



**RSM Bird Cameron**  
Chartered Accountants

# Succession Planning

The impact of a poorly planned succession can be substantial in terms of taxation, administrative costs, relationships and stress - plan now for tomorrow.



## FOREWORD

Preparing for succession is daunting for many farmers. In fact, 88% of small to medium sized businesses (including farmers) in Australia do not have a succession plan in place.

Not only is the business of farming becoming more challenging, but the assets involved are much greater in value and the rate of return is diminishing. Against this background is the likelihood that there may not be a viable opportunity for one or more younger family members to take over the farm business. Also, some farmers may have retirement plans which the business cannot afford. Families may be keen to offer a future on the farm to the next generation but see divorce, contested wills and other family disputes as major barriers to any action on succession planning.

Farmers will benefit from a succession plan particularly if considering the following:

- Planning for retirement
- Including family members in the business.
- Excluding family members from the business.
- Looking at long term options.
- Restructuring farm assets.
- Exiting from farming other than through retirement

A succession plan identifies and addresses important issues that can help reduce the many risks confronting businesses and also put the business on track for a prosperous future.

Developing a succession plan now could identify opportunities under the Small Business Capital Gains Tax Concessions which could be enormously beneficial to a farm business in regard to the transfer of business assets.

We at RSM Bird Cameron see succession planning as an extremely important issue for farmers. Our many agribusiness accountants in Perth and throughout Regional Western Australia have:

- experience backed up with comprehensive training
- specialised in house technical support in taxation, financial planning, Will preparation and storage and self managed superannuation

Our Agribusiness accountants are ideal to assist with the facilitation, preparation and implementation of a succession plan. We can provide a complete package in achieving your succession and business planning needs.

### Geoff Hall

Director, Agribusiness services

RSM Bird Cameron



Succession planning is not just a one-off event. It should be discussed over an extended period of time to ensure that any changes that occur in the farm business or family are considered and accounted for.



## Starting at the top

Succession planning allows you to anticipate and prepare for future events that may adversely affect farm business management. The following questions and answers will give you an overview of what succession planning and general information on issues to consider and the process involved in farm succession planning.

### What is a succession plan?

For farmers, it is basically a plan for implementation over a period of time for the movement of assets and management and control from one generation to the next.

### Why is succession planning difficult?

Quite often, different members of a farming family have different aspirations and expectations. Determining an acceptable planning outcome for the family requires sometimes several consultations or meetings to reach agreement on a plan that is both workable and acceptable to all concerned. Sometimes, a plan needs to be put in place now in order to achieve succession at some time in the future.

Also, moving assets creates stamp duty and capital gains tax issues which if not handled correctly in the implementation process could cost the farm substantial amounts of money.

### When should you discuss succession planning?

Succession planning should be discussed regularly. If you are not considering moving assets to the next generation at present, you should always be mindful of preparing for succession in the future. If you are not changing management and control at present you should be considering ways of preparing the likely candidate and ensuring that he or she will have the skills if and when the movement of assets, control and management takes place.

### What is the process of succession planning?

There are effectively 6 steps to a succession plan:

1. Determine the current situation
  - Determine exactly where the farm and farm business is at present.
  - Determine who owns what and who controls what.
  - Work out what everything is worth.
  - Work out what is the family structure and who does what.
  - Detail and understand the business structure.
  - Determine what Wills and other legal documentations are in place and what do they mean.
2. Determine the goals and objectives:
  - Determine the individual needs of the various family members.
  - Facilitate an agreement on what the overall plan outcome should be and the time line.
3. Plan to get from the current situation to achieving the goals and objectives:
  - Identify and address legal (eg. wills, EPA's, trust deeds, superannuation deeds, company constitutions, partnership agreements, mortgages, acknowledgement of debts, land titles), tax, family law, inheritance, asset protection, education, business structure, bank debt, insurance, investment and retirement issues and detail the potential impact and importance of these issues in the plan.
  - Identify and address current and future circumstances of family members.

# Breaking down the process of creating a succession plan for your farm business will make the experience less daunting.

- Identify management, training, career development and family/ work balance issues and incorporate a plan for these.
- Identify the financial, equity and cash flow impact and how to address these important issues in the implementation of the plan.
- Address stamp duty, capital gains tax, income tax, GST and other compliance issues in the succession planning process.

4. Set a timetable for implementation of the succession plan and commence implementation.

5. Document the plan and ensure all family members have a copy.

6. Constantly review and amend the plan to reflect changing circumstances.

## What is the most important part of the plan?

The family reaching general agreement on a succession plan outcome is probably the greatest hurdle. Once general agreement is achieved, many implementation problems (eg stamp duty and capital gains tax issues) can usually be overcome by adjusting the implementation process through a range of effective strategies.

## Who is best equipped to address succession planning?

Accountants experienced in succession planning and farm taxation issues are best suited to assist in building the succession plan. He or she understands the starting point, can facilitate and document a plan and advise on the financial and taxation issues, assist with legal issues and manage the overall implementation of the plan. Succession counsellors can assist to reach general agreement to an overall plan where a family may have lots of disagreement and conflict and where there are issues of work life balance etc. Solicitors are also important in the process as the implementation of the plan nearly always requires legal advice and documentation. Generally however, the experienced farm accountant is best placed to facilitate and manage the farming family's overall succession planning requirements.



# A succession plan identifies and addresses important issues that can help reduce the many risks confronting businesses and also put the business on track for a prosperous future.

## Why Use RSM Bird Cameron?

Our experienced agribusiness accountants located in Perth and throughout regional Western Australia can assist in facilitating, preparing and implementing succession plans and do so with the support of specialists in taxation, self managed superannuation, wills and deceased estate management, company voluntary liquidations and investment advice. Our Agribusiness accountants understand farming businesses and the multitude of issues that arise in forming a succession plan.



**Martin Livsey**  
**Director, Agribusiness**

Martin's career commenced with 15 years of Commercial and Management Accounting including manufacturing service, hospitality and particularly as CFO for a leading WA wine maker.

Martin is a Director of RSM Bird Cameron Great Southern Zone having worked in all areas of Agribusiness for over 20 years.

Martin now lives on his own farm in Katanning and continues to advise on a broad spectrum of taxation, succession and superannuation matters.

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**Cameron Taylor**  
**Director, Agribusiness**

Cameron has over 25 years experience working with farmers from Albany to Kununurra, and is currently Director of the Great Southern Zone incorporating Katanning, Albany & Narrogin Offices.

Cameron hails from the family farm at Kukerin, and has a comprehensive knowledge and understanding of the taxation and succession planning issues and complexities facing farming businesses today.

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