Is your business structure a Sole trader, Partnership, Trust or Limited company?</p> <p>Is land owned or tenanted? If tenanted how long is the tenure?</p>	To meet the actions required
Know your numbers	<p>Understand the financial performance of the business</p> <p>Savings/mortgage/debts/liabilities</p>	To ensure a smooth transition for the future outcome

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Furthermore in terms of vision, dreams and collaboration:-

- Vision
 - goals and how to reach them, dreams, ambition

- Communication
 - write, share

- Collaboration
 - can be done alone, if not share

WHAT HAS CHANGED ON FARM

Jason & Victoria are in a different position in terms of succession to many other farming businesses as they have no natural family succession. Therefore the following options were discussed:-

- Phased approach
 - A gradual reduction in livestock numbers and therefore workload until retirement.
- Change of enterprises on farm
 - Moving from breeding unit to finishing unit where lambs and calves would be purchased to be finished on a fodder based diet
- Sell assets and relinquish tenancy
 - Sale of livestock and machinery to facilitate full retirement

These options are intertwined in that a phased approach in reducing breeding numbers will also see numbers of calves and lambs purchased change. The long term view is that the Ballantynes will fully retire, sell and move off farm.

In preparation for the above options, Jason and Victoria have carried out the following actions:-

- Wills have been drawn up and discussed with their wider family.
- Advice was taken from Trevor Cook with regard to changing to a finishing unit
- Accounting advice has been sought

In terms of the community group members, a number have now enhanced their Succession Plans for their own business. This includes 4 members having had family meetings and

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subsequently drawn up wills. A further 5 members have pursued legal advice and financial advice and are looking to employ a facilitator in order to hold family meetings.

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