

CORONAVIRUS CRISIS BRINGS SUCCESSION PLANNING INTO FOCUS

The Covid-19 crisis is likely to prompt more conversations about succession than ever before. Mark Weaver of CLM considers why – and shares some tips on securing your farm or estate’s long-term future by making this potentially painful process happen smoothly and effectively.

The coronavirus crisis will result in big changes to rural businesses and has reminded us all, even if only at a subconscious level, of our own mortality.

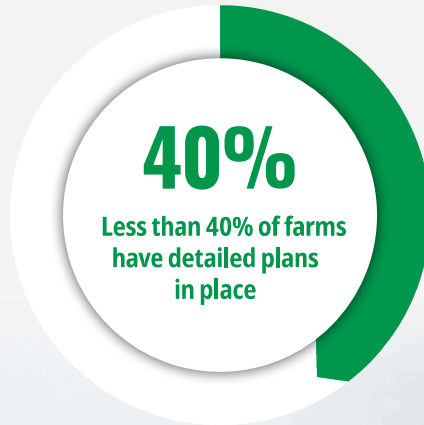
It’s also prompted a subject to be discussed in some farmhouses and estate offices which has been avoided for years or even decades – succession.

Factor in the dramatic drop in income that many farms and estates were already facing with BPS support due to be phased out between 2021 and 2027, and there’s a preparedness to address the topic with a candour and urgency we’ve not witnessed before. Even in families where the subject has been systematically swerved, “What if...” conversations have been sparked.

It’s understandable why many have been reluctant to broach this emotive topic. It can be hard to take one’s hands off the reins and no one wants to feel like they’re dispensable. As a consequence, succession has been frequently dubbed “the elephant in the room”, with surveys suggesting less than 40% of farms have detailed plans in place.

In this volatile world, many farms and estates are focusing on the immediate future with good reason, but ultimately this could be futile without a succession strategy.

There is a host of questions such a strategy needs to address. How can I or we pass on a business that’s viable, while being fair to all my children, even those who aren’t involved in it? What role will each member of the family play now and in future? How will the assets of the farm be owned? What’s the



optimum time for me to take a step back? What do the next generation actually want to do? How can we give them enough responsibility initially to make a meaningful difference, without jeopardising the business if they make a wrong decision while they’re on a steep learning curve?

Only when the answers to such questions are known can a plan be formulated that covers the long-term direction and structure of the farm or estate, the ownership of assets, the mix of enterprises, investments and pension provision, education and training and, critically, the tax position, so liability to inheritance tax and capital gains tax is minimised.

Preparing for succession isn’t about squeezing out the older generation or undervaluing their contribution. Far from it. It’s about making sure

everybody is doing what they’re best at – and what they want to do – for the overall good of the business and everyone associated with it.

The earlier the conversation is started, the easier it is to have and the more effective the decisions that can be taken will be, too. Getting it right and doing it in a timely fashion allows the more senior generation to step back, while allowing the younger generation to take on more responsibility at the time that’s right for them. The net result is a more profitable and resilient business that – whether it’s in family, corporate or trust ownership – is better placed to pass through the generations undamaged by taxes and is more enjoyable to be involved in.

The current tax regime is extremely beneficial. The post-coronavirus tax bill will inevitably be higher and harder to navigate.

A few simple ground rules make these conversations easier. Having an independent person in the room – be it a consultant, an accountant or even a trusted family friend – can help. Everyone around the table, meanwhile, has to be honest and constructive.



MARK WEAVER
Managing director, CLM
T: 01892 770339
www.c-l-m.co.uk



My role in these situations varies. Sometimes I'm asked merely to provide an objective, independent sense-check of the family's own plans. On other occasions, I'm asked to help shape and steer the whole strategic direction, a process that can involve restructuring, asset sales and acquisitions, adding or letting go of enterprises, introducing diversifications and exploring refinancing.

In these discussions, I'm very conscious that everyone should be heard and should feel comfortable saying what they think. Many farm and estate owners beginning the process feel like a weight has been lifted off their shoulders. I've been involved in farming all my life and a consultant for nearly 20 years and can count on the fingers of one hand the number of meetings when I wished I'd taken a tin hat!

What's crucial is that everyone understands their own aspirations. Being motivated by wanting to grow bumper crops of wheat or build a sporting estate of national renown are equally legitimate. Ditto prioritising biodiversity or making sure that you generate the funds to maintain your family home.

Everyone, however, must understand all the pros and cons of the different options and appreciate how that fits within the jigsaw puzzle that is successful succession. Part of my role is

putting the different pieces of the puzzle together – basically, helping families and corporate clients truly understand what they want, giving them the options as to how best to achieve it, then making that happen.

Succession planning is not actually about retiring or even dying – it's about putting your business on the best possible long-term footing. It's about creating a foundation that will serve your children and grandchildren well, and giving everyone a clarity of direction, a peace of mind and a new focus. It can reenergise a business.

The Covid-19 crisis is quickening the rate of change that was already coming on farms and estates as a result of the replacement of BPS with the Environmental Land Management Scheme (ELMS). This means succession planning is more necessary now than ever. It also means that there's never been a better time to do it than now, especially given the current tax landscape.



TOP TIPS for successful succession planning

- 1** The sooner you start the better
- 2** Be honest and open
- 3** Let the family contribute
- 4** Involve an independent professional as this will bring clarity and calmness
- 5** This is an ongoing process, not a one-off conversation