

NEXT RURAL



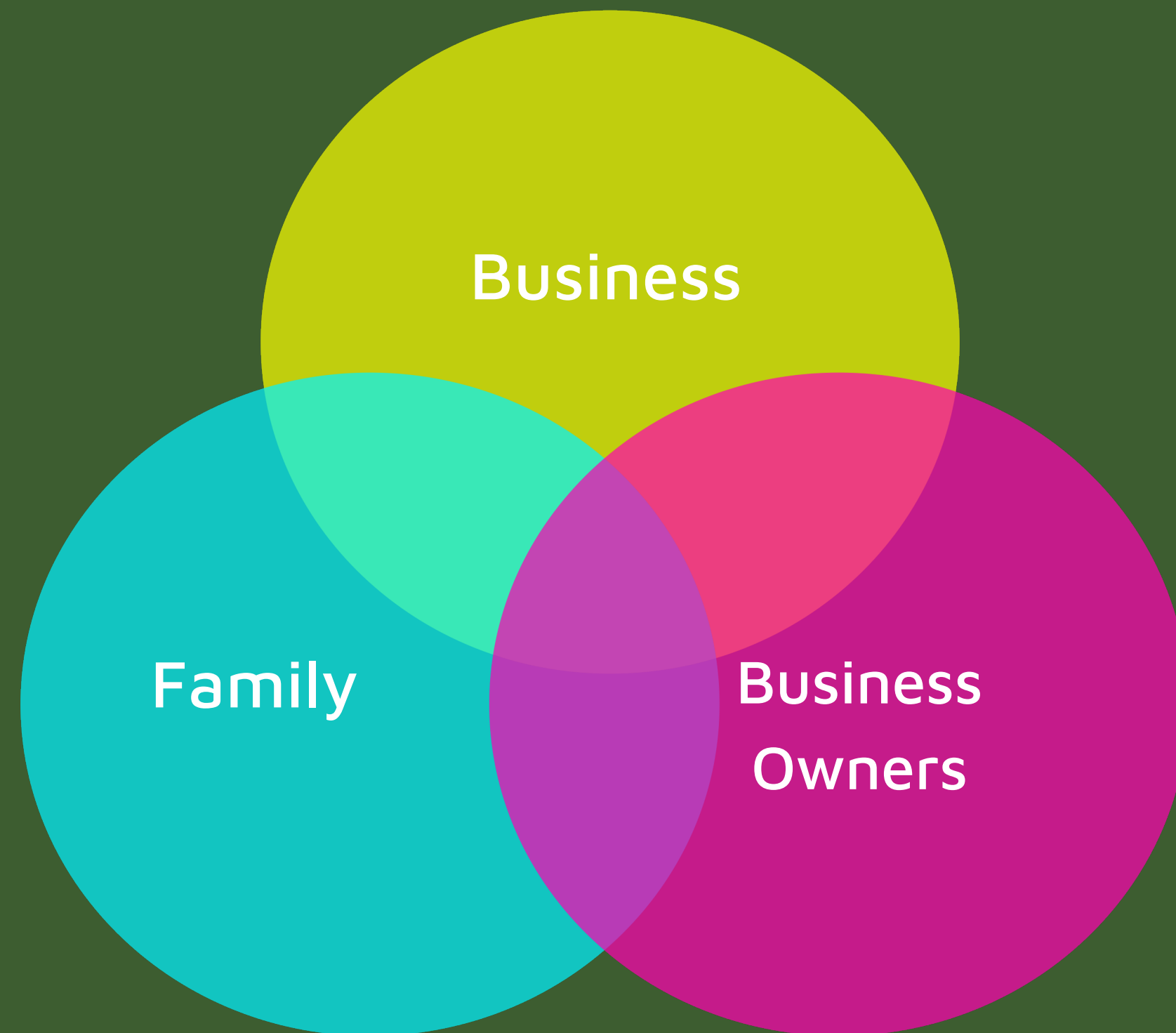
# TRANSITION PLANNING

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Case Study for Farming  
Families

[www.nextrural.com.au](http://www.nextrural.com.au)

# OVERVIEW



# THE MAKE UP OF THE TRANSITION PLAN

SUCCESSION PLAN

RETIREMENT PLAN

ESTATE PLAN



# THE PLANNING PROCESS

## A STRUCTURED APPROACH

**01**

Preparation and  
Discovery



Prepare for the journey and identify impediments, objectives, concerns and timeframes.

**02**

Considerations



Present the key issues to the stakeholders.

**03**

Consensus



Establish a common view of the future.

**04**

Review



Review the agreed position with advisors.

**05**

Outcomes



Document the final position and implement deliverables.

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# DISCOVERY PHASE

## KEY OUTPUTS

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DATA COLLECTION

BEHAVIOURAL ASSESSMENTS

CONFIDENTIAL QUESTIONNAIRES

# FAMILY OVERVIEW

## FAMILY NO. 1

.....

DAD – 67

MUM – 65

SON – 40 (ON-FARM)

DAUGHTER – 35 (OFF-FARM)

## FAMILY NO. 2

.....

DAD – 63

MUM – 62

DAUGHTER – 35 (OFF-FARM)

DAUGHTER – 32 (ON-FARM)

SON IN LAW – 33 (ON-FARM)

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# BUSINESS OVERVIEW

## BUSINESS NO. 1

LIVESTOCK OPERATION  
(PARTNERSHIP)

- CATTLE
- SHEEP
- PLANT AND EQUIPMENT

## BUSINESS NO. 2

VINEYARD AND WINERY  
(PARTNERSHIP)

- CELLAR DOOR
- WINE MAKING

## BUSINESS NO. 3

LIVESTOCK OPERATION  
(COMPANY)

- CATTLE STATION

# PROPERTY OVERVIEW

## BUSINESS NO. 1

11 PROPERTIES

TOTAL VALUE  
\$118 MILLION

## BUSINESS NO. 2

3 VINEYARDS

TOTAL VALUE  
\$13 MILLION

## BUSINESS NO. 3

1 CATTLE STATION

TOTAL VALUE  
\$50 MILLION

Note – Properties variously owned by individuals (tenants in common), discretionary trusts and companies



# THE NATURE OF THE ISSUE



**OVERT**

**COVERT**

# CONSIDERATIONS PHASE

MANAGEMENT TRANSITION

BUSINESS TRANSITION

PROPERTY TRANSITION

RETIREMENT TRANSITION

FAMILY TRANSITION



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# MANAGEMENT TRANSITION

## Key Planning Areas



Timeframes

Communication/decision making

Roles and responsibilities

Financial management

Remuneration policy

Foregone wages/past contributions

Training/knowledge transfer

Corporate governance

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# BUSINESS TRANSITION

## Key Planning Areas



Restructure timeframe  
Sustainability modelling  
Future business structure  
Business assets (i.e. livestock, plant and equipment)  
Bank debt/finance facilities  
Asset protection  
Business Agreements  
Business Plan/Strategic Plan

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# PROPERTY TRANSITION

## Key Planning Areas



Transfer timeframes

Future ownership

Ownership structures/methodology

Amount payable

Gifting considerations

Vendor finance

Treatment of bank debt

Taxation, capital gains and stamp duty

Asset protection

Clawbacks

Buy/sell agreements

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# RETIREMENT TRANSITION

## Key Planning Areas



Wills and estate plans  
Enduring Power of Attorney and Guardianship  
Testamentary trusts  
Future accommodation  
Retirement funding  
Financial plan  
Aged care  
Superannuation  
Off-farm assets  
Life insurance  
Investment bonds

# FAMILY TRANSITION

## Key Planning Areas



- Future direction of business
- Legacy / importance of keeping the farm/business in the family
- Fairness for off-farm children/those not in the business
- Past provisions
- Future provisions
- Farm access for the off-farm children and their families
- Future generations
- Avoiding future conflict

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# CONSENSUS PHASE

## MANAGEMENT

Next Generation to  
conduct The Business  
Operations

## BUSINESS

Two separate businesses  
for each Family Branch

## OWNERSHIP

Agreed allocation of;

- Plant And Equipment
- Livestock
- Properties
- Winery/Vineyard



# REVIEW PHASE

## ACCOUNTING

In conjunction with their Accountant addressed the following:

- Business Structures
- Taxation
- Capital Gains Tax
- Stamp Duty
- Value Allocation Summary

## LEGAL

In conjunction with their Lawyer addressed the following:

- Enduring Powers of Attorney
- Enduring Powers of Guardianship
- Wills and Estate Plans
- Buy/Sell Agreements
- Deed of Family Arrangement

## FINANCIAL

Assisted the family to engage with a Financial Planner which included:

- Risk Insurance
- 2 Financial Plans (including SMSF)
- Arrangements for off-farm children

In addition to the above, worked with their bank (NAB) to determine debt allocations and future funding needs.

# OUTCOMES PHASE

## DEED OF FAMILY ARRANGEMENT

Changes In Ownership and Control of Properties

Business Restructure

Family Member Entitlements

Group Debt

Future Acquisitions and Disposals of Property

Property Costs

Right Of Access

First Right Of Refusal

Estate Planning

Equalisation Policy

Superannuation Fund (Binding Death Benefit Nominations)

Estate Planning – Children

Deed Of Appointments

Valuations

Disclaimer, Release And Indemnity

Review

Dispute Resolution

Independent Advice

Potential Conflict Of Interest

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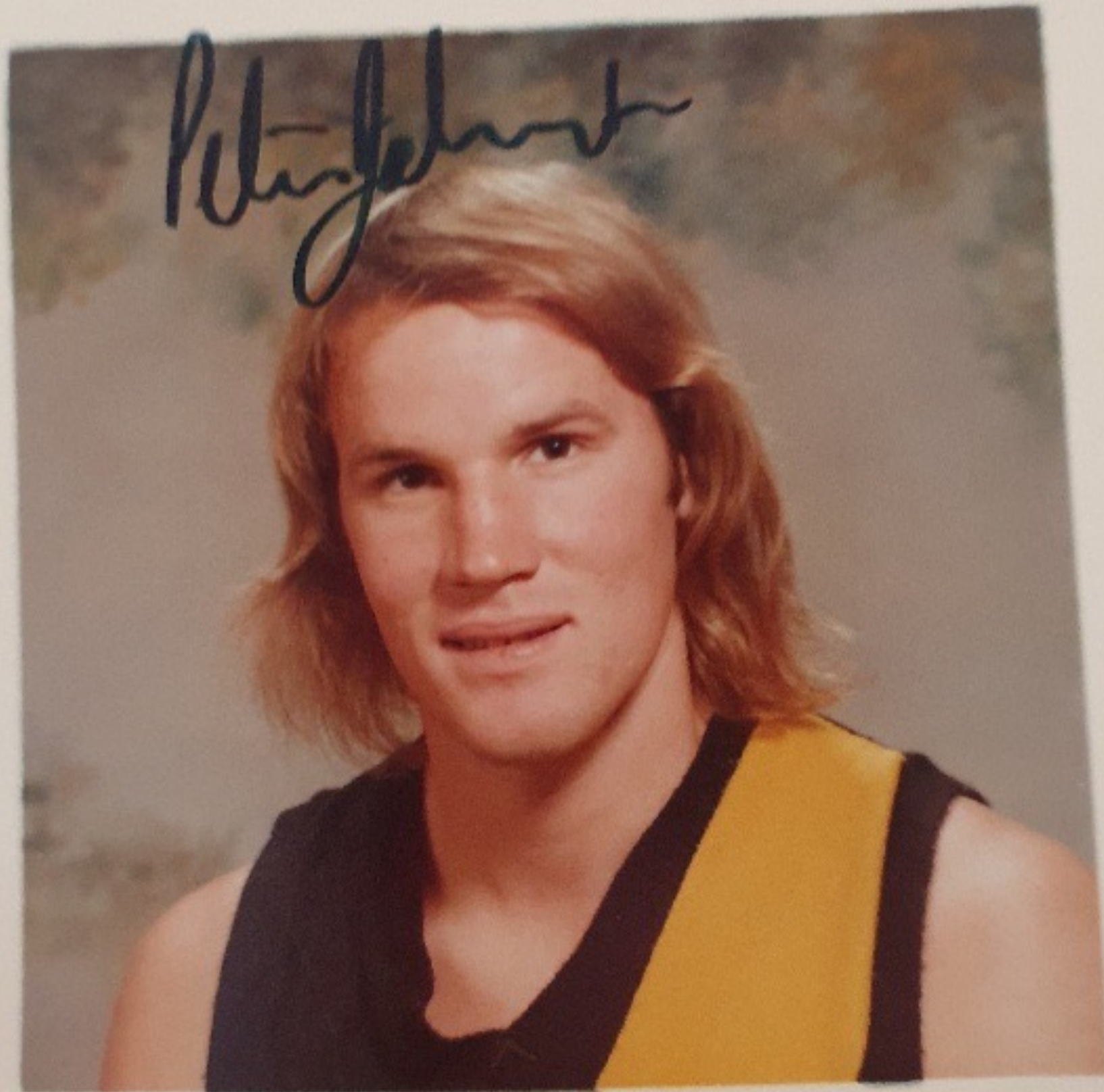
# TRANSITION PLANNING

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For Farming Families

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Peter Johnston

## Alex Johnston – Head of Adviser Relations & Distribution.

- Melbourne based Financial Adviser for the last decade, specialising in SMSFs, risk & equities.
- Previous education & career in environmental policy and management.
- The Mission – to partner AIOFP Advisers via Next Rural with NAB Bankers to provide succession planning advice (initially with a Next Rural cap on), which then unlocks the Adviser to provide personal financial advice to said client, who is retained as your client.



## How Will It Work?

- Post Conference – Advisers will be formally asked to join in Partnership with Next Rural.
- AIOFP Advisers will be offered a unique Foundation Members Package which guarantees your subscription to the software & referrals at a subsidized subscription cost.
- Before you see your first client – we will hold smaller group training sessions with Advisers from each region, and formal introductions will be made with your partner NAB regional banker.

## The Importance of Ethics

- This opportunity is entirely unique within our industry – execution in an ethical and efficient manner is paramount.
- As standard, Advisers must always act in the best interest of their clients and in accordance with the terms of agreement with Next Rural. Hence the importance of the AIOFP CFS status to ensure ongoing compliance & oversight.
- We cannot afford to have one wayward adviser jeopardise the opportunity for all.
- Huge potential for future growth – also outside of the NAB network.