

# Rob Brown – Peppin Planners Deniliquin

## Preliminaries:

- Presentation can be emailed to those who want it
- Will be Q&A at the end
- Will focus on things that apply to most
- Will work through a case study
- But, every family is unique in many ways
- Want to tap into your experience

# Case Study: The Motr family

## **Assets**

Off farm – Shares in MG	100k	
Cattle	600k	
Plant, say	400k	
Land, say	1,300k	
Water entitlements, say	1,500k	
<b>TOTAL assets</b>	<b>3,900k</b>	
<b>Debts (all)</b>		<b>1,500k</b>
<b>Net Assets</b>	<b>2,400k</b>	

- \* Mick and Matilda are 48 and 46, and children are 14, 17 and 19
- \* The eldest has been home a year
- \* The second wants to come home and is testy about her bros
- \* The third has no interest in farming

**What are the Motr's likely to tell their children? What's the deal?**

# Family Wealth Planning: Starting with the ends in mind.

## What are the most important differences between the outcomes of a good and bad plan?

- \* All family feel the commercial outcomes are as good as they can be (or not)
- \* The farm successor is good at and suited to the business of farming, debt and risks (or not)
- \* Family relationships remain good (or not)

It's great when it's great. There is no more generous deal or opportunity.  
OR it's the worst nightmare scenario. I can't believe this is happening to us.  
When relationships fail, everything gets harder.

## What are the 8 most useful learnings for the Motr's from other families? And are they relevant to your family?

# 1. The experience gap

**We can learn from experience in most things in life.**

**We only get one shot at the next ten years, succession and our “estate”.**

## 2. Instincts that let us down

### a) **Why we start slow or late and leave understanding and expectations to chance**

- \* Complacency. We are family, we'll be right. Commercial expectations not addressed.
- \* Reluctance. Differences are not raised and sorted.
- \* Plus family dynamics at play

### b) **Then defensive instincts hijack when reality hits. Can be slow or sudden. Our brain is wired to.....**

- \* Fight, withdraw, panic/withdraw
- \* Feel more certain, more black and white and more wary of other threats.

### 3. Not prepared for family values and commercial realities

- a) Family are the people you can most trust; they don't hurt you, don't keep you in the dark, don't let you down and brought you up as equals.
- b) Commercial decisions are often generous but different. It is my money, my farm, I may not tell you everything and my view on what's right may not be yours and might even make life harder for you.

Feelings can ambush when family are caught out when these clash.

**The equal/fair delusion;** There is no formula or entitlement. It is the owner's prerogative to communicate early, clearly and often the outcome that suits the owner's wealth priorities (parents, farm, off farm?) or not.

## 4. Not clear or ready

### a) **Clear about the living plan. For the Motr's:**

- \* What are the realistic aims for each family member's drawings, assets and debts and estate plan over time?
- \* Can the business achieve this? (otherwise why bother)
- \* Who can make the final decision
- \* Ready if the D's happen.

## b) And not ready for the D's

### What are the “safety net arrangements” for the Motr's:

- \* **Financial Difficulty and Debt limits** before parents might pull the pin
- \* **Death** – estate plans for all nexgen: now, later. If things go better than planned, as well as planned or worse than planned.
- \* **Disability:** nexgen, oldgen – dementia, aged care.
- \* **Divorce** – both gen
- \* **Depart.** If a party wants to get out, how can they do so?
- \* **Dispute resolution paths;** raise early, discuss, facilitate, mediate etc.



# 5. Miss ways to prevent cuts to the cake or to add to the cake

## Things like:

- \* income tax
- \* capital gains tax
- \* Farm management deposits and averaging
- \* Super tax shelters
- \* Business structures
- \* family tax benefits
- \* household support
- \* age pension
- \* aged care

## 6. Nexgen unable to determine if they are suited to *the business* of family farming

- \* Are they clear about the living plan and the D's?
- \* Are they willing to accept the risks?
- \* Do they relish the opportunity?
- \* Are they open to striving to be in the top 25%?
- \* Are they skilled at minimising losses and maximising profits?
- \* Are they OK to live with the seasonal and price risks, consequences and worry?

## 7. Legals out of date, wrong or not there

- \* Wills, Power of Attorney's etc.
- \* How is the family deal recorded? What mechanisms are in place to counter memory failure, as a safety net and be a barrier to fallout or legal recourse.
- \* Is there a Deed of family arrangement

## 8. No family member in charge of making it happen, and keep it happening.

Designate a family member/s to take an encouraging and inclusive lead.

Commit to regular reviews of the living plan and the D's.

# For the Motr's??

## What can go wrong if the Motr's leave it unclear?

- \* If they both die
- \* If two children want to farm
- \* If one or both children want to leave
- \* If they try to sort succession when they are 60.

## What can the Motr's do if the “cake is not big enough”

- \* Sell up and go your own ways
- \* Parents as landlords
- \* Age pension
- \* The importance of being clear about where aged care costs come from.

# Takeaways from today

## **Family farm succession has three measures:**

1. Commercial outcomes are OK
2. Nexgen are suited to the business of farming
3. Family relationships are protected

# Eight things that apply to most families:

1. **Start early and learn from others. Are you building family capacity and closing the gates or leaving it to chance? It is about protecting family relationships**
2. **Understand family values vs commercial values. Recognise the good and the challenges. Communication skills are valuable. Respect and “safe and clear” communication. Fish on the table.**
3. **Counter complacency, reluctance and defensiveness**
4. **Look after each other by being ready**
  - \* **The living plan**
  - \* **The D’s**
5. **Be smart about ways to keep or add to the cake**
6. **Allow nexgen to test if they are suited to the business opportunities and risk of farming AND their family deal.**
7. **Legals are up to date and in order**
8. **Designate family member to charge.**