



❖ The Pathway to a successful Business and Family Transition



- ❖ Part A - Understanding the nature of Business Transition and Succession Planning
- ❖ Part B - Building the Plan
- ❖ Questions & Comments



Part A – Understanding the nature of Business Transition and Succession Planning





What is business transition and succession planning?

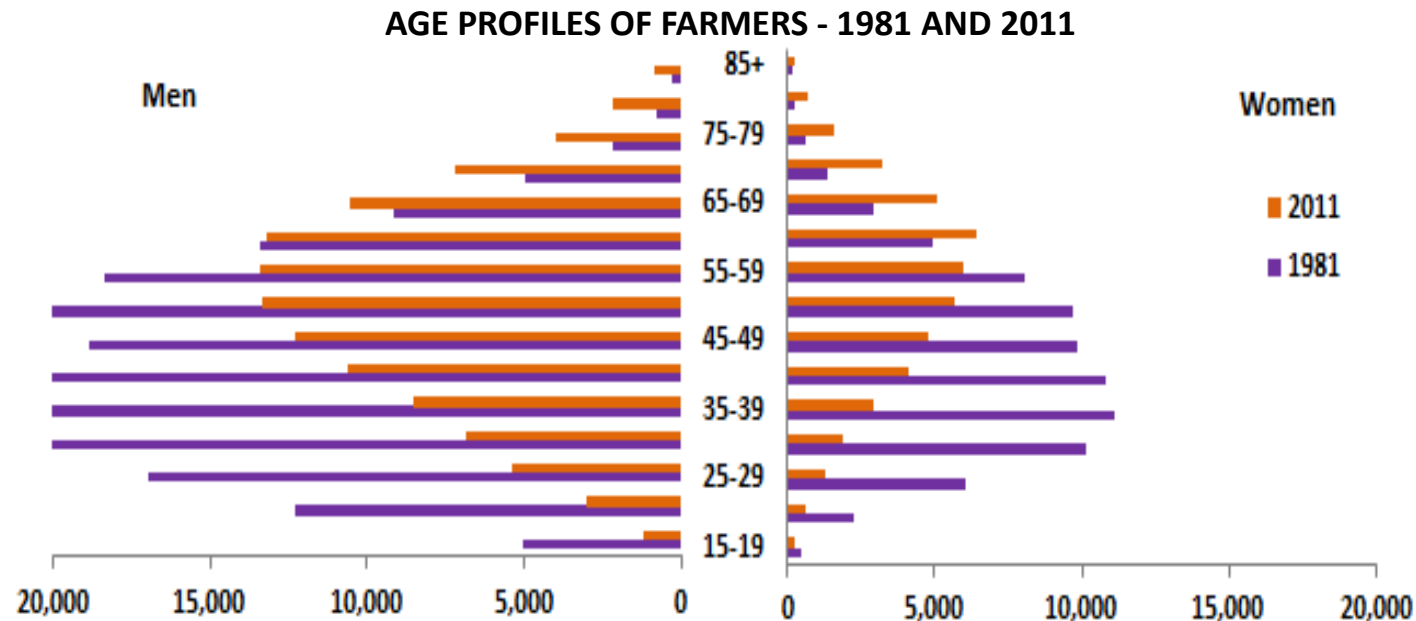
- *A formal structured process*
- *Evaluation of the business, personal and family circumstances*
- *Examination of future options*
- *Development of a preferred course of action from a range of alternatives.....*

While you are still on a position of control!



The Nature of the Issue

The age profile of farmers has changed markedly over the past few decades. The median age of farmers increased by **nine** years between 1981 and 2011, while the median age of other workers increased by just **six** years. Over the same period, the proportion of farmers aged **55 years** and over **increased from 26% to 47%**, while the proportion of farmers aged **less than 35 years fell from 28% to just 13%**.



Source: ABS Census of Population and Housing



What is the purpose of business transition and succession planning?



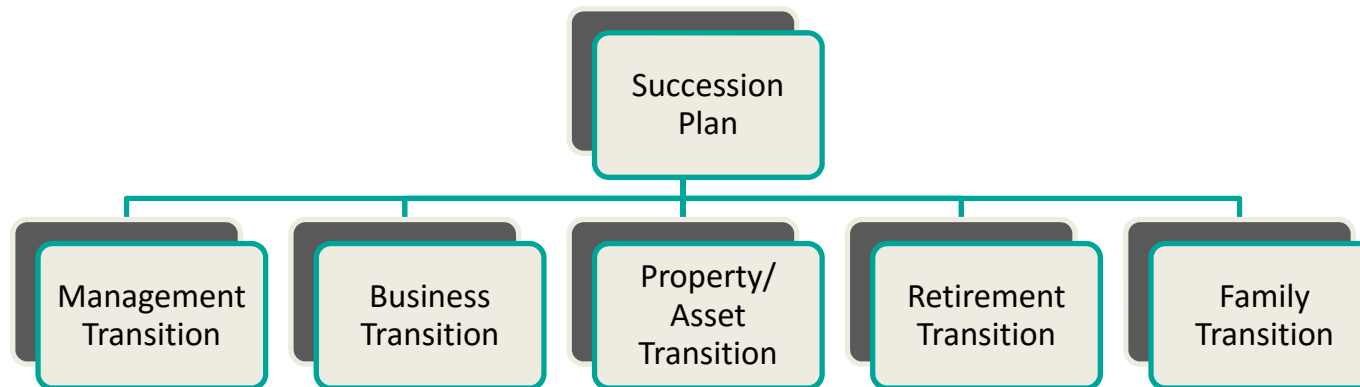
To create the 3 C's:

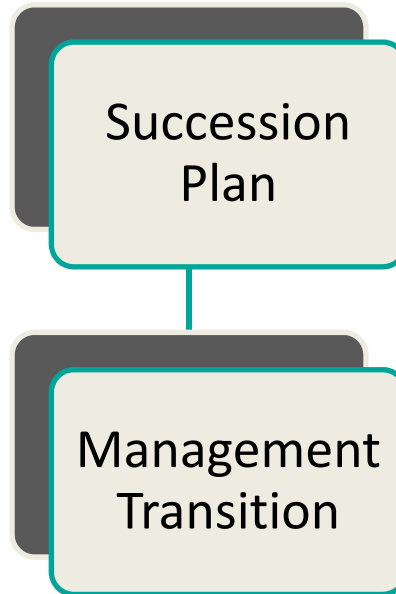
- Clarity
- Certainty and...
- Confidence
- in the future





The key elements that make up a comprehensive Succession Plan







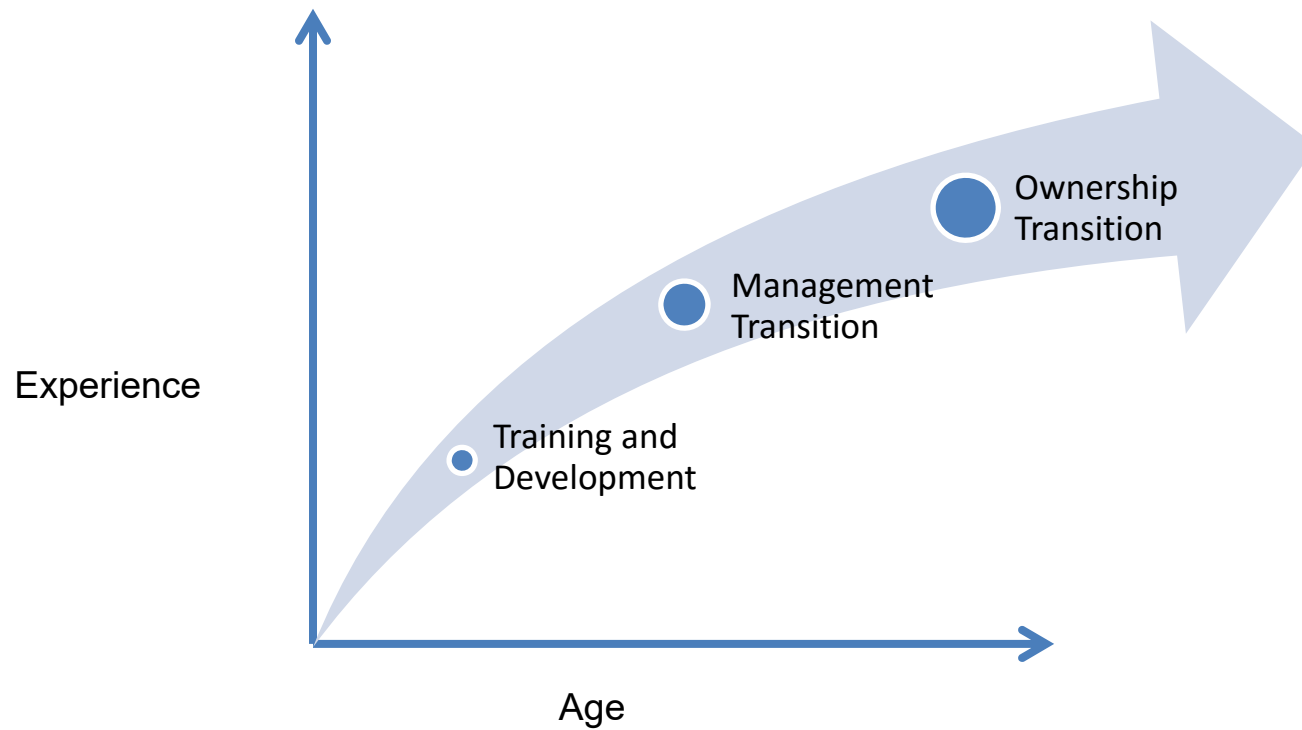
Management Transition



“ You sure know how to be a good farmer but can you run your own business?”



The Business Owner Lifecycle





Management Transition



“ I just can’t see how my brother and I can work together on our own. Perhaps we should each go our own way”



Management Transition



Dad & Mum have final say

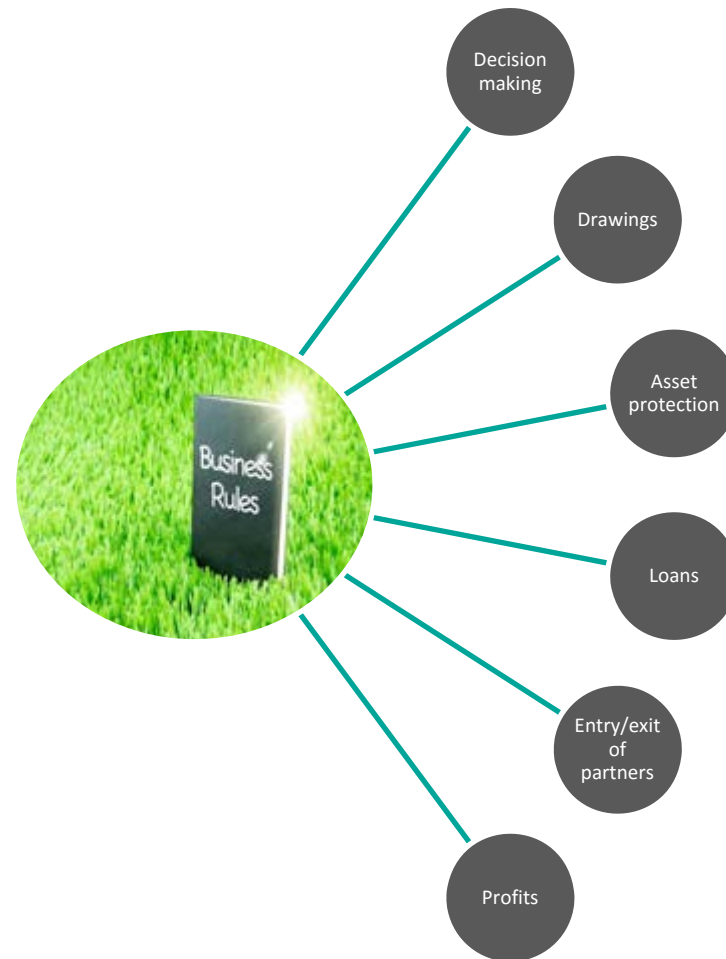
On farm adult children contribute to decision making

New owners have equal say

They make the final decisions



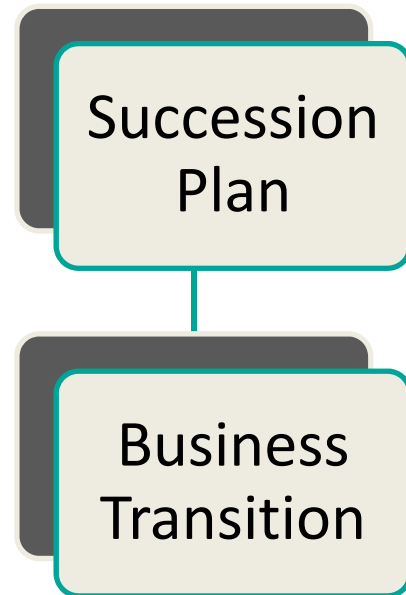
Solution- a set of Rules!





Management Transition Key Planning Areas

- Timeframes
 - Communication/decision making
 - Roles and responsibilities
 - Financial management
 - Remuneration policy
 - Foregone wages/past contributions
 - Training/knowledge transfer
 - Corporate governance
-





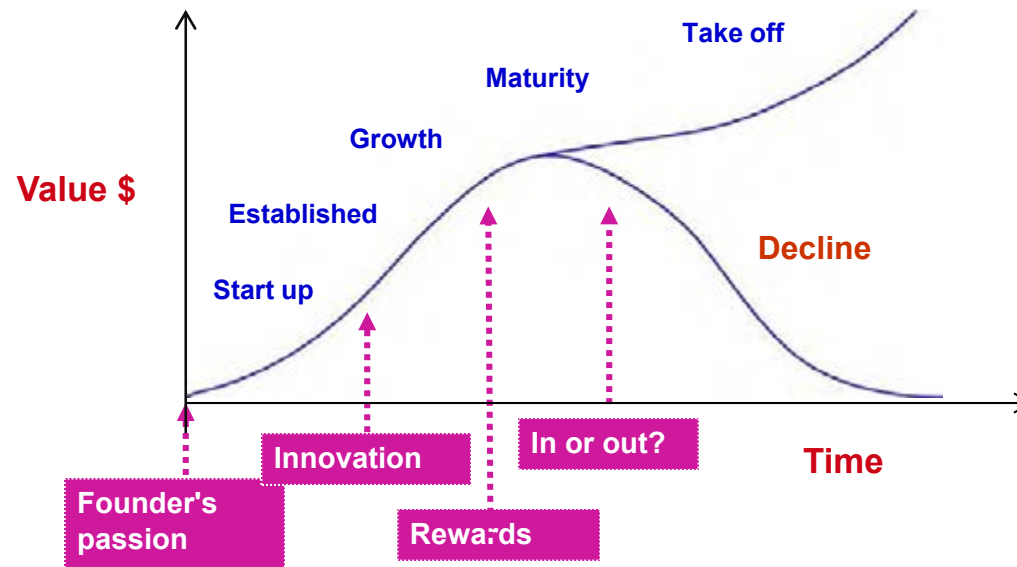
Business Transition



- Where is the business now?
- Where do you want it to be?
- How will you get there?



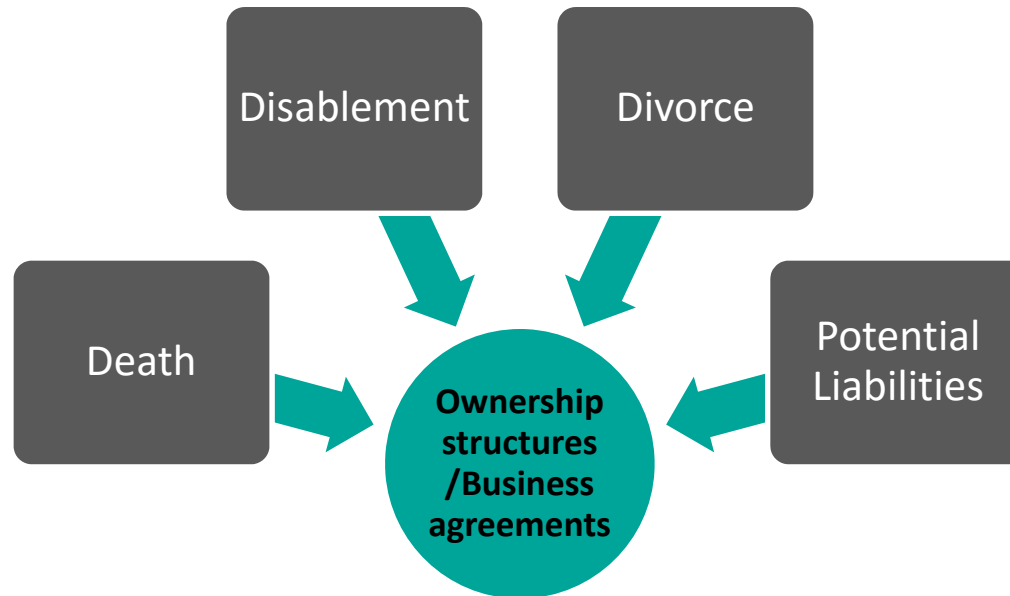
Business Transition



Your Business Lifecycle



Business Transition

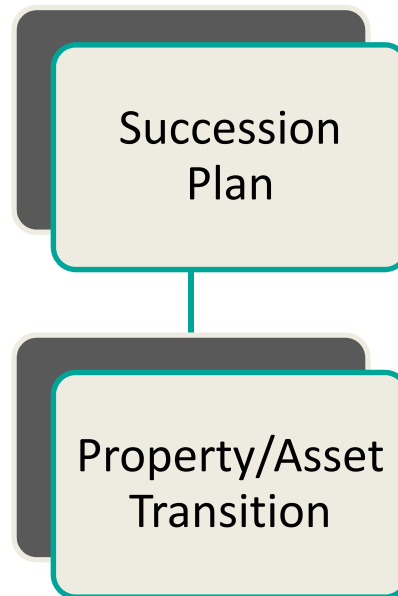


Is the business well protected against unforeseen events ?



Business Transition Key Planning Areas

- Restructure timeframe
 - Sustainability modelling
 - Future business structure
 - Plant and equipment
 - Stock
 - Bank debt/finance facilities
 - Asset protection
 - Business Agreements
 - Business Plan/Strategic Plan
-





Property/Asset Transition



It's not just about cutting up the cake





Property Asset Transition



- Is the transfer by way of a gift, an agreed consideration (e.g. bank debt assumed), full consideration or a combination?
- Will it be in the Current Owners lifetime or through the estate?



Property/ Asset Transition



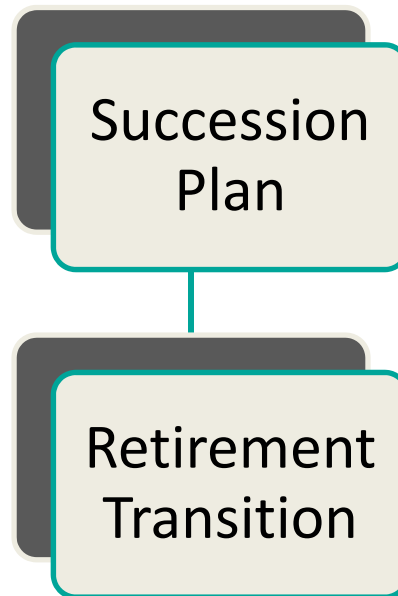
If the next generation purchase the property it may be over many years and they may be able to fund a significant contribution from future profits



Property Transition Key Planning Areas

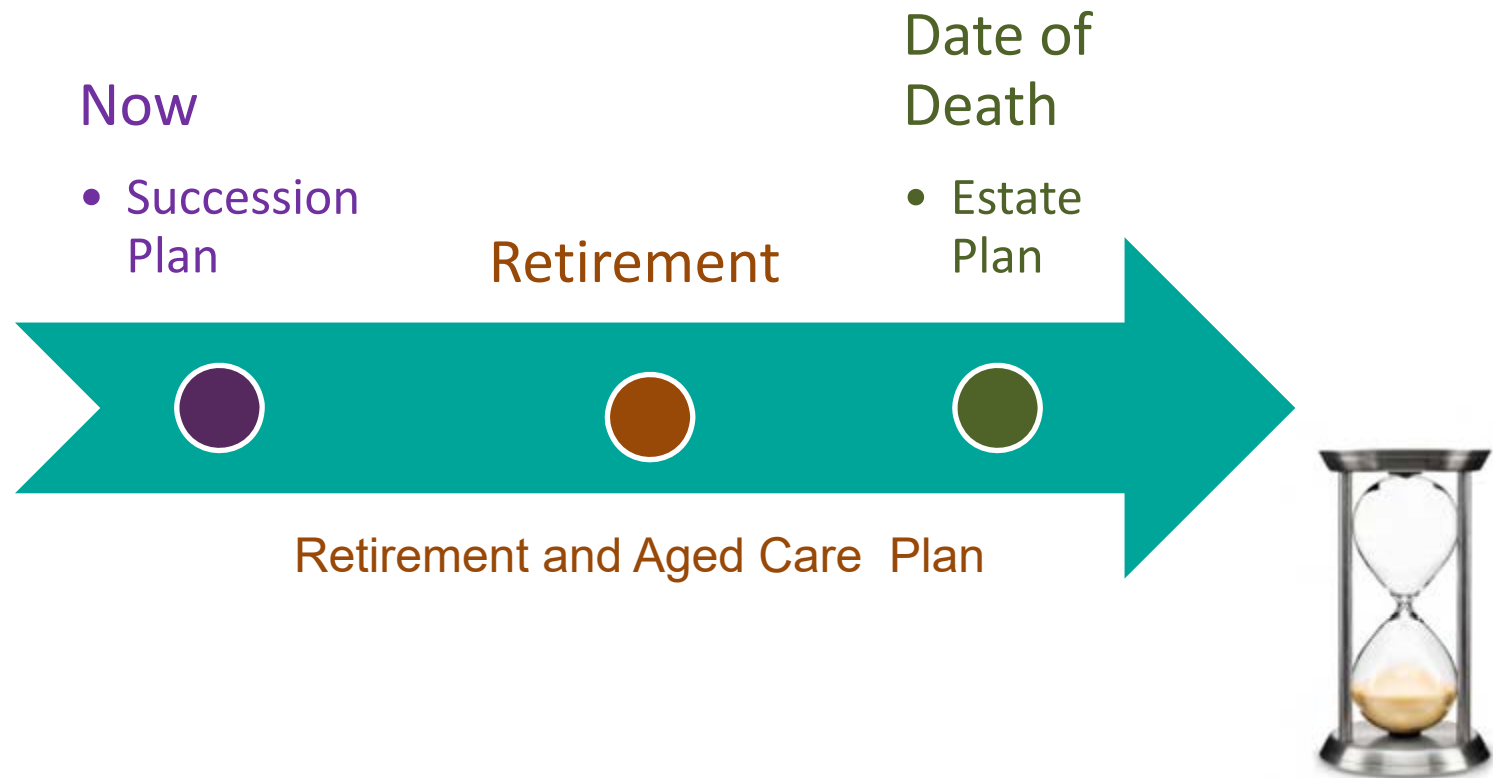
- When and how?
- Ownership structures/methodology
- Amount payable
- Gifting considerations
- Treatment of bank debt
- Taxation, capital gains and stamp duty
- Asset protection
- Clawbacks
- Buy/sell agreements
- Can the farm sustain more than one family?







Retirement Transition





Retirement Transition- Superannuation



- For many farmers their Super is in the dirt..... and we are not talking about fertiliser!!!
- How do we release the assets?
- How much will you need to retire comfortably?
- How long will your assets last?



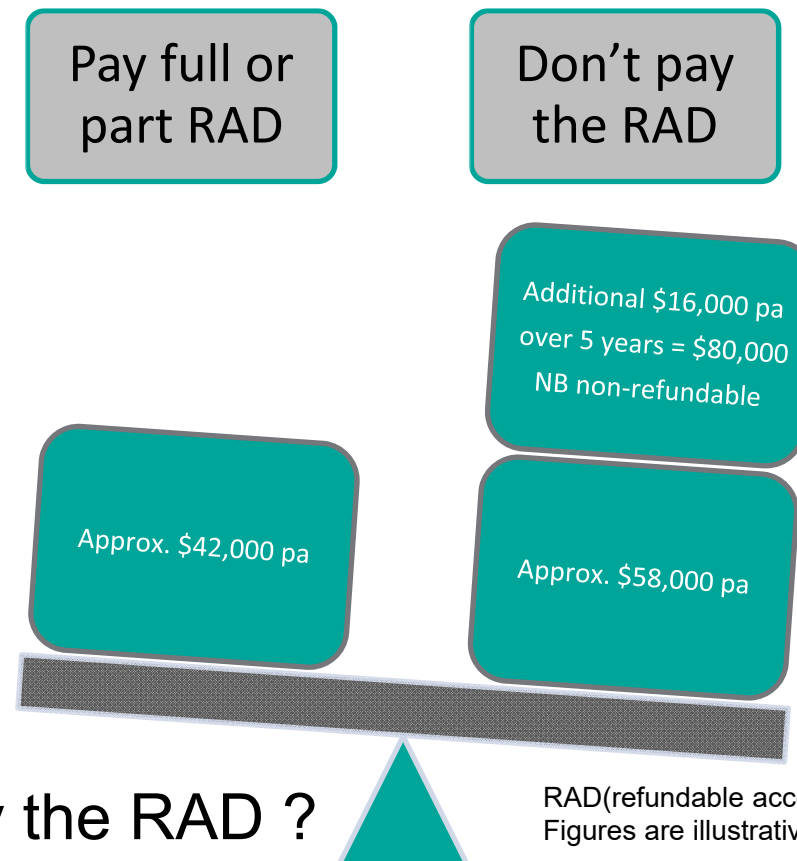
Retirement Transition- Confusion over Aged Care



- Imminent crisis or need for long-term planning
- State of health- need for current assessment
- Understanding terms e.g.: RADs, DAPs, DACs, RACs
- Effect of means tested fee
- Sell or retain farm or family home
- Centrelink rules for both Aged Care and Age Pension
- Locating and negotiating Aged Care facility terms and costs
- Powers of Attorney
- Emotional 'costs' of all of the above



Retirement Transition- Aged Care Planning is essential



Pay or don't pay the RAD ?

RAD(refundable accommodation deposit) assumed at \$300,000
Figures are illustrative only



Retirement Transition Key Planning Areas

- Wills & Power of Attorney
 - Testamentary trusts
 - Future accommodation
 - Retirement funding
 - Financial plan
 - Pension entitlements
 - Aged care
 - Superannuation
 - Off-farm assets
-



Succession
Plan

Family
Transition



Family Transition



Keeping the farm in the family is important for:

- Family tradition and history
- Passing on knowledge
- Maintaining passion and drive in agriculture
- Providing a vibrant future for our industry
- Keeping Australian farms in Australian hands



Families are the heart of Australia's great farming tradition
- *Minister for Agriculture, Barnaby Joyce*



Family Transition



- How will the family legacy be maintained?
- Who will be responsible?
- What sort of journey will the family undertake and how will it affect family harmony?

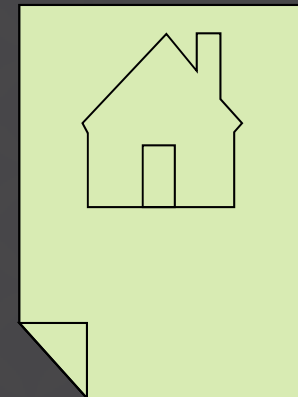


Family Transition Key Planning Areas

- Future direction of business
 - Legacy / importance of keeping the farm in the family
 - Fairness for off-farm children
 - Farm access for the off farm children and their families
 - Future generations
 - Avoiding future conflict
-



Part B – Building the Plan





The Process



1. Categorise the main areas and identify the key issues



2. Understand and manage the expectations



3. Provide practical and workable solutions





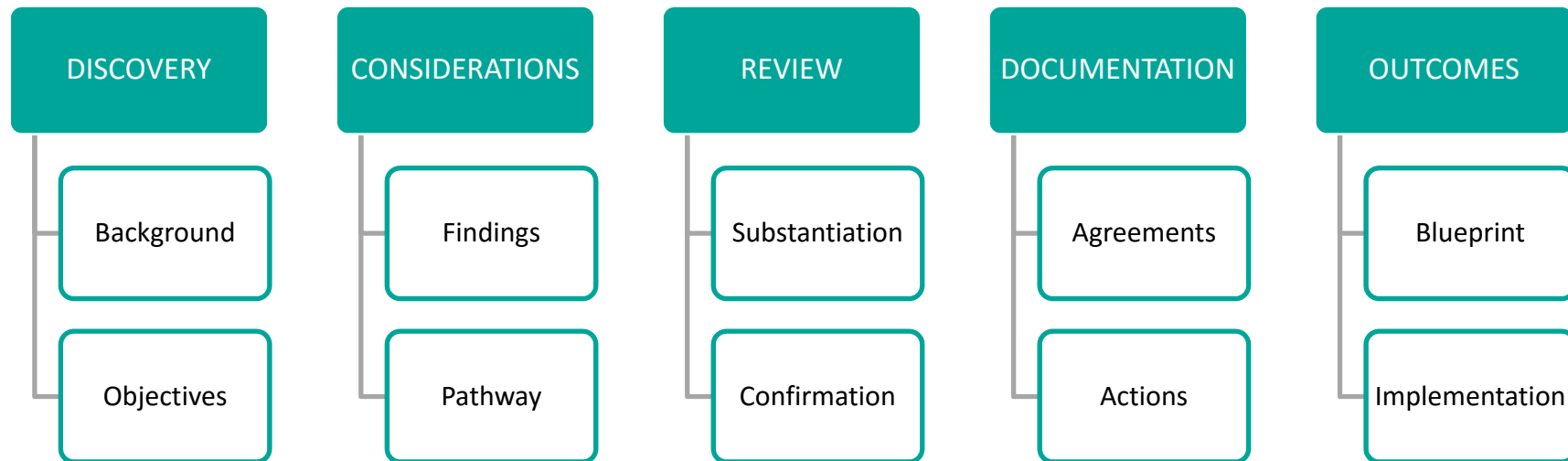
Bringing it all together - A structured approach

- A structured approach leads to a definite outcome in a given timeframe.



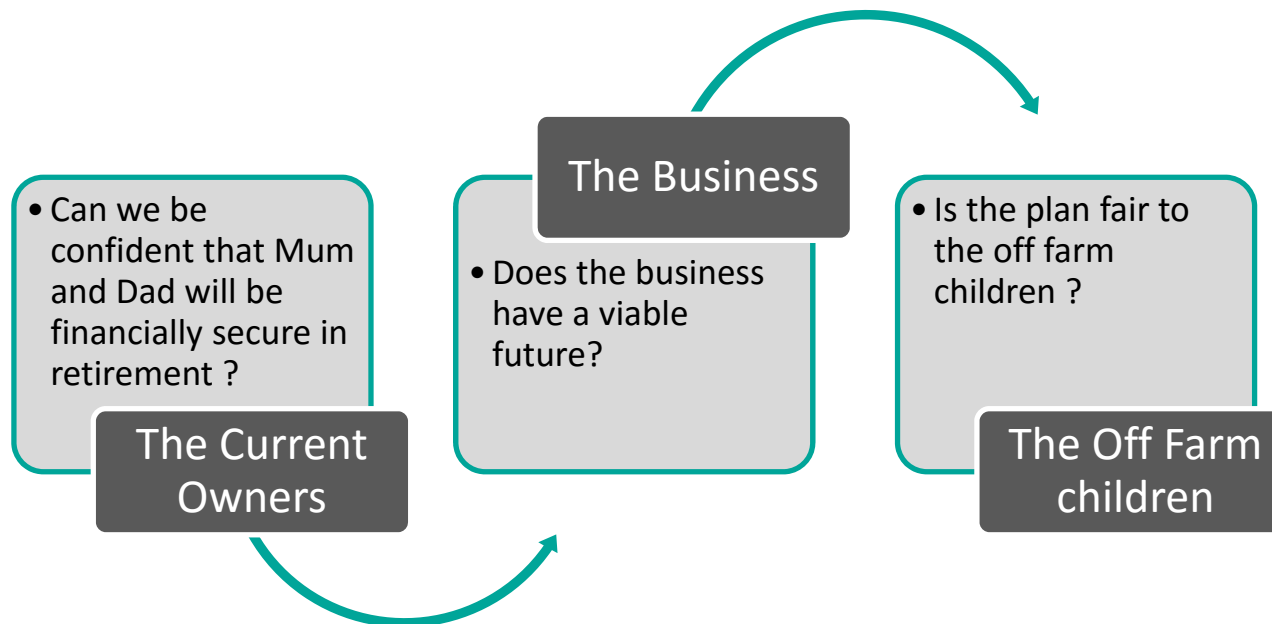


The key milestones



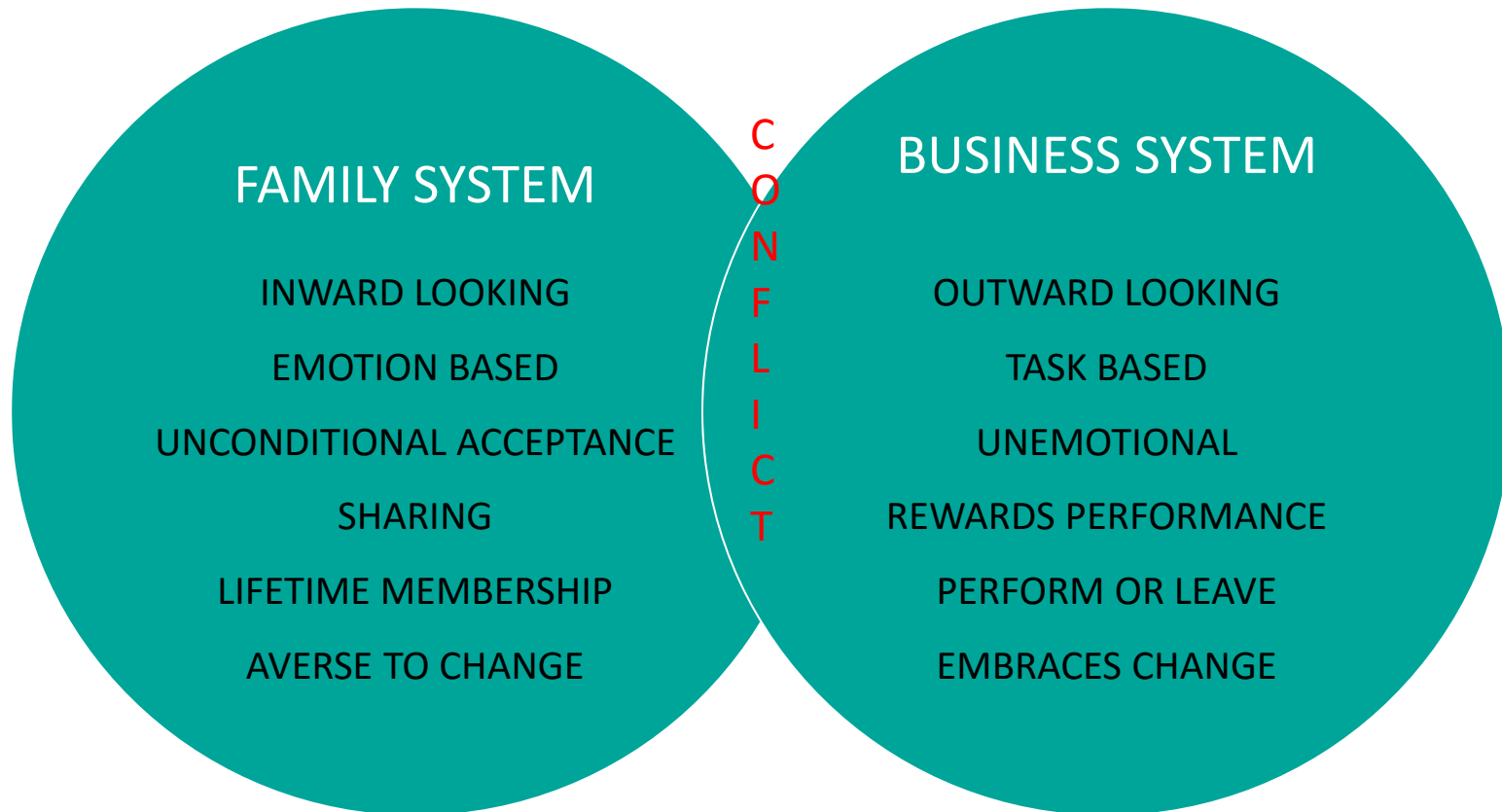


Establishing the priorities





Why does conflict occur?





Questions, answers and comments!

