

Better three hours too soon than a minute too late

The words of Shakespeare are apt when it comes to farm succession planning

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Increasingly, farm transfers are taking place during the owner's lifetime, allowing all parties to manage the process. Every family has a different set of circumstances, but it is always better to have a plan in place. The worst case scenario is where the transfer is unplanned as a result of illness or the death of the owner, leading to tax and legal complications.

Many farmers say they will never retire, however you do not have to be retired to have a succession plan in place. There are many decent tax reliefs and benefits to encourage you to prepare a plan in good time.

P.L.A.N.

•**P = Preparation:** Organise your thoughts and have a discussion with the family. An open conversation with all those involved will help avoid misunderstandings. It can be beneficial to bring in a specialist adviser to facilitate this discussion.

•**L = Legacy:** Plan how the farm is going to be passed on. From both a tax and a legal point of view, early planning is the key to reducing potential cost.

•**A = Action:** Make appointments with the professional experts you require to make informed decisions.

•**N = Now:** This is the time to get this item off the "to do" list. Government policy could change significantly over the course of a few budgets. Postponing a decision could make it more difficult to achieve your wishes in the future.

The first step

Make a will. Many people put this task on the long finger, as they probably do not want to think about the inevitable. In some cases, there is total denial. Start the conversation about making the will by emphasising the need to plan for the future: "I don't want our family to end up fighting like what happened with Jack's family when he passed away."

If there is no will, then the State



decides what happens to your estate. The Succession Act of 1965 is used to decide. For some, the will becomes the plan. For others, the will becomes an insurance policy so that their wishes are carried out, if the succession plan has not been achieved because of an unforeseen death.

To help you prepare

Teagasc is hosting two webinars in October as a follow-on to the webinar held last November.

At last year's webinar, we focused on three areas:

•**The key questions** you need to answer during the decision making process when planning succession.

•**Taxation:** there are three taxes that could prove extremely costly if a succession is poorly planned.

•**Farming in partnerships:** these are an important model that can form part of a succession plan, especially if parents are young and there is a

short generation gap between them and their children.

If you missed last year's event, or want to view it again, it is available to watch at this link: <https://www.teagasc.ie/rural-economy/farm-management/succession--inheritance/>

This year, we will focus on different areas and will give you more information to help you sort out issues of concern.

No successor

I've come across a common situation, where the lack of early discussion results in no successor. For example, farming parents (mid 50s) have a child (early 20s) eager to start farming, but the parents are not ready to hand over (as they have not reached pension age, have other children to look after etc.) so no conversation takes place.

The potential successor goes away and gets a job in the city.

His farming parents review the situation 10 years later (close to retirement age) by which time the successor has settled away and has no intention of farming.

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‘Fair and Equal’

Farmers are seen as wealthy group owning a lot of valuable assets. The reality is that due to the nature of the enterprises carried out, the annual cash returns are often low.

Where there are a number of children to be “looked after” there is sometimes an expectation that the farm should be divided equally in monetary terms, which means that if one child is getting the farm, a cash payment must be made to other siblings.

This approach could put the farm out of business, as it could not carry the debt generated. So how can a parent treat all the children fairly? Fair may not always mean equal.

Providing one child with a decent education and another with a site and a third with the farm may be a fair result. The child getting the education may end up with a better salary than the farmer.

What is fair? Is a fair share an equal share? It all depends on the situation. Sometimes farm families need some help to have a discussion on this. A mediator will speak during the webinar on this topic.

Communication

Family involvement in planning for succession is essential. A key aim

must be to have an open conversation with the people involved so that misunderstandings are avoided.

Policy and taxation encourage early transfer, so it is important to have the conversation early to avail of all the incentives, some of which are complex, and may come with specific conditions – however, in most cases, the conditions are easily met.

A new CAP will commence in 2023 with a strong emphasis on generational renewal, so it is a good time to make a plan and get the benefit of the extra payment incentives that will become available.

Nursing home support scheme (Fair Deal)

The Fair Deal scheme always comes up in conversation with farmers nearing retirement. If nursing home care is needed in the future, it is better to have the farm transfer completed at least five years prior to making application for the Fair Deal scheme.

Nobody can see into the future, and time spent thinking or ignoring the problem could be time wasted.

There has been a lot of discussion recently on changing conditions attached to the scheme to make it more suitable

for farming and business owners to avail of.

Hopefully, the changes will come soon and achieve what they were set out to do.

Finally – do not leave things to chance; careful planning is required to protect your assets and provide for your family in a tactical way to reduce stress and cost on all concerned. As Benjamin Franklin once said: “Nothing in this world is certain except death and taxes.”

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