

# SOLVING THE SIBLING CONUNDRUM

“Fair doesn’t necessarily mean equal” is a phrase I find myself frequently using when discussing succession.

With the value of a farm usually intrinsically tied up in the assets required to run the business, any attempt to release capital by selling assets (in practice, often land) can sometimes undermine the business.

So a determination to pass equal sums to all of one’s children – laudable as it may be in principle – can end up destroying the commercial viability of the very business you also want to pass on intact.

Succession planning is a topic that’s back in focus after DEFRA announced its lump sum exit scheme, but it will always be one of the most important tasks you face as a farmer.

Once you accept that it’s rarely possible to divide your inheritance equally between successors, planning can become simpler.

Buildings – whether habitable houses and cottages, commercial property or farm buildings with potential for conversion – can sometimes provide a solution. They can potentially be hived off, giving a member of the next generation who doesn’t wish to be involved with the farm or estate an asset that is likely to increase in value and one that, if rented out, might even generate an income greater than the farm does.

Another way I’ve seen businesses ‘protected’ is for parents to split ownership equally between multiple siblings. All of them take equally from the business (unless they are employed within it, in which case they are paid an industry rate, or they occupy a property, in which case they pay a market rent to the business). Directors make decisions based on majority voting and all take dividends. Effectively, it’s a profit-share arrangement.

Financial clarity is important, though. Whether it’s the value of a barn with planning permission or the revenue generated by a livery yard, the succession process is far smoother if everyone is



clear about values, revenues, costs and incomes. Families need to be open and honest about both the financial and the emotional aspects.

The sooner you start having these conversations, the better. It can be a good time when your potential successors are in their late 20s or 30s, as they may well know what they want to do by that stage, but there’s hopefully still plenty of time to make the desired and necessary changes.

It can help to involve a trusted family friend or an adviser who is already associated with the business in these discussions – ideally someone who knows everyone well. If they are in the room when these conversations are happening, they can act as mediator. That said, 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 such meetings I’ve attended when I wished I’d taken a tin hat!

Everyone should be heard and feel comfortable saying what they think, and many farm and estate owners beginning the process feel like a weight has been lifted off their shoulders.

Succession isn’t actually about death. It’s about securing a long-term future for those you care

about. It’s about avoiding family fallouts. It’s about, at a practical level, providing your children with clarity and a road map – so they have one less thing to think about at the time when they’re dealing with bereavement.

This is much less difficult to do if you start the conversation early, keep revisiting it and bear in mind the adage that fair doesn’t always mean equal.

## REMEMBER...

**All the signs are that whatever government comes next, inheritance planning is only going to get tougher. The truth is, some estate inheritance plans are so flawed that you may as well send the taxman and lawyers big cheques now.**

The starting point is simple. Be very, very clear about what you would like to happen and how you would like it to happen. Then make sure that your solicitor and accountant understand what you are trying to achieve and get them to confirm in writing that your plans are deliverable after your death and explain the consequences of delivery both legally and as far as the taxman is concerned.

And while accountants and lawyers are brilliant at what they do, they won’t be able to give you the solution in isolation. They know finance and the law, but they may not know your business or indeed your family. They are there to help deliver the plan, not write it.



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