

# Planning ahead reaffirms farming future

Estate and succession planning may not be a priority for dairy farmers right now but these tight financial times may in fact provide the ideal opportunity to formulate a long term plan for a family's farming future.

That's the view of specialist rural legal adviser and author Ian Blackman of Rotorua.

"Sitting down and talking about succession and estate planning can be a very valuable exercise, especially in the current economic climate, because it is about looking ahead and re-affirming that there is a future for the farm and the family."

"Even if farmers can't afford the costs of setting up a succession plan right now, just having the discussion is saying to the succeeding child 'you will have a future on this farm; now let's go milk today's cows' which can help immensely in raising morale," says Ian, founding partner of BlackmanSpargo Rural Law of Rotorua and author of the now out of print book "Keeping Farming in the Family".

"The book's popularity has taken me a little by surprise. The printed 4000 copies have run out, it's time to update it," says Ian, who plans to do just that while he recovers from upcoming hip surgery.

## Capital gains tax

"The basic messages are still the same – there is a way to keep families farming – but some of the legal issues have changed so this is a good opportunity to revise the book."

Capital gains tax is one of the changes Ian predicts is coming. "Most commentators say it's not 'if' but 'when' a capital gains tax will be introduced, so farming families making succession plans need to be aware of that future danger."

Another reason now is a good time to form an estate and succession plan is that there may be tax advantages to be had due to current low asset values. However, for many families, how to transition a valuable farming operation to the next generation can seem just too hard.

Ian, who has helped many achieve that goal says with careful planning, the right advice and the tenacity of rural people, it is indeed possible to keep families farming and on their land.

## Equity plans

"As an example, owners of a 3000 stock unit drystock farm couldn't see how their succeeding adult child earning \$50,000 a year could ever hope to own the farm. We were able to help them put an equity

plan in place which sees their child working on the farm, and earning some off-farm income, while the parents remain on the land too, reducing their living costs thanks to a huge vegetable garden.

"I am continually impressed at how little income rural people need to live on and how innovative they can be."

Ian says the most successful farmers are generally those who involve rural professionals including lawyers, accountants and bank managers as part of their management team, meeting regularly to discuss the farming business.

## Emotional security

Ian and lawyer colleague Chris Spargo formed BlackmanSpargo in 2003, committed solely to the rural sector and to farming families. "We really enjoy

working with farming families, being part of their team and taking a long term view of their businesses. The best people to make the plans for the future are the farm owners, generally the parents. "The parents' financial and emotional security should always be the starting point. They are the ones who should decide who is to take over the farm and how the other children will be fairly treated.

"Once that's decided, then it is time to outline the plan to the family." Ian says doing so can be difficult, which is why independent professional advice is vital.

"The family members have to realise that the plan must protect the farming business because it is in effect the goose which lays the golden egg. Starving the goose would not benefit anyone."

An ideal plan allows parents to retire in comfort and enjoy travel or whatever lifestyle they desire – and deserve. It should allow for the succeeding offspring to take over the farm, and for siblings to also receive a share in whatever form.

## Young farmers' futures

"The succeeding child doesn't have it easy. They are seldom handed the farm on a plate, but must manage the business to satisfy the needs of all of the members of the family."

Ian says estate and succession planning, and a will, are vital even for younger farmers because their assets and future must also be protected as much as possible against the risk of death or permanent disability.

His commitment to helping farmers plan and prepare for the future is partly due to the suffering he witnessed 30 years ago when he worked for the Rural Bank during the Rogernomic years.

"The most important thing then, and now, is that families survive, because families are more important than anything else."



*Specialist rural legal adviser and author Ian Blackman of Rotorua says families must be at the forefront of any succession planning*



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