

## Five Steps to Farm Succession Planning

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Farm succession planning takes courage, dedication and support systems. Courage to face some difficult conversations; dedication to the process which may, in some cases, take years. Finally, it takes support systems from your succession planning team that may consist of your farm management team, coaches, accountant and last but not least, your lawyer. Your farm succession planning team can support and guide your family farm operation through the five steps of farm succession planning:

### **Step 1: Readiness Assessment - Are you ready for change?**

This is the phase where the farm family has honest and open conversations with each other about each individual stakeholder's needs and goals. Basic questions need to be answered such as "Will there be a succession from one generation to the next?", "What does the retiring generation need to retire?", "Going into the future, how will decision-making and responsibilities be divided/shared?"

In this process, it is important to include all farm stakeholders, even non-farming children. There are excellent resources for this stage such as farm management advisors and communication coaches in Manitoba (if you are looking for a referral to a coach, there are many that our lawyers work with, and we can provide suggestions of local individuals that can help).

### **Step 2: Plan Development.**

This is where the farm stakeholders do their research. They educate themselves to understand their farm finances and meet with their accountant and lawyer to review their options. Working together with an accountant, the lawyer can set up and document various tools for intergenerational wealth transfers such as gifts, sales, lease agreements, trusts, partnerships and corporations. Every farm is unique, and no single approach works for everyone which is why there are a variety of legal tools. Working with your succession team, you will decide which structures make the most sense for your operation.

### **Step 3: Plan implementation and documentation.**

In this stage, the lawyer documents the details of the plan by drafting agreements to clarify the terms. The farm stakeholders are involved in negotiating and drafting, then sign once the plan is settled upon. Independent legal advice is encouraged. Lawyers then help with the implementation stage of the plan, whether it is setting up a corporation or facilitating property transfers.

#### **4. Monitor and revisit steps 1 and 3.**

This is an ongoing process where the farm stakeholders meet regularly to review if the plan is working to their expectations and serving their needs. An important part of this stage is an annual financial review with your accountant or farm management advisor.

#### **5. Celebrate!**

Throughout this entire process, the health of family relationships must be the top priority. Separate work from play and make a point of playing – this helps you remember why we work so hard, and what it is all really about. Celebrate your successes!

A final note: hopefully succession happens gradually while you are living, but one must also have an estate plan as a back-up. Contact Meighen Haddad LLP to support both your farm succession and estate planning needs.

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