Topic Social Economic resilience \$\int_{\begin{subarray}{c} \cdot \cdo

Finance models to facilitate succession

Background

Dairy farm succession involves transferring ownership and management from one generation to the next. It's a complex process due to emotional attachment, financial considerations and legal complexities. Several financial models can be used, each with its own advantages and disadvantages.

What strategies can be used?



Installment Sale: Successor buys farm in installments from current owner.



Lease-to-Own: Successor leases farm with option to buy.

50%/50%

Equity Sharing: Current owner and successor share ownership and profits.



Employee Stock Ownership Plan (ESOP): ESOP trust holds shares for employees to buy over time.

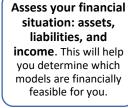


Gift and Estate Tax Planning: Farm ownership transferred to successor as gift or estate plan.

How to choose the best model?

Identify your goals and preferences for the succession. This will help you determine which models are the best fit for your situation.

Research and explore financial models. Consider the benefits and drawbacks of each model and how they align with your goals and preferences





Communicate with the successor. Consult with professionals: lawyers, accountants, and financial advisors who have experience in dairy farm succession planning.

Narrow down your options. Based on your goals, financial situation, and professional advice.





Make an informed decision. Ensure that the chosen model aligns with your goals, financial situation, and legal and tax requirements.



Quote of the farmer:

"Start early, involve the next generation, ensure a smooth transition and a strong future for the farm."

Positive features of choosing financial models:

<u>Flexibility:</u> They offer a range of options to suit the unique needs of different farm families.

<u>Fairness:</u> They can help ensure a fair and equitable transfer of ownership between the current owner and the successor.

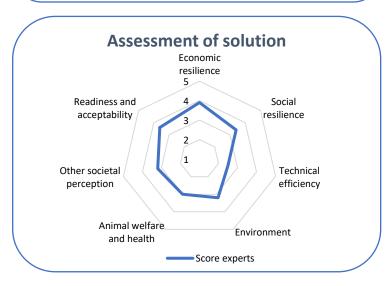
<u>Sustainability</u>: They can help ensure the long-term sustainability and profitability of the farm.

Be careful, especially on these points:

- 1. Ensure that the selected model is compatible with the goals, values, and vision of both the current owner and the successor.
- 2. Consider the legal and financial implications of each model and consult with professional advisors.

Specific advice

Open communication is critical when it comes to succession planning. Involve all family members and stakeholders in the process, and make sure everyone has a clear understanding of the plan.



More info:

https://www.forum-synergies.eu/bdf_fiche-document-54_en.html https://www.dairynz.co.nz/business/planning/succession-planning/ https://advisorypartner.com.au/farm-succession-planning/



