

Succession plans help keep families farming

By Barry Wilson

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QUEBEC CITY — University of Saskatchewan agricultural economist Bill Brown came to a farm succession conference last week with a cautionary family tale about the importance of pre-planning the transition.

When a Manitoba farm uncle died without a will, his five sons hired lawyers to try to claim the property.

The lawyers got the money. The sons lost the farm. The Browns were out of farming.

"And some of them did not speak again," Brown said Aug. 27 during a succession conference organized by the Canadian Farm Business Management Council.

Like many speakers at the three-day conference, Brown said succession planning should begin early but rarely does. "I suggest (to his students) they should begin their retirement planning in their 20s."

John Baker, a lawyer who does succession planning work at Iowa State University, said the onus is on parents to begin planning for transition as soon as a likely successor is identified.

"The discussion (on succession and how to divide the estate) should start the moment someone indicates an intention to return to the farm," he said. "It is up to the parents to take the leadership role and make the plan that accomplishes what they want."

Brown said it is important that farmers have a clear idea of what they want to accomplish with the transition and then make the appropriate plans to accomplish it.

Key questions include:

- * What lifestyle does the farmer want in retirement and how much income will it require? Without a pension, investment income will be required.

- * How should assets be divided among children in a way that allows the farm to be passed on intact?

Quebec farm succession advisers Caroline Collard and Brigitte Paré added another question. When should a farmer plan to retire?

They said many farmers are reluctant to cede control and the conference was filled with stories of farmers in their 70s and 80s keeping the next generation waiting.

Collard said succession planning should begin as early as possible once a farmer takes control of an operation.

"It's never too early to start," she said.

Collard suggested planning and incremental transition begin up to a decade before a farmer wants to retire, gradually involving the successor in more decisions.

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Paré said leaving the farm can be like bereavement for the older generation but they should try to understand the needs and plans of their successors, rather than resist them.

"You have an advantage," she said. "You have been young and you can put yourself in their shoes. They have never been old."