



GSC GRAYS

PROPERTY • ESTATES • LAND

# LOOKING FORWARDS

Although you may not be ready to step back from farming, planning for the future will help you to make sure that you are on track to deliver your long-term goals.

## THE BIG QUESTIONS...

Do I have anyone who can take over my farm?

Do they share my ambitions for the business?

Does my tenancy allow succession?

How can I ensure all my children are provided for?

How can I secure my financial position in retirement?

What if something happens to me?

Succession planning for a farming family can be an emotive and complex matter. There is no 'one size fits all' solution.

52% of respondents to our 2020 survey of farm businesses said that they did not have a plan for retirement or succession.

Farms have often been the livelihood of members of the same family for several generations and there are likely to be a wide range of issues that need to be discussed before a succession and retirement plan can be brought together and implemented.

It is vital to establish at the outset who may be affected by your decision making and what their individual needs and aspirations are.

Are the older generation ready to step back?

Is there a younger generation who are willing and able to farm?

Is your farm business in a position to be able to change and cater for those needs and implement an agreed succession plan, or is a timetable required before you step back?

Succession to the next generation is not just about retirement; thought should be given to when is the right time to get the next generation involved.

When you are ready an informal discussion with those involved is a good starting point – an opportunity for everyone to think about their future and share their aspirations. The results may be quite different from what you were anticipating.

If there is no next generation to continue the business, then it is important to determine how involved you want to be in the day to day management going forward, if at all, and how much control you wish to maintain over the farm.

Retirement at any age or an exit from the farm can, when correctly considered, be a positive decision



resulting in many benefits to a family.

Utilising current tax reliefs, and the potential lump sum exit payment that DEFRA will be offering during the early transition period, both need to be considered, alongside wider issues such as Stewardship agreements and stock sales. If you are a tenant, it is crucial to consider the provisions of your tenancy agreement.

When embarking on succession and retirement planning, it is good to take advice from a whole team of professionals including land agents, farm consultants, solicitors, accountants and bank managers. This will ensure that everyone is on the same page and all aspects are covered.



## CONSIDERING THE OPTIONS

### Retirement and succession planning as a tenant farmer.

Before a tenant can consider their opportunities for retirement and / or succession, they must determine their basis of occupation, as the options available can vary significantly depending on the type of tenancy agreement held.

The majority of tenanted agricultural holdings (where tenants benefit from exclusive occupation) are let on either:

Agricultural Holdings Act agreements (AHA's) – pre 1st September 1995, or;

Farm Business Tenancies (FBT's) – post 1st September 1995

AHA's normally provide tenants with security of tenure for their lifetime and can often carry statutory succession rights. FBT's on the other hand generally provide limited security beyond the fixed term, resulting in the parties needing to negotiate future terms.

It is therefore key to understand the basis of your occupation and your rights.

## KEY MESSAGES

1. Know your agreement and the key timescales (whether that be the term expiry, break clauses or succession provisions).
2. Engage with your landlord and family members to establish what everybody would like to achieve from the holding and any aspirations for retirement/succession.
3. Create a business plan which details who will take the business forward and how.
4. Keep a close eye on emerging policy and how it may impact upon your decisions.

## PLANNING FOR THE FUTURE

In our March podcast we discussed retirement and succession planning with a panel of rural professionals. Emma Smith is joined by David Gray, Chairman of GSC Grays, Alison Hall of Hay & Kilner Law Firm and Stuart Allister of Greaves West & Ayre Chartered Accountants.



## Take a look at assessing your options with the help of some experts in their field:

### REVIEW YOUR BUSINESS

Farm business reviews are an important part of assessing the current performance of the business, but they are also an opportunity to consider if and how the business will continue in the future.

Robert Sullivan, Director and Farm Business Consultant with GSC Grays, notes that retirement and succession discussions often stem from business performance reviews.

“As part of the reviews we carry out we ask clients to consider their objectives over the short, medium and long term (5/10/20 years). This will include the personal and business objectives of the owners of the business as well as those of other family members. Another key question we ask is does the client actually want to continue to farm – if the answer is no, or I’m not sure, then we can discuss alternative options such as share farming or contracting farming agreements through to retirement, succession, sale, letting or other arrangements.”

“A question that is often asked by clients is how to provide for more than one child, particularly if not all of the next generation are wanting to be involved in the farm going forwards. When considering other family members it is important to look at what resources are available both in terms of land and buildings, but also the skills each family member has, as this could allow diversification opportunities. However, care must be taken to protect the assets and the ability for separate entities to be profitable.”

Robert stresses that reviewing your business should not be a one off “It is something we encourage clients to do on a regular basis. If we have some future objectives to work towards, then we then we can look at how the farming strategy can be altered to fit those needs and what investment may be required.”

For more information on Business Reviews and Business Planning contact:

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## TO SELL OR NOT TO SELL

The sale of the family farm is a once in a lifetime decision and is not to be contemplated lightly. As well as the option of selling a farm on retirement, it is also important to consider how the sale of land and property can help your objectives to continue farming.

John Coleman, Director of GSC Grays and specialist in farm agency suggests selling land and property can also be considered as a tool to achieving your objectives.

“Strategically selling off part of the farm can be a way to raise cash to invest in the business or help reduce borrowing. However, it is important to consider what it leaves you with and to ensure the core business is still viable. It needs to be enough but also needs to be sustainable. Consideration should also be given to the option of selling assets to provide for non-farming members of the family.”

“For a potential sale on retirement, it is important to assess your options at an early stage. A lead in time of two years for example can allow strategies to be considered which enable you to maximise value. This can include looking at appropriate lotting, introducing new farm accesses or obtaining planning permission.”

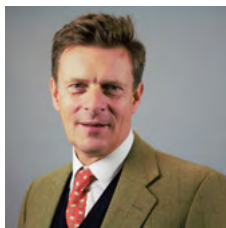
When considering a sale of any form it is essential that professional legal, accounting and land agency advice is obtained at an early stage to ensure a holistic approach is adopted.

For more information or a confidential discussion regarding farm and land sales, contact:

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## CONSIDER LIFE COVER

Life cover is often used as a means of protecting farms and estates from Inheritance Tax. However, Emily Young of Lycetts explains that life cover, by way of a Whole of Life Policy, can also be used as a way of providing a lump sum for non-farming children without having to fund their share from the Farm profits.

“This pays out on death, no matter what age and can be placed in Trust, keeping it free of IHT.

For example, a couple in their mid-40s could take out a whole of life policy for £500,000 on the second death with guaranteed cover for a cost of £400 per month. They would have to live for over 100 years before they pay more in premiums than the sum assured. The other way would be to build up your pension pot. You receive tax relief on the premiums and this pension pot can be left to anyone you nominate.”

Planning early can make a big difference, particularly when looking at ways to leave something for non-farming members of the family.

### EMILY YOUNG

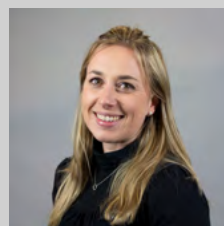
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## LOOKING FORWARDS

If you would like to have a confidential discussion around possible options for retirement and succession, please do not hesitate to contact:



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\* Please note that the information contained within this briefing is based on current understanding of Government Legislation and is subject to ongoing change. Before making any decisions that will affect your business you should seek further advice. Compiled March 2021.