



# Shelter in a Storm

## *A storm is brewing in rural Australia*

The average age of farmers still hovers around 58 (last time the Australian Bureau of Statistics counted) and rural land values are at an all-time high, yet many families continue to avoid the thorny subject of transition and succession planning.

Managing the complexities of a succession plan can, of course, be challenging. However, if farming families don't get it right, there is potential for a host of adverse consequences. Strained relationships are the most obvious one, but there are practical implications of delaying the knowledge transfer to the emerging generation.

It can stifle innovation, and challenge the very social and economic future of rural and regional communities. Because if we don't do this well, people will vote with their feet and vital business skills may be lost.

With the majority of Australian farms still held by families, and many of the current owners belonging to the Baby Boomer generation, the great wealth transfer is crashing on the shores of our agricultural sector.

For, unlike other kinds of family businesses, farmers generally want to "maintain a legacy" and hand on their assets to the next generation. Selling up is a last resort. However, that's becoming harder to achieve with changing community values, which means the farm is no longer automatically handed to the eldest son, resulting in a growing number of family members in the mix (many of them off-farm).

The farm is often the only significant asset Mum and Dad possess. There are rarely sufficient off-farm properties, shares or investments to divvy up. Their superannuation is in the dirt. So many parents will avoid succession decisions.

This means the handover to the next generation happens too late or not at all. We regularly see farmers in their 80s who are yet to relinquish control to “children” in their 60s, with another generation waiting in the wings. Mum or Dad’s will is the succession plan.

We estimate that less than 20% of farming families undertake a formal transition and succession plan – and by that we mean working with an independent specialist to reach agreement on, document and implement a management, business, property, and retirement transition. However, you can bet that 100% of them will have had private – and sometimes heated – conversations about it.



Our 20 years’ experience in this space has demonstrated that, without a successful transition, even the most loving families find themselves embroiled in arguments and potential legal action contesting wills and estates. We see sons and daughters with families and dreams of their own walking off their family farms, despite having foregone decades of wages and poured their heart and soul into the place. And we also see off-farm “children” deprived of equal opportunities – both practical and financial – within Mum and Dad’s lifetime.

Incumbents not only need to think about the next generation – and allow enough time to teach them the ropes – but also their own future goals. To consider what they need to transition comfortably to retirement and find new purpose in their lives.

Transition is an emotional but also a logistical issue in every farming family. There are operational, legal, accounting and even accommodation considerations for people who live where they work. It’s generally the non-financial matters that trip families up.

This human element is far more contentious than any inheritance. It’s about what individuals value, how they feel and think, and the impediments to good working relationships. It’s about whether their voice is heard.

Successful farm succession is not going to be achieved in one family meeting; it’s a journey that can take years – and usually some very frank discussions – to accomplish. That’s why, if farmers want to maintain family harmony and their legacy they need to start early and have the right travelling companion.

The specialist farm transition and succession planner is a true jack or jill of all trades. Combining skills and understanding from a number of fields – including counselling, accountancy, law and financial planning – they are an independent advisor who understands farming and family farm dynamics; who can balance the interests of the family, the business and the owners, and ensure they are all singing from the same song sheet.

The trouble is, we have very few independent farm transition and succession planners nationwide and there is wealth transfer tsunami bearing down.

We are concerned that if we don't grow this workforce and engage more farming families in planning, we could see a lot of young people leave farming altogether. We won't see the vital knowledge transfer from one wise generation to the next, nor the injections of enthusiasm and innovation that Australian agriculture now depends on.

We need more independent experts guiding and supporting farming families through what can be a life-changing and liberating process. That's why our organisation has been working with the University of New England to develop the nation's first dedicated university courses in transition and succession planners.

These two new online postgraduate qualifications have been designed for family counsellors, farm business consultants, lawyers, accountants and financial advisors who deal directly with farming families, plus those who want to make a career as a planner. Students are learning all the things we wish we knew 20 years ago – about the legal and tax implications, and how to communicate effectively and resolve conflict.

For the right people, this rewarding role can be one of the best work-from-home gigs there is. And there's no shortage of potential clients who have everything to gain, and we do mean everything, from our expertise.

Those storm clouds may have a silver lining yet.

***Mark Scanlon is a chartered accountant and founder of Next Rural, which specialises in transition and succession planning in the agribusiness sector.***