



**Extract from:**

## **Your Last Fencepost**

**Succession and Retirement Planning for New Zealand Farmers** “Correct Subtitle”

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**Format:** Paperback

**ISBN:** 9781877361 21 0

**Release:** October 2008

## **Introduction**

I believe that farmers should have wonderful lives. They have worked hard for decades to grow wealth and should therefore make sure that they will have what they need and desire in later life. Whether they wish to sell the farm to outsiders or pass it on to the next generation, the planning needs to start early in order to get the best outcomes for all. *What* you want is largely philosophical and each family has to work out what that looks like. *How* to get what you want, however, means that you have to understand quite a bit about succession, investment, asset allocation, family trusts, estate planning and so on. However, once you know what you want it is relatively easy to make it happen – especially if you begin early enough.

Many who farm land love the land they farm. However, farming is increasingly seen as a business as well as a way of life. Professional disciplines are being applied to all aspects of farming – strategy, operations, profit management and the creation of shareholder wealth. Succession too is one of the areas where a professional approach has much to offer. Family farms differ from corporate businesses in many respects but can still borrow good succession-planning concepts and processes from corporates. My experience of best practice by corporates is that they make planning for succession a core activity. They focus on management succession and continuity while farmers often focus solely on passing on ownership of the farm.

Believe it or not, there will be a last fencepost! Over a lifetime of farming you will put in a lot of fenceposts. It seems like a task that is never completed – as soon as you have got around the farm once, it’s time to start at the beginning again. But there is an end – sooner or later you will finish your life as an active farmer, and will be putting in your last fencepost. On that day you will want to feel that you have had a good life in farming. You will also want to feel that you have made the right decisions for your family about the farm and about the life you will lead in the future. This book is all about getting you happily to that last fencepost.

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One day the farm will pass to someone else. You too will ‘succeed’ to a new phase of life: that’s a given. For you to achieve the transfer on your terms, you need to have a succession planning process in place that will ensure that the land, business, knowledge and traditions

are passed on successfully to the next generation and that you get to enjoy the new stage of life of your choice. So you have several questions to address:

- When will succession happen?
- Who will get the farm?
- How will you treat all of your children fairly?
- What money will you have?
- How will you avoid crippling your successor/farm with debt?
- How will you communicate regarding succession?
- How will you transfer the management of the farm?
- How will you transfer the ownership of the farm?
- Will you plan and control the process or just see what happens?

The last question is the most critical of all. And remember that you are planning *for the rest of your life*. Life expectancies have risen so much over the last generation that those who are looking to ease back from farming today may still have twenty, thirty or forty years of active living to plan for. What do you want? How much do you need? Will you have enough? How will you plan for an income? Where will you live? What will you do with all of your talents and time? These are very big questions to address and it is essential they get plenty of consideration. You need to start as early as possible to make sure that everything is in place to give you the outcomes and succession you desire. You also need to be mindful that succession may happen at any time – unexpectedly – and procrastination can be very costly on several fronts.

Recent research in New Zealand indicates that over 20 per cent of farmers are ready to retire or scale down their commitment to the farm; however, 40 per cent of these farmers have no succession plan at all. This is in line with what I see in my own work. Retirement or passing on of the farm is not a single event: it's a *process*. You have to decide what would suit you and your family and plan the process so that you can cut back or get out altogether on your own terms. To get the future that you want you have to create it – and it takes time. The numbers matter – the value of the farm, the amount of capital you need, the wealth you might transfer – but it's also about much, much more than just the finances.

Farm succession can be difficult. After all you may be owners, managers, trainers, workers, parents, trustees and often grandparents and so have multiple roles that can be in conflict when you come to consider farm succession. What you may desire as a parent may conflict with your needs as an owner or your good sense as a manager. Farms are very busy places too and it is often very difficult to get your head out of the daily grind – to stop looking at your gumboots – for long enough to consider the much larger and longer-term issues. There is usually only one asset – albeit a very big asset – the farm itself. This can make succession more complicated, especially where there is more than one child.

I have seen some glorious outcomes – and heard some gloomy stories. The difference is largely in the attitudes and behaviour of the farming couple. Will they think and talk about what they want? Will they discuss their hopes and expectations with the family? Do they solicit the hopes and dreams of the next generation? Starting these conversations as early as possible is important – there should be no surprises! Having lots of conversations over the years and regular family meetings helps to smooth the way. Starting these conversations is often the biggest hurdle for families in my experience and that's understandable. Our culture still makes topics like death, inheritance, and personal money largely taboo; however, they must be addressed if succession is to work well. The best farm successions are planned and executed over a long time so that the transition from one generation to the next is seamless and feels completely natural for everyone involved.

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