

# Succession Guide

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## Farm Succession

Is it time to get everyone around the table?





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# Contents

Foreword	2
Succession Planning: Where to start?	3
The path to a plan	6
Case studies: What have others done?	8
Let's talk about viability	9
Getting everyone's point of view	10
Generating a plan	12
Addressing the hard issues	14
What <i>ifac</i> can do for you	16



# Foreword

## Succession; getting started is the secret.



Can you imagine having the plan for your farm's future written down and agreed with your family? We understand families don't like talking about farm succession. Some people believe planning for farm succession means you are ready to "give up farming." We know this isn't true, and we know farm succession without a plan is a recipe for family conflict.

Any conversation about who will own the family farm has the potential to be difficult, but it's a conversation that must happen. Family members often have genuine concerns about succession. These concerns should be heard and discussed, ideally around the kitchen table.

While a farm is a valuable asset that traditionally passes from generation to generation, our research shows that the vast majority of farmers don't have a formal succession plan. So if this sounds familiar, don't worry, you're not alone. The same reasons crop up repeatedly – reluctance to give up control, lack of a suitable successor, concerns about the farm's viability, and, of course, concerns about family conflict.

These reasons are understandable, but rest assured, they're not insurmountable. In farming, like any other business, sound planning is one of the keys to success. If you start planning early and give the process the time it deserves, you can overcome the obstacles.

We produced this Succession Guide to help you start the conversation and guide you through the issues you need to consider. We've helped thousands of farming families through this process over the past 45 years. We hope you find our Succession Guide to be an insightful and thought-provoking read.

As always, we encourage you to seek advice from your local *ifac* office before making any decisions that will affect your farm's future. Now, it's time to get around that table. The secret to a good farm succession is getting started!

Good luck,

**John Donoghue**  
CEO, *ifac*

# 01

## Succession Planning - Where to Start?

**First things first, take a deep breath! Planning for a changing of the guard doesn't have to lead to a breakdown in communication. Nobody wants this and in fact, with careful planning, you can actually empower everyone in the family. Your farm is part of you, so passing assets, knowledge and skills from one generation to the next should get the time and care it deserves.**





The most obvious thing to think about is how to secure the future of the farm, but don't forget about the need for a sustainable income for both the retiring and the next generation. It's a good idea to find out the wishes of other family members or stakeholders as well and take these into account. Whatever the size of your family and whatever the circumstances, this much is true – the better the communication between everyone, the smoother the process.



As well as communicating openly, it's important to communicate early. This is true both for getting the family together and for seeking advice – the earlier you start succession planning, the better the outcome for yourself, your family and your farm.

### 10 Steps to Success

- 1 Clarify your goals
- 2 Collect and analyse information
- 3 Assess your farm's viability
- 4 Explore your family's options
- 5 Liaise with your team of professional advisors
- 6 Make decisions
- 7 Develop and implement your plan
- 8 Review your plan at least once a year
- 9 Review and update your Will

## Considerations for Overall Family Plan

Goal	Check	Ask	Notes
<b>Retirement</b> 	<ul style="list-style-type: none"> <li>✓ Current expenditure</li> <li>✓ Pension entitlements</li> <li>✓ Future spending projections</li> <li>✓ Relevant tax reliefs and incentives</li> </ul>	<p>When do you plan to retire?</p> <p>Do you intend to continue to be involved in the business?</p> <p>How much income will you need to support yourself and your spouse in retirement?</p> <p>Where will you live?</p> <p>Have you considered if you or your spouse may need to avail of the Fair Deal Nursing Home scheme?</p>	
<b>Suitable and willing successor</b> 	<ul style="list-style-type: none"> <li>✓ Job descriptions</li> <li>✓ Skills and training requirements</li> </ul>	<p>Have you identified a successor?</p> <p>What is the timeframe for the succession?</p> <p>What skills/knowledge will your successor need to acquire?</p> <p>If you cannot identify a successor, have you considered other succession options such as skipping a generation, partnership or selling your business?</p>	
<b>Viability</b> 	<ul style="list-style-type: none"> <li>✓ Financial accounts and key performance indicators</li> <li>✓ Market value of farm assets</li> <li>✓ Value of other business and personal assets</li> </ul>	<p>Is your business viable?</p> <p>Can it provide adequate income for both the retiring generation and the new generation?</p> <p>Is additional income available from off-farm sources?</p>	
<b>Documents</b> 	<ul style="list-style-type: none"> <li>✓ Wills, Living File, Power of Attorney</li> <li>✓ Loans and insurance documents</li> <li>✓ Partnership documents</li> <li>✓ Other legal documents</li> </ul>	<p>Are Wills up to date?</p> <p>Have you considered creating an Enduring Power of Attorney? See p.14</p> <p>Have you created a 'Living File' to store the information that the person dealing with your affairs after your death will need?</p>	

Goal	Check	Ask	Notes
<b>Stakeholders</b> 		<p>Have you consulted family members, employees and other relevant stakeholders?</p> <p>Does your proposed plan take into account both family and business goals?</p> <p>Have you sought advice from your accountant and/or other professionals?</p> <p>Have you involved an independent professional to help resolve potential conflict?</p>	
<b>Contingencies</b> 		<p>Does your plan make provisions for unanticipated events such as divorce, illness, accident, death, disaster?</p>	

**For farms to succeed down through the generations, it is important that the experience and knowledge gained by the current generation are passed to the next generation. It may sound obvious, yet this is where a lot of farms can stumble.**



“I was at the table making decisions with my parents from my early twenties. I didn’t think too much about it at the time, it was just what we did. But now I realise how much we’ve all benefitted from that. By being involved in the finances, crop management and admin from a young age, succession was quite seamless to be honest. Sure, I knew the business inside out and I was able to build on what my parents had already achieved. The way we did it was that they transferred a large part of the land to me a year ago and I took full responsibility for the day to day running of the farm. But they kept some land to make sure they have financial security for themselves. That’s really important you know; you have to think succession through from everyone’s point of view to make sure the whole family gets the best from it.”

**Mark Holohan** | Commercial Tillage Farmer, Kildare pictured with his Dad, Simon Holohan.

# 02

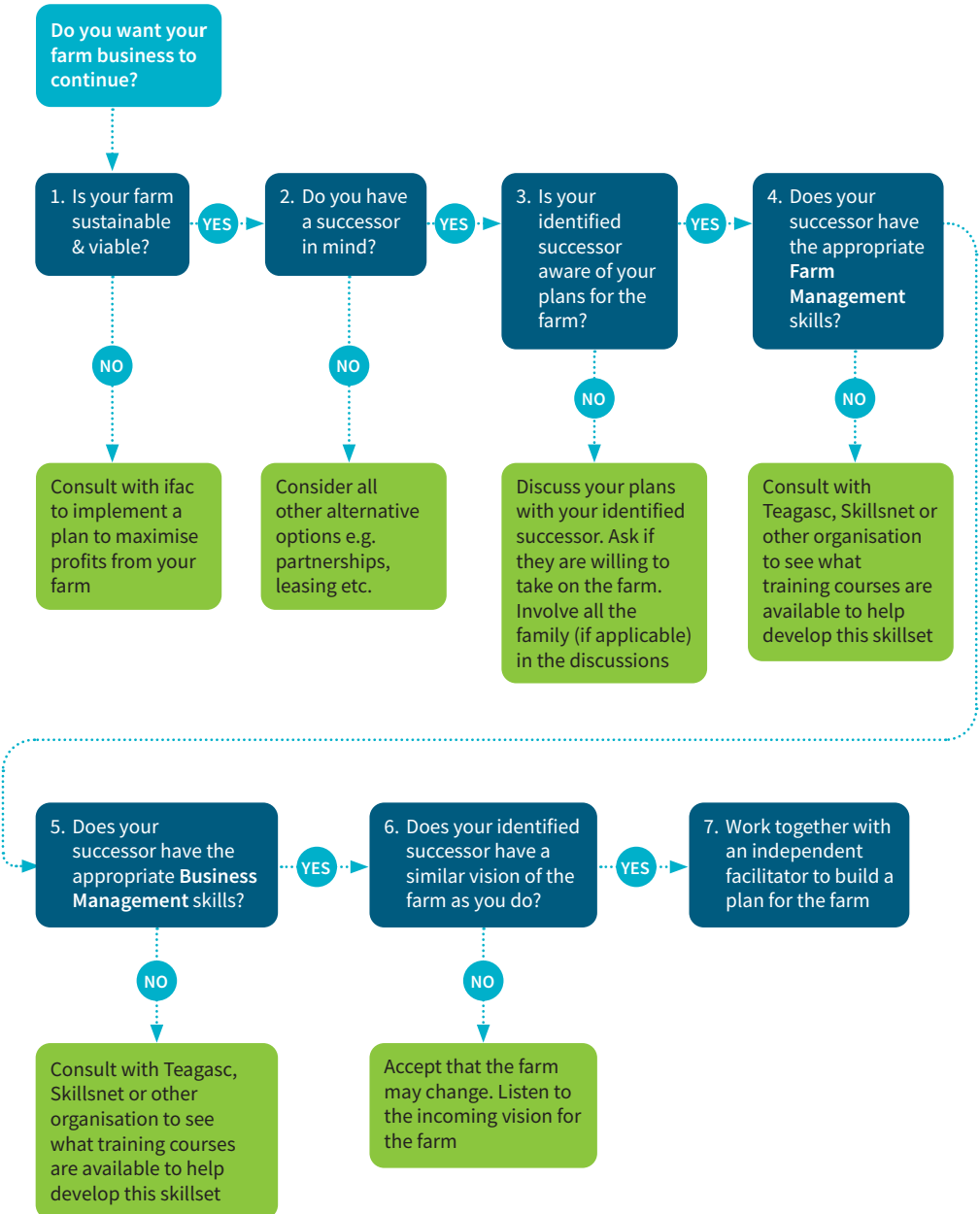
## The Path to a Plan

**There's a lot to consider and it can seem overwhelming at first. But if you think of succession planning as a process instead of an action, it makes it much less daunting.**

**Use this chart to prompt the right questions and kick things off – it will help you to clarify your goals, define your options and, ultimately, make decisions.**



# The Process of Succession Planning



# 03

## What Have Others Done?



### Case Study: The Benefits of Tackling Succession Early

Meet the Powers, farming in Waterford, they milk 290 cows and supply their award-winning milk to Glanbia. They tackled succession early and are enjoying the benefits.

#### Tom Power

One of five children, Tom is married to Moya and they have four young children. Tom was in his early twenties when his parents transferred part of their 139-hectare farm to him. Together, they developed the business.

*“My parents were ahead of their time; usually parents hold onto the farm until their successor is well into their forties...I knew how hard they worked for everything they had and for them to hand part of the farm to me was a huge boost for my confidence.”*

#### Working together

The remainder was transferred to Tom when he married Moya. Today there are three generations on the farm. Tom feels, *“Having family back-up is hugely important to the success of the farm.”*

#### Benefits of partnership

Early on, one of the big decisions was moving to a three-way partnership. Following a strategic review with their *ifac* advisor (Eoghan Drea, Partner at *ifac* Dungarvan) it was apparent that tax was going to be an issue in the future and a change of structure would be required.

*“It just made sense – we didn’t have a huge wage bill because it was all our own labour; we were milking a decent number of cows and had a good single-farm payment; and we didn’t have any massive capital allowances.”* The change has enabled them to improve the farm infrastructure and increase their land base.

#### Advice to others looking into succession

It’s important to have the discussion early. *“The combination of all our energies and ambitions helped us to develop the farm to where it is today. If they were only handing the farm over to me now in my early forties, I wonder if I would have the same drive that I’ve had over the last twenty years to push it on,”* he said.

He also recommends trusting your professional financial advisory partner.

*“We wouldn’t be in our stage of growth without the advice and support from our ifac advisor.”*



# 04

## Let's Talk About Viability

**Your farm is a deeply important part of who you are, but for many families, off-farm income is needed to keep things going.**

When you're looking at succession plans, it's really important to find ways to generate enough income for both the retiring and next generation (we keep coming back to this point, but for good reason). Succession planning is the perfect opportunity to pause and assess where you're at, to consider what's working and what's not. You might need to change your business model, diversify, invest or even enter into a partnership to improve your viability. These are difficult decisions and sometimes the interests of some family members can conflict with the interests of the business. If this happens, know that you're not the first and won't be the last to go through it. A good approach to teasing this out is to discuss these key questions together:

- Can the farm pay a fair wage as the successor's level of responsibility increases?
- Can the farm sustain another household?
- Are there structural or operational changes that can be made to improve profitability?

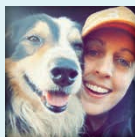
### **Management and ownership don't have to go hand in hand**

We also recommend looking at the skillsets of everyone involved – as businesses evolve, diversify and grow, the owner isn't always the best person to lead the business. When you hammer out your overall business strategy for the future, look at individual roles and

responsibilities with it in mind. Who's best placed to do what? Where will people shine? We're all most effective when we play to our strengths.

### **How Can I Improve Viability?**

- Invest/grow – using option of off-farm income
- Change/diversify
- Examine cost structure
- Increase productivity



“I'm in a registered farm partnership with my Mam and this has been a brilliant move for us. We used to be drystock farmers, but we converted to dairy because we felt that gave us the best chance of continuing to farm into the future. Myself and Mam get on great and we've always been very honest with each other; that's made the transition much easier. When we moved to dairy, we got great advice from *ifac* that it was the right time to set up a registered farm partnership. Straight away we could maximise the grants available to us and that got us up and running.”

**Ashleigh Fennell**

New Entrant, Dairy, Carlow

# 05

## Getting Everyone's Point of View

**You know what your own concerns are, but how about everybody else? Let's look through some of the possible points of view – it can be helpful to get an understanding of how others might be feeling, before you all get around the table.**

### **Are You the Outgoing Generation?**

Having worked on the farm all your life, you'll need to prioritise your own financial security before transferring assets. You'll need to think about the following:

- Your timeframe to exit the business?
- What level, if any, you wish to continue to be involved on the farm?
- Will you need or want to continue to draw income from the business?
- What will happen to the farm dwelling house?
- Will you need to avail of the Fair Deal Nursing Home Scheme?
- What are your wishes for your other children?

### **Are you the Incoming Generation?**

If you're the incoming generation, you'll need to think fully about your own situation and your life goals and aspirations. If you have a partner or spouse, their views are really important also. You'll need to consider the following:

- Can the farm afford to support your desired lifestyle (and possibly the outgoing generation's)?
- What's your expectation on working hours, holidays, time off etc.?
- There may be additional benefits to your wages that should be examined from a reward point of view e.g. use of jeep/car, fuel, electricity, health cover etc.
- Can the farm meet your parents' wishes to support siblings if applicable?

### **What if There's No Successor?**

If there's no willing successor in the immediate family, there are other options that you may wish to consider:

- Partnership
- Share Farming
- Transfer to niece/nephew
- Leasing
- Possible sale (part or full disposal)

Some of the above solutions may be an option where the land owner wants to take a step back from the day-to-day management of the business or in situations where an interim solution is needed until a successor becomes old enough to take over the farm.

## Case Study: The Benefits of Getting It All Out in the Open



**Meet Elaine Vance from Donegal, who milks 215 cows, owns 200 acres of family farmland and rents 150 more. Elaine farms with her Dad Geoffrey and her husband Robert and she has three small children. Her family relationships have benefitted from strong communication.**

### The natural successor

Elaine, who has a PhD from Queens University in Dairy Production Systems, always showed an interest in the farm, making her the natural successor. Despite this, Elaine feels strongly that you can't underestimate the importance of everyone's needs being discussed openly. Even if only one person is genuinely interested in the farm, it's still the family home which makes it an emotional issue.

“When we first spoke to *ifac*, it was honed into us to talk about what everybody's needs are from the family farm. That was something we did, so that everybody knew what everybody's wishes were, and nobody was in the dark about anything.”

### Discussing every last detail

Good communication is crucial, and Elaine and her family talked through everything – the farmhouse, how her parents would be cared for when they were elderly, what her parents needed as regards income and what Elaine's family needed as an income. They

also talked about what her parents wanted for her siblings and what her siblings wanted for themselves.

### Don't assume you have loads of time

In Elaine's experience, succession can take longer than you expect, even if you're organised. “It took time; this was down to the fact that we had a very complicated structure that took time to work through and come up with a plan that was best for everybody.” The more time you give your succession process, the better the outcome.

### Advice to other farmers looking into succession

Elaine's main advice is to get professional advice. It's the best way to “*get the structure right...and do it as efficiently as you possibly can.*”



The Vance's Farm in Donegal

# 06

## Generating a Plan

**Grab hold of the process by using this checklist as a guide to help gather information and put a robust plan in place for your farm succession journey.**

<input type="checkbox"/>	<b>1.</b> A 'team meeting' has been held to discuss goals, objectives and expectations, along with some options for both the outgoing and incoming generation. Accept that the business will change.
<input type="checkbox"/>	<b>2.</b> There has been a discussion regarding who wants to be involved and potentially take over the farm business in the future (successor identified).
<input type="checkbox"/>	<b>3.</b> Fair and equitable treatment of all children (both farming and non-farming) has been discussed. Document any parental promises that have been agreed.
<input type="checkbox"/>	<b>4.</b> It has been determined if the farm is profitable and viable today. If not, the necessary changes have been identified to make it profitable and viable in the future, supported by farm financial projections.
<input type="checkbox"/>	<b>5.</b> The farm structure options (i.e. sole trader, partnership, limited company etc.) have been reviewed to ensure farm is in a tax efficient structure that enables farm to maximise all entitlements and grants.
<input type="checkbox"/>	<b>6.</b> Legal considerations (e.g. Will, Power of Attorney etc.) have been examined.
<input type="checkbox"/>	<b>7.</b> If two generations are going to continue working together, have the following been considered: <ul style="list-style-type: none"> <li><b>a.</b> Division of workload, management, roles, and responsibilities</li> <li><b>b.</b> How the incoming generation skills and knowledge will be developed</li> <li><b>c.</b> Discussions around decision making and how it will be handled in the future</li> <li><b>d.</b> A net income sharing agreement</li> <li><b>e.</b> It may be useful to include a dispute resolution mechanism in any agreement.</li> </ul>



- 8.** A team of trusted and experienced advisors have been identified. This team can provide helpful hints and advice related to the various options as the plan is developed.

This team might include:

- i)** Accountant (with specialised farm tax knowledge)
- ii)** Solicitor
- iii)** Bank relationship manager
- iv)** Financial planner
- v)** Facilitator
- vi)** Farm family members.



- 9.** Compile current farm, stock and plant valuations.



- 10.** Compile details of the parents' (if applicable) other interests, assets and liabilities.



- 11.** Get the succeeding child's assets, liabilities and farming qualifications if applicable (required as part of tax review).



- 12.** Compile details of any current or potential developments or diversifications of the farming business.



# 07

## Addressing the Hard Issues

**The other thing no-one wants to talk about is what will happen to their personal and business affairs when they die. It's totally understandable; it's a difficult topic and because of that, most families don't have a plan in place. Sadly, this can lead to unnecessary stress, expense and even conflict at an already difficult time. So, what can you do to make sure this doesn't happen to your family?**

### Make a Will

It sounds obvious, but the first thing you should do is make a Will. Have it drawn up by a solicitor so that it's valid. And don't forget to review it from time to time, to make sure it still reflects your wishes. If you don't make one, or it's invalid, then your assets will be distributed according to the laws of intestacy. This essentially means that if you're married or have a civil partner, and you have children, your spouse/civil partner will inherit two-thirds and your children or estate will share the other third.

### Create an Enduring Power of Attorney

It's not nice to think about, but it's worth considering what would happen if you became mentally incapacitated through accident or illness or if you developed Alzheimer's disease or dementia. In situations like these, your family could find themselves in difficult situations like not being able to access your banks accounts to pay your bills. If you create an Enduring Power of Attorney, you can avoid these problems. Essentially

an Enduring Power of Attorney is a legal arrangement where you nominate someone you trust to act on your behalf. Unlike a Power of Attorney, it only kicks in if you become incapable of managing your own affairs.

### Create a Life File

It's a great idea to create a 'Living File' or 'Life File' to store all the information that the person dealing with your affairs will need. Here are examples of what to include:

- Your Will
- Enduring Power of Attorney document
- Up-to-date list of your personal assets, properties, debts and liabilities with photographs of valuable possessions
- Vehicle details
- Bank accounts and investments
- Life assurance policies
- Mortgage
- Burial/cremation wishes and any prepaid funeral details
- List of people you'd like to be notified of your death
- Contact details for your professional advisors
- Contact details for essential service providers for your farm
- Legal agreements such as partnership agreements
- Birth, death, and marriage certificates
- Separation/divorce papers.

## Involve the family

It's natural for family relationships to become strained at times of grief. Give your family the best chance of avoiding conflict by involving them now in what you're planning for when you pass away.

**Good communication** makes a smooth transition much more likely. If you find the idea of discussing this difficult, or you think consensus might be hard to achieve, take the pressure off by getting your accountant or solicitor to chair family meetings. They can help steer the conversation and outline all of the options so that everyone can agree what's in the best interests of the family and farm.

## Protect yourself, your family and your farm

If you're thinking of disposing of assets, make sure you consider what's needed to protect you and your family's financial security. Despite our best efforts, relationship breakdowns can happen, so consider what can be done to minimise risks.

Good questions to ask include:

- What will happen to the farmhouse?
- What, if any, future involvement do you want to have on the farm?
- Do you need to take any money out of the business to provide for other family members?

Popular options include retaining some land, putting some land in joint names or selling some land to the farm company.

Another important thing to consider is have you got life cover in place to help provide peace of mind that your family will have some financial protection upon your passing. Always, it's best to discuss all of this with your professional advisors before you make any decisions.

## Make sure you understand the Fair Deal Nursing Home Scheme

If you're considering availing of the Fair Deal scheme, be aware that up to 7.5% of the value of the farm could be set aside annually to fund nursing home fees.

If you don't transfer your farm to a successor and you need support for nursing home fees, the potential costs are huge. Here's an example to put it in perspective:

Imagine you have 100 acres valued at €1.2m. You also have an old age contributory pension but no savings worth talking about. Let's estimate your nursing home cost estimate at €1,500 per week or €78,000 per annum.

**While you're a resident, this would be funded as follows:**

- 80% of your pension (€200 per week)
- This leaves a charge of up to €68,000 per annum to the farm
- If you're a resident for 5 years, the cost to the farm will be a minimum of €340,000.

**This cost would have to be discharged before the farm could be transferred to a successor, whereas an early transfer of your farm can minimise this cost.**



# 08

## What *ifac* can do for you

**For over 45 years, *ifac* has supported farmers and played an integral role in the lives of farming communities all over Ireland. We have a deep connection with people who work on and off the land and this connection continues to define our success today.**

We don't see ourselves as just delivering a valuable service, we're here to help you all fulfil ambitions and create the best opportunities for the next generation.

When it comes to farm succession, we can help you through what can be a deeply emotional and often complex issue. Every family is unique, but no matter how unusual you feel your situation is, we're likely to have dealt with similar before. We pride ourselves on open and honest relationships with our clients – we're here to guide you and there's nothing you can't ask us.

### **To Feel More Able, Get Around That Table**



#### **By Declan McEvoy Head of Tax**

When all is said and done, try not let emotions overtake decisions. You need to think practically and base decisions on robust financial information so that your targets and timelines are realistic.

There are many potential pitfalls, but if you get professional advice at an early stage, you can avoid them. Like with most things in life, knowledge is everything. With our years of experience, *ifac* is best placed to help you time the transfer of assets so that you maximise future income and avail of all the relevant tax reliefs and incentives, ensuring all the family is invested in the decision. Getting the best out of your situation is in everyone's interests. It will help you avoid that regretful feeling of 'If only I'd known!'

We can help you at any stage, but as we've said throughout this guide, sooner is always better. The earlier you start the discussions on succession planning, the better the outcome for yourself, your family and your farm.

We hope you've found this information useful and we encourage you to get around the table and start the conversation. That's the hardest part, but you won't regret doing it. Start a conversation with us also. We're here to listen, understand and advise, and we'll make sure that you take the right steps at the right time, to protect everyone in the family.



**Speak to your local *ifac* Partner  
today to start the process of  
succeeding in succession.**

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# Sound advice, independent solutions

We understand that every business has its individual needs and opportunities. Our team of experts can offer you the most comprehensive independent advice and specialist solutions tailored to fit your needs. Our key solutions are:



## **Taxation**

Ensure that your taxes are structured as efficiently as possible by planning your affairs with one of our specialist tax advisors.



## **Audit and Assurance**

Focus on ensuring compliance during your next audit and add value specific to your business.



## **Accounts**

Keep track of your financial transactions and gather vital information for planning your financial future.



## **Specialist Advisory**

Increase profits and drive growth with advice and consulting from our committed teams of highly experienced professionals.



## **Financial Planning**

Choose from the best investment solutions available with independent advice from our financial specialists, supported by our accounting and tax teams.



## **Employer Services**

Make sure that payments are made accurately, on time, and in compliance with legislation in this critical part of your enterprise.



## **Food and AgriBusiness**

Whether you're looking to access funding, export to new markets or seize on a new opportunity, our Food & AgriBusiness team can help you maximise your potential for growth.



## **Finance**

Access the right finance opportunities to start, develop or expand your enterprise.



## **FarmPro**

Our FarmPro service allows you to access your real-time accounts, budgets and forecasts anytime, anywhere.



## **Succession Planning**

Our experienced tax team can help you to optimise your farming assets and secure the future of your farm and family by putting a well thought out plan in place.



## **Cashminder**

Track your money and provide data quickly to your accountant, your farm adviser and to Teagasc eProfit Monitor.

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