

Planning for the future

When handing over the family farm, don't put your head in the sand, says ROBERT COLE.

FOR the majority of farmers, the issue of succession planning and passing control to the next generation is, very often, just too hard. So often it seems far easier to make a simple will, leave the farm to the designated family member, and then simply put the head in the sand.

The tragedy of this approach is that often upon the death of the farmer, havoc is wreaked upon the entire family. No one is happy; the family members no longer living on the land feel as though they have been neglected, often leading to the challenge of the provisions of the will.

On the other hand, the on-farm family member, who has worked for a lifetime, is even more disgruntled as they see the looming threat of a lifetime's work and anticipation vanishing, leaving them with inadequate compensation and, more drastically, no income stream.

This is a scenario that is likely to play out almost daily in family communities everywhere.

While it is impossible to please all of the people, all of the time, taking some affirmative action, long before any trouble starts to surface, can help to avoid, or at least reduce family disharmony and ensure a secure future for the family farm.

Unfortunately, many farmers leave consideration of this difficult issue

far too late. It is a matter that should be addressed sooner rather than later to secure greatest acceptance and success.

As soon as it becomes clear a family member is making a commitment to the farm, a strategy for the future handover of the farming business must be considered. The reality is that despite most people thinking they are immortal, there is also the ever-present risk of premature death, especially in a dangerous workplace such as a farm.

Many families naively believe that all family members will be accepting of a succession plan and what it puts in place following the death of the primary bread winner. In reality, nothing could be further from the truth once mother and father have passed away. The sooner the issue of the farm's future is addressed, the clearer the path ahead will be for all family members involved.

Time and again we see circumstances where the farmer has, as touched on before, done nothing — put their head in the sand and presumed it will all work out once they are gone. The family repercussions of this approach are often catastrophic, with a forced sale of the farm a possible and all-too-common result.

No two families are ever the same in their needs and desires. The biggest challenge with planning the future management and ownership of a farm



Robert Cole, from Maddens Lawyers, says careful succession planning is a key to keeping healthy family relationships.

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is successfully striking a balance between ensuring off-farm family members are adequately provided for, while preserving the farmland to enable the next generation to continue farming.

There are many factors to consider in planning a farm handover strategy. These include:

- Current debt levels;
- Capital gains tax implications;
- The ongoing needs of the retiring parents, both in income terms and the desire to stay involved in the family farm, even if on a reduced, hands-on basis;
- Funding for off-farm investments and housing;
- The input of the farming family members and whether they have been

compensated adequately or not for their contribution to the farm over the years;

- Retention of control; and
- Guarding against next generation marital breakdown.

While all families — and farms, for that matter — are different, many strategies exist whereby the family farm can be protected and provision made for all family members, their needs and their desires. Of course, no situation is ever ideal; a perfect outcome to all parties is preferred, but very difficult to achieve. However, it is better to have a well-prepared strategy in place than to simply put your head in the sand.

Robert Cole is managing partner at Maddens Lawyers.

Who - or what - will follow once you've finished farming?

Will you one day pass your farm on to the next generation?

Will you need an income once you retire?

Who gets control?

These are issues that rarely sort themselves out.

For a practical and successful approach to farm succession, contact Robert Cole at Maddens Lawyers on: 5560 2000 or maddenslawyers.com.au

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