Effective Farm Business Succession Planning

by Bill Lockington

It is important to develop and implement an equitable and tax-effective plan for the inter-generational transition of the family farm business.

You will find an outline of a succession plan process in this Client Advisor which identifies the issues to be addressed by members of the family.

Succession Planning truly is a process requiring patience, the assistance of professional advisors and leadership of one or more family members. To be successful, the family members must consider the need for a plan as a priority, be committed to its completion in all respects, and approach the exercise with goodwill, an open mind, and respect for the family and individual values which underscore their relationships. This is a significant but worthwhile undertaking that will eliminate uncertainty, misunderstandings and generational tensions.

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is a full service legal firm serving a wide range of private businesses, public sector institutions, professionals and individuals throughout Ontario. Providing timely and practical advice to its clients, the lawyers of the firm provide specific counsel and advocacy in matters of property, business, dispute resolution and estate planning and administration.

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C. **IDENTIFY SUCCESSOR**
- comparative skills set profile
- identify shortcomings and needed resources
- review process (external or internal)

D. **THE BUSINESS PLAN - PREPARATION:**
- comparative and pro-forma financial plans
- opportunities
- risks and contingency
- growth (acquisitions, diversification)

E. **MANAGEMENT (Operations)**
- single
- shared
- committee
- transition (timing, workload)

F. **FINANCIAL CONSIDERATIONS**
- affordability of the Plan
- locked in capital
- profitability
- debt service
- credit availability

G. **OWNERSHIP TRANSITION**
- current structure
- changes in business vehicle
- assets to be transferred
- means of transfer (purchase, gift, or combination)
- financing
- valuation
- tax advice
- insurance
- documentation

H. **FAMILY CONSIDERATIONS**
- personal planning (wills, trusts, powers of attorney, domestic contracts etc.)
- fairness and equality
- communications (family meetings, forum, style)
- dispute resolutions (means)

I. **CONTINGENCIES**
- death, insolvency, disability, market conditions