

LandFamilyBusiness

CASE STUDY

A FAMILY FARMING BUSINESS

Here is a summary showing how we would conduct a typical general meeting on farm with a client.

The scenario is a family farming business of father, mother, one son working at home married with one child, another son working for a firm of land agents and a daughter married with 2 children living in London. This would be a June, pre-harvest meeting.

ACCOUNTS

Annual farming partnership accounts are prepared in gross margin format and are benchmarked against 90,000 acres of Farms and Estates to identify strengths and weaknesses. The year end is 30 April to enable tax planning. Limited company accounts for the machinery contracting company that was set up 3 years ago are reviewed – this company holds the machinery and contracts to the main farming partnership of 800 acres and also a neighbour's 500 acres. The possibility of other joint ventures was discussed including a machinery syndicate combined with a share farming agreement.

Discussion as to whether the son working on the farm should become a Director of the contracting company, the current shareholders in the business are father and mother. The loan account resulting from the transfer of the machinery was reviewed and the possibility of transferring this into preference shares to help with IHT planning. Father has taken on board these points to discuss further at the next meeting. The renewables gross margin was reviewed and was seen to be making an increasing contribution to the business.

TAX

We had a pre year-end tax meeting in March to assess profit shares and dividends. A limited company is being set up with the 3 children having different share classes. This structure will hold some renewable projects and provide flexibility to pay dividends to siblings off the farm.

Discuss succession and possibility of buying two buy to let cottages in the village, financed by the partnership, with a view of leaving the properties in wills for the two children off farm.

FINANCIAL PLANNING

Possibility of setting up a SSAS in the names of father, mother and son (at home) to build up a fund for a grain store in a few years' time. Income stream for the other siblings from the farming business.

A private pension for the son on farm was also considered.

INVESTMENTS

Review ISA portfolio of parents and their managed funds held privately outside the business.

TRUSTS & ESTATES

Review the trust that holds the commercial let buildings put into trust by parents 3 years ago. These are starting to pay out and reclaimed tax is being used to fund school fees for their grandchildren. All agreed this is working well and needs no further action.

WILLS & PARTNERSHIP AGREEMENTS

Parent's wills are reviewed and the letter of wishes updated. It is decided that the son at home should join the partnership within the next twelve months. There is no partnership agreement between husband and wife at present but it is recommended and agreed as an action point that Land Family Business prepares a partnership agreement to introduce the son into the partnership and identify land ownership.

A family meeting will be held to discuss parents' wills and discuss inheritances – wills are to be updated. The will often leaves a life interest in the property to a spouse before it passes to the next generation. So, for example, if father owns the house, buildings and land, he would gift them to the next generation but allow his wife to use them and receive all income from them during her lifetime.

This is a very balanced and efficient method of looking after everybody while protecting the assets. It is also agreed that prepare powers of attorney for parents are put into place.

ANY OTHER BUSINESS

Whilst a lot of sensitive points have been discussed and are being considered for the next meeting. The son mentions that relations between him and his father have become strained due to the pressure and tensions of constantly working together. He is worried that the breakdown in communication will start affecting the performance of the business. It was felt that a formal mediation meeting was not required at this stage but this will be monitored through a family AGM process.

It was agreed that LFB should chair a family AGM to include the non-farming siblings to discuss their expectations on succession capital. This can then be followed up with a formal family agreement or constitution, which sets out the goals, values and rules of the family, a mission statement, and succession policies and how to vote on and deal with major decisions. The constitution can be very succinct, just a few pages and follows on from the family AGM. The AGM agenda can be used to give structure to the meeting.

If you feel that your business would benefit from a discussion such as this or any other matters, please contact Gary Markham on 07970 794455 or email gary.markham@landfamilybusiness.co.uk.

LFB SERVICES

- Accounts & Benchmarking
- Business Structure
- Tax
- Succession Planning
- Financial Planning
- Investments
- Trusts & Estates
- Wills & Partnership Agreements
- Mediation
- Family AGM



Tax Planning | Family Agreements | Family AGM | Succession | Accounts | Wealth | Generations
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