

Teagasc Notes 17 12 2021 “Planning for Succession & Inheritance”

Planning for succession is a vital process to engage in, for all farm families in West Cork. It is through this process that the next generation of farmers or farm owners are brought into farming or the ownership of land. Succession planning must involve the current farmer, spouse or partner and all the family, not just the farming successor/inheritor.

There is a key difference between succession and inheritance. Succession is the gradual transfer of the management and decision making on the farm over time. Inheritance is a legal process by which land and other farm assets are transferred legally through a life-time transfer or through a will.

The image of a ladder has often been used to explain succession. It is important for all farm families to realise that they are somewhere on the succession ladder. On the succession ladder, a farm family member starts out on the bottom rungs and climbs towards the top of the ladder as their farming career progresses. Succession starts in earnest for a person when they get involved in working on the farm, learning to do routine farm tasks and mastering them over time. Their farming skills and ability can be honed provided that they are trusted to do these tasks and given the space to show responsibility and put their skills and abilities into practice on the farm. If the working atmosphere and farming experience is positive, this may be what influences a young person to choose Agricultural Science in school or later to choose to go to an Agricultural College or third level college to study Agricultural Science to degree level. This is a critical point in terms of the presence or absence of a farming successor.

Many farmers get to the latter end of their career and realise that they have no one interested in farming to take over, but why is this? Is it because the farm is small, not making much money. Is it because the next generation are educated and have better opportunities away from the farm. Is it because the farm is seen and may often be drudgery and there is no time for family or time off. Is it because the current farm operator doesn't give the next generation a chance to input ideas or take responsibility for farm tasks and are reluctant to let go control. Is it because children have no interest in farming or perhaps there are no children in the family. The truth is that some or all these reasons apply on almost all farms. The lack of a successor is not restricted to small unprofitable farms, many profitable and viable farms find themselves in the same boat with no farming successor. Collaborative Farming business structures such as registered farm partnerships, share farming and long-term land leasing provide realistic options for farmers with no successor or inheritors who do not wish to farm themselves. Contact your local Teagasc office for more information on these structures or visit www.teagasc.ie

In any discussion about succession and inheritance, the first critical step is to make a will. A will is the legal document that is used to distribute your assets after death. However, it is important to take your time, gather the necessary information, discuss with family, seek advice where necessary and ensure your will is in keeping with your wishes and fair to all family members. If there is no will, the state decides where your assets go through the “rules of intestacy” which essentially distributes your assets among your next of kin. This is not advised as more often than not it can cause serious falling out among surviving family members.

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 for your family. This is especially true in the case of the accountant and the solicitor and

the ideal scenario is to get these two professionals into the one room for this part of the planning process. The key people that need to be involved are as follows:

Family members. 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 the income required for both generations. There may be scope for the successor to start an alternative agri-tourism or artisan food enterprise on the farm to build expertise, develop their skills and most importantly, to help bridge any income gap. **A knowledgeable solicitor** is very important as the ultimate transfer of property is a legal process. What is important here is a professional who understands the crossover between the legal elements and the taxation requirements. **An accountant** who is expert in the taxation linked with property transfers (Capital Gains Tax, Capital Acquisitions Tax and Stamp Duty) and the reliefs associated with these taxes including: Retirement Relief; Agricultural Relief; Business Relief; Consanguinity Relief and Young trained Farmer Relief. **A mediator:** In some cases, it may be necessary to engage the services of a mediator to arrive at an agreed path forward in the succession plan. This is very dependent on the dynamics in the family and also that all family members are 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 where parents have gone as guarantors on loans for other family members.

Thomas Curran is the Regional Manager of Teagasc in Cork West and has extensive knowledge and experience in Succession and Inheritance in farming.