Your Farm, Your Future

A practical guide for succession

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Disclaimer: This guide provides general information and guidance on succession planning. It is not intended as legal or professional advice. Specific situations may require tailored planning, and we recommend consulting with qualified professionals for advice relevant to you.

*Accessible versions available upon request.

Your farm, your future

Welcome

Wellington County created this guide to inform and to help farmers start taking practical steps toward a succession plan. To do this, the authors used an innovative approach based on three simple truths:

- Effective coaches and business advisors ask good questions,
- The most useful knowledge usually comes from experience, and
- Solving complicated problems often requires breaking them down into segments.

In preparing this guide a team of the country's top farm succession planners was gathered: Elaine Froese, Len Davies, Patti Durand, Rob Knight and Trevor Maclean. Together, they have over a hundred years of experience helping with succession.

These succession planners shared stories, learnings, issues, frustrations, and, above all, a deep hope to help farmers through transition.

Biographies of this succession dream team are included in the Farm Succession Collaborative Team section of this Guidebook.

Good questions drive smart succession solutions.

Each expert shared the most common questions they would ask farmers.

Our experts had three specific audiences in mind:

1. The outgoing generation with a known successor

2. The outgoing generation without a successor.

3. The incoming generation in a non-family succession

By focusing on specific audiences, the questions and resources offered will be more effective and relatable. Also included are secondary questions to help readers dig deeper and recommended resources to provide additional supports.

The point of these questions is not to create a finished succession plan, but to spur thinking and learning, and to understand more deeply what is needed to get to where you want to be. Every journey is unique and personal; these questions are not comprehensive but should shine light on the gaps, progress understanding and kickstart some useful actions.

Let's get started.

Maggie Van Camp

Maggie Van Camp, Loft32/Farmers' Bridge

Co-Founder and Director of Strategic Change Loft32

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Access our
Online version.

wellington.ca/transitionplanning

Get Ready

Welcome to one of the greatest times of change in Canadian agriculture.

The recent **Farmers Wanted** report by RBC predicted 40% of Canadian farm operators will retire in the next decade. In Wellington County, that equates to over 1,000 farms preparing to transition management and ownership by 2033.

This massive wave of change is happening across all sectors, including the many livestock, crop, fruit, and vegetable farms in Wellington County. This transition will impact the businesses who supply inputs, services, marketing, and processing for these farms. These changes will also reverberate through the many agricultural associations that call Wellington County home, as well as the rural communities built on the deep tradition of family farming.

In 2021, the average age of farmers in Wellington County was 52.7; more than half were over 55 years old. This demographic wave of leaders leaving farming could be a time of turmoil, or, if planned and communicated well, could be a time of great opportunities and advancements. Of the 2,617 farms in Wellington County only 276 (10.5%) had written succession plans. For the farms without a succession plan, this guide was developed to inform, empower and encourage action.

"When the winds of change blow, some people build walls, others build windmills."

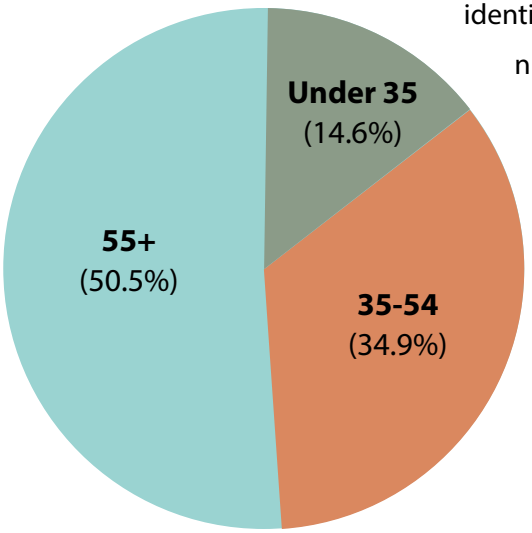
INFORM

Let's start with understanding. What is succession planning and how can doing it well fuel growth and create family harmony?

What is Succession Planning?

A succession plan is more than a way to transfer assets. It's more than a tax plan and more than a will. A smart succession plan sets up the farm business for the future and helps to develop the next generation of farm leaders. It creates a smooth operational transition, sometimes enabling non-farming family buy-in and support. The mirror of a succession plan is a retirement plan that serves the outgoing generation's wishes and dreams.

Historically, it was death and a prepared will which handled succession; the changeover of ownership and management was done in one fell swoop. Today, Canadians are living much longer and farms often have multiple generations, multiple siblings, or other relatives of various ages managing and owning them. Additionally, farms are more complex and more valuable. Now succession planning tends to be a series of incremental steps, buoyed by clear proactive written planning and communication.



Age of Wellington County Farmers

As the next generation moves from labour to management to ownership roles, a series of agreements and co-created planning happens. This is a time to build skills and trust, and to accept change. It's a time to ensure the future success of the next generation while creating a fulfilling retirement for the outgoing generation.

Succession planning drives economic success. Researchers found gross income and profit increased when successors were identified and that these farms adopted a higher number of management strategies, including new technology, expansion, diversification and environmental solutions. The resulting strategic plan will improve risk assessment and decision making, and spur farm asset investment. The development of strong communication, financial acumen and collaborative decision-making during succession improves the farm. They learn to make strategic investments together with more accountability, rigorous discussion, broader ideas and opinions.

What's the difference between estate planning, succession planning and transition planning?

Estate Planning defines who gets your assets at death. It involves creating wills and sometimes trusts.

Succession Planning handles how to transfer a business and its responsibilities from an outgoing generation to the next generation. It will map the younger generation's progress from labour tasks to management responsibilities, through to ownership roles.

Transition Planning became a common term in the agricultural industry about 15 years ago. Transition is a broader term encompassing non-family and tends to be more about business planning, usually while the outgoing generation is still alive. Often "transition" and "succession" are used interchangeably as we've done for this document.

Why is it important to make a written plan?

A written plan provides clarity and certainty, whether it's with family successors, non-family successors or even if you want to eventually exit from farming. These plans need to be well thought-out, professionally documented, signed, and communicated.

In 2021, 21.1% of Wellington County farms said they only had a verbal succession plan. A 'verbal succession plan' can mean many things, but without the clarity of written legal agreements, anything could happen. The risk of problems is amplified, tax and cost savings are often missed, and, in this void, people could insert their own stories, scattered memories and guesses.

Clarity allows the next generation to move ahead and build their own success. Before tax plans and legal documents such as wills and shareholders agreements are put to paper, it's important to ensure everyone's goals are aligned, and that you have communicated with your family about this plan for transition.

> "If a succession plan is not written down, it legally does not exist."

State of Succession Planning in Wellington County, 2021

	Wellington	Canada
Total Farms	2,617	189,874
Written Succession Plan	276 (10.5%)	22,873 (10.7%)
Verbal Succession Plan Only	553 (21.1%)	41,502 (19.5%)
No Succession Plan	1,788 (68.3%)	125,499 (58.9%)

How long does succession planning take to execute?

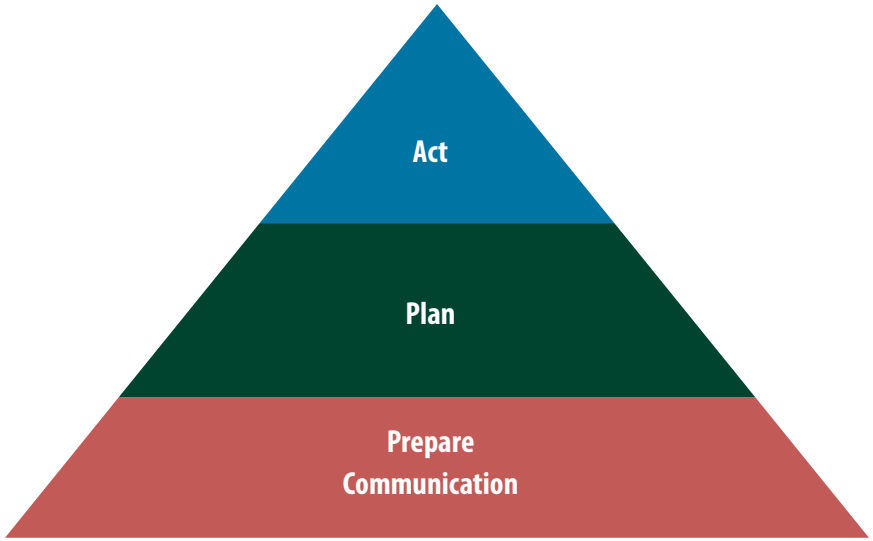
Most entrepreneurs believe a transition process can be completed in two years or less; in reality, succession plans can take **as many as ten years** to create and implement.

> "Succession planning is a process, not a singular event."

Taking an incremental and collaborative approach to succession planning tends to take more time, but there's power in the process. These series of agreements can slowly help the business create updated structures and empower the next generation as they step up to being the future leaders of the business.

It's not uncommon for the outgoing generation to focus on tax savings when thinking about ownership transfer solutions. However, jumping ahead could lead to the resulting legal agreements not serving the needs of the family or the business. Without fully engaging the people involved, the outgoing generation skips important conversations, agreements and plans that are the building blocks of a successful future.

Conversely, the chances of stalling and having succession fatigue is real. Farm families will often find a coach when they feel stuck.



Three Phases of Transition Planning

One of the jobs of a good succession planner is to keep the ball rolling by asking the right questions and creating accountability to the process.

For the next generation, entering transition planning is a lower-risk time to try things, develop skills, and build a new support system. This way, the next generation will understand the challenges and strengths of the business and their own skill gaps as they take as they take these incremental steps towards leadership roles.

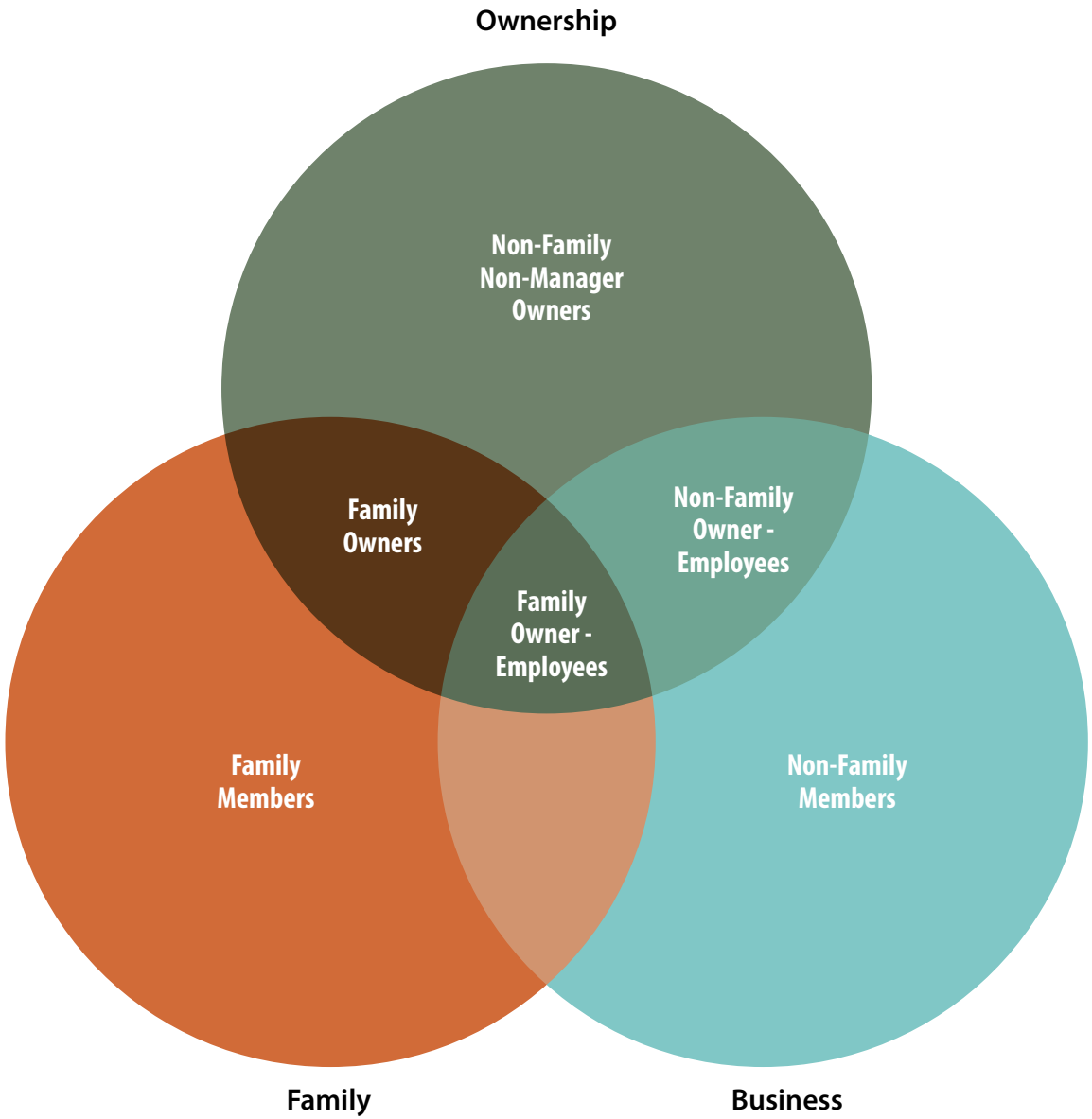
For the outgoing generation, it's time to try to slowly give up some control and build trust in how the new leaders will run the business, even if it is different than how it was previously done.

What's involved in a successful succession?

The goals for succession are to build and support the strength of your business, while maintaining relationships with your successor and family. Both generations can benefit from incremental, guided learning and mentoring, taking the time to accept these changes, and develop decision-making structures that work well for the future of the farm and the people involved.

Why is this so complex?

The Three-Circle Model has been used by advisors and academics worldwide for decades to help understand communication pitfalls during transition planning. Developed over 40 years ago (Tagiuri and Davis,1982), it's an insightful and simple model that clearly shows the paradox of a family business when ownership and business roles cross over with family roles. It explains why many succession problems are really communication problems.



The 3-circle model

A Venn diagram of the Complexity of Family Business

EMPOWER

Once you understand the tasks ahead, it's time to choose your team.

What will it take to get this done?

Change management starts by informing, then trying the change, reviewing and improving, implementing the change, and finally accepting. Succession is the most important and impactful change most farms will go through.

In addition to the time and effort the leaders of the business are going to put into a succession plan, there will be professional costs. The goal is to have signed agreements that are well-communicated, built for the future and aligned with what everyone wants out of the succession process. To get those agreements done well, you are going to need some professional help.

"A succession plan is ultimately your responsibility. No one is going to care about this as much as you."

Your farm and family may need many types of advisors and professional help. This will likely include – at the very least – an accountant, a lawyer, and a financial planner. Hiring a succession planner who helps you use a multidisciplinary approach can seem costly upfront, but bringing together the right people at the right time will help save relationships, time and money in the long-term.

Each situation is as unique as the people involved. The advice and help your farm and your family need will vary. This is an investment, not only in your peace of mind and the future of the farm, but in potential tax-savings and of course, family harmony.

IMPLEMENT

How to use this guidebook

Your guide begins with questions selected for three different audiences:

1. The outgoing generation who will be transitioning the farm to family.

2. The outgoing generation who will be transitioning the farm to someone outside of the family.

3. The incoming generation preparing for non-family succession.

The Quick Guide will get you started, and the following sections give you a way to dig deeper into each question. As you read through it all, reflect on what information you would need to gather or prepare to answer fully. There is space to keep notes.

Along the way there will be QR codes which link to further online resources, including webpages and videos to deepen your understanding of specific topics.

Following the questions, you will find five additional resources:

1. **Record of Support.** A template to capture the important people in your life and begin mapping out a balanced and fair approach to succession.

2. **Farm Asset Summary.** A template to capture your farm's physical assets and their value.

3. **Because I Love You List.** Adapted from Loft 32's template, this excercise has you reflect on the critical information others may need if you are incapacitated.

4. **Timelines are Guidelines.** An activity to walk you through important personal and business milestones and goals, so you can 'see' what's ahead.

5. **Key Terms.** This reference defines in plain language some commonly used terms.

If you would like to print more copies of any worksheets, they can be found at wellington.ca/transitionplanning

Guided Questions and Resources

QUICK GUIDE

For the outgoing generation with family successors

1. What things excite you about stepping back?
2. What emotions come up when you think about the transition process?
3. What will success look like?
4. When do you want to fully stop being responsible?
5. What does being a great farm manager mean to you?
6. How do you intend to share responsibilities?
7. How is your current business structured and owned?
8. If something happened to you, could the farm continue to operate?
9. Do you have a list of assets?
10. Are there specific gifts you wish to give?
11. Does everyone have a current will?
12. Do you have a financial plan?
13. What is your current cost of living?
14. Where do you plan to live, and for how long?
15. How do you make collective decisions?

For the outgoing generation without family successors

1. What things excite you about stepping back?
2. What experiences or assets have you dreamed of having?
3. Do you have a timeline for winding down your operation?
4. Have you shared your vision with family members?
5. Where do you plan to live?
6. What is your current cost of living?
7. How do you want to help family members be successful?
8. Are there specific gifts you wish to give?
9. Do you have limitations you need to budget for?
10. Do you have a financial plan?
11. How important is owning land?
12. If something happened to you, could the farm continue to operate?
13. Do you have a current will?
14. How do you wish to be remembered?

For incoming farmers as non-family successors

1. What do you need to learn about this business before you can take over?
2. How are you already involved?
3. What are your expectations?
4. What types of business structures are you considering?
5. How often do you review financials?
6. What is your vision for the farm in 10 years?
7. How do you intend to share responsibilities going forward?
8. What does being a great farm manager mean to you?
9. What would happen to operations if someone were incapacitated?
10. How do you make collective decisions?
11. When will you have full authority?
12. What is your current cost of living?
13. What is your personal financial position?
14. What emotions are arising?
15. Do you have wills and enduring power of attorney in place?

Outgoing Generation with family successors

Who Can Help?

- Farm Succession Advisor
- Certified Financial Planner
- Mental Health Counsellor
- Accountant
- Certified Farm Appraiser
- Lawyer
- Creditor
- Insurance Broker
- Conflict Mediator
- Family Counsellor

Planning the transition of management and ownership control to the next generation is one of the most complex and rewarding challenges for family businesses. Transitions tend to be a time of growth and expansion, learning and self-awareness, difficult conversations, tough questions, financial stress and making big decisions together. Above all else, it's a time of hope.

In reality, a strong succession plan is a series of smaller decisions and includes aligned business, retirement, and estate plans which takes effort, time, and professional advice. Consider transition planning as an investment to create a positive future for the people and the farm that you love.

The following questions are commonly asked by farm succession advisors to the outgoing generation. Although answering them will not give you a comprehensive succession plan, it can help kickstart thinking, talking and learning about what's important to understand when succession planning.

Q1 What things excite you about stepping back from the intense responsibilities of the farm?

Dig Deeper

- What experiences, assets or activities have you dreamed of pursuing?
- What has your spouse dreamed of doing?
- What activities have you dreamed of doing together, if you had more time?

Q2 What emotions come up for you when you think about the transition process - nervous, excited, uncertain, or something else?

Dig Deeper

- What keeps you awake at night about succession?
- Are there specific challenges or fears from the previous generational transition that need to be addressed first?
- What actions or steps are you taking to decrease anxiety about the uncertainty of your and your farm successor's futures?

NOTES:

"Succession planning is a compromise of the dreams of multiple generations."

Resources

Outgoing Generation with family successors

Q3 When you look back on this transition process in 10 years, what will success look like for your family and your farm?

Dig Deeper

- How does your vision align with what a good succession plan looks like for your partner or spouse?
- Does this align with the successors' vision?
- For the non-farming family members, what one or two things do they agree are important to the outcome of the succession?
- What do you think your family members want for the farm – whether they're involved now or not?
- Have you spoken to your accountant about your plans for succession?

Q4 When do you want to fully stop being responsible for the management of your farm?

Dig Deeper

- What specific activities and management responsibilities on the farm do you wish to continue or want to give up, and by when?
- On a daily basis, how do you plan to get 'out of the way' while being available to help?
- When do you see yourself exiting the ownership of the business?
- Does this align with your spouse's vision of the future?

Q5 What does being a great farm manager mean to you?

Dig Deeper

- What specific actions and behaviours will your successor need to demonstrate to show you they are ready to lead your farm?
- How have you prepared the next generation to be competent managers?
- What is the next generation's learning plan for the next couple of years?
- Do you and the next generation clearly understand what types of decisions farm owners are responsible for handling? What types of decisions are farm managers responsible for handling?
- Does the next generation have full access to the farm financial statements such as a Balance Sheet, and Income and Expense statements?

NOTES:

"Having written and signed agreements increases certainty, accountability and reduces risks with clarity."

Resources

Outgoing Generation with family successors

Q6 How do you intend to share responsibilities on your farm going forward?

Dig Deeper

- Does your farm have a list of daily, weekly and monthly key tasks?
- From that list of tasks, list which ones are critical/urgent from most to least.
- Does your farm have written job descriptions for everyone and/or standard operating procedures (SOP) for key tasks?
- Who is best suited to learn each task on the farm?
- How is compensation related to responsibilities, performance and job descriptions?

The Canadian Association of Farm Advisors has a searchable database of different types of agriculture advisory service providers.

Find an advisor at:
https://cafanet.ca/cafanet

Q7 Currently, how is the business structured and owned?

Dig Deeper

- Are there any existing signed ownership and management agreements in place?
- Do you have training, housing, lease, compensation, or joint venture projects agreements?
- Do these agreements clearly explain a way to exit if it does not work out?

Q8 If something happened to you, could the farm continue to operate?

Dig Deeper

- If you were incapacitated, can someone else operate your farm on a daily, weekly, monthly and yearly basis?
- Do you have enduring power of attorney included with your will, or is there another person with signing authority?
- Who is your trusted advisor or family member with access to your passwords and contacts?

NOTES:

Resources

Outgoing Generation with family successors

Q9 Do you have a list of the farm assets, including purchase price, fair market value, debt, ownership and legal description?

Dig Deeper

- Which of these assets/liabilities are critical tools of the business?
- Does the successor have clear access to the assets that are critical to the business and is this access written down?
- Which of the farm assets are you willing to let the next generation buy out, and which will you gift them?

Q10 Are there specific assets or values that you wish to give to the successors, non-farming heirs or charity?

Dig Deeper

- Do you already assist any of your family members financially, and do you want to continue to do this?
- Do you have family members who are disabled, or who will be unable to manage their inheritance?
- Have you planned for potential estate taxes?

Q11 Do you, your spouse and your successor(s) each have an up-to-date will?

Dig Deeper

- Does your successor know what to do if you (and your spouse) died in an accident tomorrow?
- Does your successor have a will and do you know what it says?
- Do you have a sense of what each of your heirs expect or hope to inherit?

Q12 Do you have a financial plan for retirement or for stepping back from the farm?

Dig Deeper

- How will your retirement plan be funded?
- Do you have a financial advisor(s) you trust to help you build a plan to fund the lifestyle you deem as comfortable?
- Are you and your spouse going to have enough to live on at 85 years old and beyond?
- Does your retirement plan include tax strategies for when your assets are sold?
- Have you thought about minimizing your estate costs when you die?
- Do you and your spouse have an updated personal Net Worth Statement outlining off-farm investments?

"Fair does not mean equal and both numbers are constantly changing. It's about trying to help all your children build their own success themselves, whether they are farming or not, and balancing that with your retirement dreams and needs."

NOTES:

Resources

Outgoing Generation with family successors

Q13 What is your current personal cost of living?

Dig Deeper

- What living expenses are currently paid for by the farm?
- If you move off the farm, what expenses will need to be covered by you personally?
- What do you currently draw from the farm and what are you going to draw out of the farm moving forward?
- How will your draws change with ownership transition to the next generation?

Q14 Where do you plan to live now and approximately for how long?

Dig Deeper

- How long did your parents/grandparents live?
- How long do you hope to live?
- Do you have any health or personal limitations that you want to budget for in your planning?
- If you could no longer stay in your home, where would you choose to live?
- Does your living plan align with your spouse's and family's wishes and abilities now and 10, 15, and 20 years from now?
- Have you had honest two-way conversations with your family about your housing and care plan?
- Have you included long-term care costs in your retirement financial plan?

Q15 How do generations on your farm communicate and make decisions?

Dig Deeper

- Do you talk regularly about farm operations or tasks?
- Do you have meetings to discuss management decisions, including sharing Income and Expense statements and cashflow?
- Do you have strategic meetings separate from operational meetings?
- How does the farm currently decide on the selling or buying of larger assets?
- Are there clearly stated authority limitations, for example, is there a set magnitude of spending?
- What "letting go" challenges do you foresee with the management and ownership transitions?
- In a disagreement or conflict, how do you tend to respond?
- Do you have strategies to resolve disagreements and differences of opinion?

NOTES:

Resources

Outgoing Generation without family successors

Who Can Help?

- Farm Succession Advisor
- Certified Financial Planner
- Mental Health Counsellor
- Accountant
- Certified Farm Appraiser
- Lawyer
- Creditor
- Insurance Broker
- Conflict Mediator
- Family Counsellor

If you are farming and do not have a designated successor, it's important to get organized for the future. Building some guidelines to help navigate the coming changes doesn't mean you are expecting an immediate exit from farming, or that you think potential health issues might happen soon . Planning ahead while you are healthy and happy allows time for thinking, talking, asking questions and reflecting, and gives everyone peace of mind.

If done well, this type of planning is not easy or quick – it takes longer than you may think. In fact, it's a complicated balance of retirement, estate and tax planning that requires you to first understand what you and your family want and need.

The following 14 questions and resources were compiled by a team of Canada's top farm succession and financial planners as a way to kickstart your thinking, define what you need to learn, and help identify what professional you will need to get it done well.

Q1 What things excite you about stepping back from the responsibilities of farm?

Dig Deeper

- What concerns you about stepping back from the farm, both personally and for the future of the farm?
- Are there specific challenges or fears from the previous generational transition that you feel need to be addressed first?
- What actionable steps are you taking to decrease anxiety about the uncertainty of your own and your farm's future?

Q2 What experiences or assets have you dreamed of having?

Dig Deeper

- What do you hope for in the next 5-10 years of your life?
- If you had more time, are there new off-farm activities you would like to do?
- If you have a spouse, what do they dream of doing and what activities do the two of you dream of doing together?

NOTES:

Resources

Outgoing Generation without family successors

Q3 Do you have a timeline for winding down your operation?

Dig Deeper

- Have you discussed winding down the farm with your accountant?
- What does slowing down from farming full-time look like to you? For example, do you plan on becoming a landlord or hiring a manager?
- Are there specific decisions or tasks on the farm you definitely do not want to be doing at a certain age?

Q4 Have you shared your farming vision and future retirement dreams with your spouse and your children/family members? If no, what's stopping you?

Dig Deeper

- Is your family or your spouse equipped to manage these assets in your absence?
- Are you in alignment with your spouse with stepping away from the farm?
- What common goals do you share with your spouse and which goals differ?

Often it's assumed that registering land in joint names is enough to achieve the lifetime capital gains exemption. However, that's not always the case; it is important to plan at least two years ahead with a tax accountant.

Q5 Where do you live now and where do you plan to live in the future?

Dig Deeper

- If you could no longer stay in your home, where would you choose to live?
- In-home and rural care tends to be more expensive and is sometimes not available, have you budgeted for this?
- Are your spouse and family aware and aligned with this choice?

Q6 What is your current personal cost of living?

Dig Deeper

- What living expenses are currently paid for by the farm?
- How will this change when you retire?
- If you were no longer farming, what would it cost you to live?

NOTES:

"Farmers need to give their accountants five years soft notice and three years hard notice."

Resources

Outgoing Generation without family successors

Q7 How do you want to help your children and/or other family members be successful?

Dig Deeper

- Do you have a sense of what each of your heirs expect or hope to inherit?
- What assistance have you already given to your family?
- What do you think you owe your children?
- What does fairness mean to you?
- What is your understanding of the difference between fair and equal?

Q8 Are there specific assets or values that you wish to gift to heirs or charity?

Dig Deeper

- Have you considered philanthropy as part of your estate plan?
- Do you already assist any of your family members financially and do you want to continue to do this?
- Do you have family members who are disabled or have a limited ability to manage their inheritance?

Q9 Do you have any health or personal limitations that you want to budget for in your planning?

Dig Deeper

- How long did your parents and grandparents live?
- How long do you hope to live?
- Do you have a health care plan or critical illness insurance?

Q10 Do you have a financial plan for retirement or stepping back from the farm?

Dig Deeper

- Are you and your spouse going to have enough to live off at 85 years old and beyond?
- Does your retirement plan include tax strategies for when your assets are sold?
- Have you thought about minimizing your estate costs when you die?
- What off-farm investments and/or pensions do you currently have?

NOTES:

"Fair is an opinion and equal is only equal for about 5 seconds. So if you are using it as a basis for decision making, the likelihood of reaching a consensus is quite low. Instead consider: what is balanced? What is reasonable?"

Resources

Outgoing Generation without family successors

Q11 On a scale of 1 to 10, how important is it for you to keep owning land?

Dig Deeper

- Would you consider selling all or part of your land to invest non-farm assets in buying non-farm investments with higher rates of return?
- Would renting to other farmers be a viable option in the long-term?
- Do you have an updated Net Worth Statement including farm assets/debt and personal investments?

Q12 If something happened to you, could someone easily take over your tasks and decision-making, enabling the farm to continue to operate?

Dig Deeper

- Who is your trusted advisor or family member with access to your passwords and contacts?
- Do you have enduring power of attorney included with your will, or another person with signing authority?
- If you were incapacitated, can someone else operate your farm on a daily, weekly, monthly and yearly basis?

Q13 Do you have an up-to-date will that reflects your wishes and current assets?

Dig Deeper

- What should your wills say if you (and your spouse both) died in an accident tomorrow?
- Do you have a sense of what possible heirs expect or hope to inherit?

Q14 Is there a specific way you want to be remembered after you are gone?

Dig Deeper

- Have you recorded any major improvements and changes that have occurred over the decades?
- What impacts have you and your farm had in your community, and beyond?
- If you could share some words of wisdom or life lessons with your heirs, what would that be?

NOTES:

Resources

Incoming Farmers as Non-Family Successors

Non-family farm succession is a viable option that is becoming more common. However, support, research and resources needed to help navigate this type of transition may be more limited. Like all succession planning, non-family transitions require commitment, clear and honest communication, and written timelines, processes and agreements.

The following questions are for a non-family successor who is working with a farm's outgoing generation to take over an operation. These questions were selected by a team of the country's top succession advisors to help highlight gaps and challenges, provide some resources and offer encouragement. They're not meant as a way to create a comprehensive succession plan but rather to inspire discussion, self-awareness, and more formal planning and action.

Q1 What key pieces of information do you need to learn about this business before you feel confident about taking over the farm?

Dig Deeper

- Do you feel confident that you know everything you need to go into business with the person such as the business structure, the farm financials, the history, the family, and the personal character and skills?
- How do you plan to find that information?
- Do you have regular business meetings with the outgoing farm owner?

Q2 How are you already involved in the business?

Dig Deeper

- If you are already into the transition stage, does your farm have existing agreements – such as signed Memorandums of Understanding (MOU), shareholder, partnership or joint ventures agreements?
- Do you already own some assets in the farm business?
- Do you have training, housing, a lease, compensation agreements or joint venture projects?
- Do these agreements clearly explain a way to exit, in case something does not work out?

NOTES:

Resources

Incoming Farmers as a Non-Family Successor

Q3 What are your expectations of asset transfer or use, and when will this happen?

Dig Deeper

- Which assets do you need access to, and which assets might need to be sourced elsewhere?
- Which assets will you ideally work toward owning?
- Which assets or liabilities are personally held by the current owner, will be transferred or leased, and if so when?
- How do you feel about the idea of transferring ownership over time, rather than all at once?

Q4 What types of business structures are you considering for this transition?

Dig Deeper

- How is the farm business currently organized: a partnership, an incorporation, a sole proprietorship, etc?
- Have you ever used a joint venture?
- What are the pros and cons of a partnership / incorporation / sole proprietorship going forward, particularly through transition?

Q5 How often do you review current financial information about the farm?

Dig Deeper

- Do you have full access to the farm financial statements, e.g. Balance sheet, and Income and Expense statements? If not, do you have a plan for gaining access to this information?
- What does the outgoing generation currently draw – and what are they planning to draw – out of the farm going forward?
- How will the outgoing generation's draws change under ownership transition to you?
- What is the fair market value of the farm assets and cash flow of the business; if you don't know this, what is your plan to access this information?

NOTES:

Resources

Incoming Farmers as Non-Family Successors

Q6 What is your vision for the farm in 10 years and what do you want to be doing in the business at that point?

Dig Deeper

- Do you have a business plan for the future of the farm business? If it is informal, how might you clarify it for everyone involved?
- Does your plan align with the outgoing generation's plans? If not, what steps are you taking to find a compromise?
- In your opinion, what are the top issues, problems or challenges on the farm today?
- What do you think are the current strengths and opportunities of the farm?

Q7 How do you intend to share responsibilities on your farm going forward?

Dig Deeper

- Does your farm have a list of daily, weekly and monthly key tasks?
- From that list of tasks, rank which ones are most critical/urgent to least critical/urgent?
- Who is best suited to learn each task on the farm?
- Does the farm have written job descriptions for employee?

Q8 What does being a great farm manager mean to you?

Dig Deeper

- What skills are you missing or could you improve to be able to fully manage the farm on your own?
- What specific skills or tasks does the current leader use on the farm that would be missing without them?
- What is your learning plan for next year to improve your skills and knowledge?

NOTES:

Resources

Incoming Farmers as Non-Family Successors

Q9 What would happen to the farm operations if someone were incapacitated?

Dig Deeper

- What would happen to the business if either you or the outgoing generation were to experience one of: death, divorce, disability, dementia, or disagreement?
- Does more than one person on the farm have access to key operations such as passwords, keys, and contact information?

Q10 How do you and the outgoing generation communicate and make decisions?

Dig Deeper

- Are there clearly stated authority limitations, for example, is there a set magnitude of spending?
- Do you have strategic meetings separately from operational meetings?
- What "letting go" challenges do you foresee with the management and ownership transitions?
- In a disagreement or conflict, how do you tend to respond?
- What strategies do you use to resolve disagreements and differences of opinion?

Q11 When will you have full management authority over management decisions?

Dig Deeper

- What will the roles of the outgoing generation be when this transition of authority takes place?
- Do you have a 1-3-5 year plan for the passing of the roles and responsibilities, with measures to determine success?
- Will decision making authority and asset transfer happen at the same time and pace? Describe this.

Q12 What is your current personal cost of living?

Dig Deeper

- What would be the cost of living if you had a family to take care of?
- Are any living expenses currently being paid for by the farm?
- What do you spend most of your disposable income on?
- What is your current compensation package on the farm based on?

NOTES:

Resources

Incoming Farmers as Non-Family Successors

Q13 What is your personal current financial position, including assets, debt, savings and credit score?

Dig Deeper

- What access to financing do you have available to you?
- What creative financing solutions have you considered?
- How comfortable are you with debt, and how much?
- How much disposable income do you have to service the required debt?
- Is your current compensation agreement enabling you to save for asset purchases or does it include a plan for ownership transition?

Unintended or "accidental" partnerships can happen if legal documents don't align with the agreed farm succession plan. Do all parties have wills and enduring power of attorney that give the successors the ability to keep the farm operating?

Q14 What emotions come up for you when you think about the transition process - nervous, excited, uncertain, or something else?

Dig Deeper

- What are you doing to maintain and build your personal mental wellness?
- What actions or steps are you doing to decrease anxiety about the uncertainty of your future?
- What keeps you awake at night when you think about succession planning?

Q15 Do you and the outgoing generation farmer have wills and enduring power of attorney?

Dig Deeper

- What would your wills say should happen if you both died in an accident tomorrow?
- If you have family, how would they be taken care of if you were incapacitated?

NOTES:

Resources

Record of Support

Scan QR Code for additional copies

Start by writing down a list of your family members and what you've given them already, including education, vehicles, mortgages, down payments, non-farm business opportunities, etc. Include proper names and contact information. Remember to store this list securely.

Example:

Full Name	Nickname	Place of Residence	Relationship	Role on Farm
Jane Smith	Jay	off-farm (Fergus)	Daughter	N/A
Previous Gifts	Undergraduate Education, down payment assistance			
Inheritance Expectation				

Full Name	Nickname	Place of Residence	Relationship	Role on Farm
Previous Gifts				
Inheritance Expectation				

Full Name	Nickname	Place of Residence	Relationship	Role on Farm
Previous Gifts				
Inheritance Expectation				

Full Name	Nickname	Place of Residence	Relationship	Role on Farm
Previous Gifts				
Inheritance Expectation				

Full Name	Nickname	Place of Residence	Relationship	Role on Farm
Previous Gifts				
Inheritance Expectation				

Farm Asset Summary

Outline the assets on your farm including land, equipment, contracts or anything else of monetary value.

Scan QR Code for additional copies

Item	Farm Asset Common Name	Location/Legal Description		Size
Owner (%)	**Acquisition Date**	**Estimate of Book Value**	**Estimate of Fair Market Value**	**Estimate of debt against this**

Item	Farm Asset Common Name	Location/Legal Description		Size
Owner (%)	**Acquisition Date**	**Estimate of Book Value**	**Estimate of Fair Market Value**	**Estimate of debt against this**

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Item	Farm Asset Common Name	Location/Legal Description		Size
Owner (%)	**Acquisition Date**	**Estimate of Book Value**	**Estimate of Fair Market Value**	**Estimate of debt against this**

Because I Love You List

There is a lot of information stored in your head that others in the business may need if you were suddenly incapacitated. By writing the most critical information down, business operations can continue in your absence. Remember to store this list securely. Adapted from Loft32; scan QR for original online resource.

Shareholder/Partnership/JV Agreements	Lease Agreements and Land Deeds	Contracts	Houses & Mortgages	Bank Accounts

Short-Term Help	Long-Term help	Advisors (accountant, veterinarian, etc)	Insurance Policies	Locations of keys and passcodes

Timelines are Guidelines

This exercise asks you to identify your high-level priorities and then visualize them in a timeline. Using the table on the next page, list the big things you hope to make happen over the next few years or decades.

Step 1. As an example, below are two versions of this exercise – one from the perspective of a retiring farmer, and one from the perspective

OUTGOING FARMER

Personal Goals

- Go on a cruise in the Caribbean
- Spend time with grandchildren
- Finish house renovation
- Learn to play pickleball

Business Goals

- Hire farm manager
- Buy new planter
- Transition ownership to children

INCOMING FARMER

Personal Goals

- Family vacation to east coast
- Home ownership
- Volunteer with local Optimist Club

Business Goals

- Take an Agribusiness management course
- Transition into farm ownership
- Pay off farm-related debt

Personal Goals

Business Goals

Note big goals that affect your succession plan.

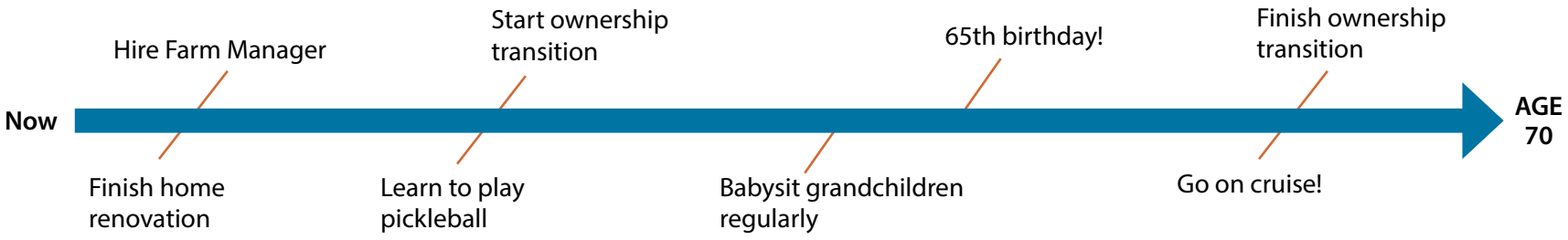
Timelines are Guidelines

Step 2.

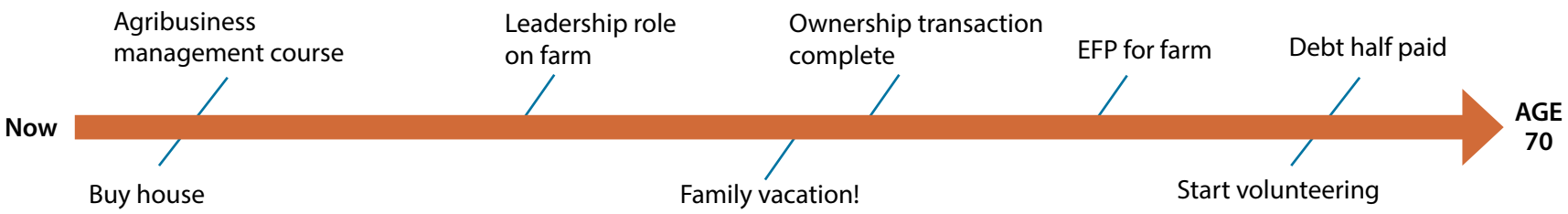
Now plot your big goals along a timeline arrow.
Decide how old you will be when you get to the end of the arrow, and note when on the timeline you hope to get to each goal.

Place your business goals above the arrow, and your personal goals beneath.

Outgoing generation example:



Incoming generation example:



After reviewing your timeline, ask yourself: What does your balance look like? Are you happy with the pace?

Now
AGE
____

Key Terms

Addendum
A document used to make a minor change to a will.

Appraised value
A professional estimate of property value at a given point in time.

Balance Sheet
A financial statement reporting assets, liabilities and shareholder equity at a specific point in time. A snapshot which assesses the financial health of the business.

Beneficiary
An individual entitled to receive a benefit – often money or property – under a will or other mechanism.

Butterfly Transaction
A kind of transaction commonly used when multiple shareholders or owners want to legally divide a corporation's assets on a tax-deferred basis.

Buy-Sell Agreement
A legal agreement that outlines what happens to an owner's share of a business if they die, retire, or leave. It can define who can buy the share, how It is valued, and how it would be funded.

Capital Gains
The profit from the sale of an asset when the sale price exceeds the original price paid.

Cash Flow Statement
A financial statement that tracks the flow of cash in and out of a business over a specific period. It provides information on the financial health of a business.

Codicil
A legal document used to make a minor change to a will.

Cohabitation (Cohab) Agreement
A legal contract between a couple who have chosen to live together. It outlines rights and obligations around current and future property, finances, and support in the event of separation. Note: local jurisdiction may vary.

Common Shares
Parts of ownership of a corporation with voting rights, usually one vote per share, as dictated by the shareholder agreement.

Continuity Planning
The process of creating a prevention and recovery system to handle potential threats that could disrupt your organization.

Corporation
A legal business entity separate from its owners. A corporation can enter into contracts, loan and borrow money, sue and be sued, hire employees, own assets, and of course pay taxes. In Canada the corporate tax rate is generally lower than for individuals.

Canada Pension Plan (CPP)
CPP is an earning-related public pension plan in Canada. This social insurance program gives monthly taxable benefits to Canadians who have worked and contributed to the plan, except in Quebec which has its own program.

Canada Revenue Agency (CRA)
Collects taxes and administers tax laws for the government.

Credit Insurance
Insurance which pays off a debt if the borrower is unable to pay due to defined circumstances. Commonly offered by lending agents.

Disability Insurance
Replaces a portion of your income if you can't work due to serious illness or injury.

Estate Freeze
A strategy which locks in the current value of your estate by freezing the value of shares. Assists in planning for intergenerational tax and tax liability.

Estate Plan
Arranges for the disposition and management of one's estate at death, or in case of incapacity.

Executor
An individual appointed to administer the will of a deceased person. Often appointed by the individual who makes the will, or by a court if no executor is named.

Fair Market Value (FMV)
The price an asset or product would sell for on an open market. Different than market value and appraised value. Often used in tax calculations.

Health Care Directive – also called a Living Will, Power of Attorney, or Advance Care Planning
A legal document authorizing a named person to make decisions on your behalf if you were to become mentally incapable of doing so for yourself. Often applies to health, personal and non-financial decisions.

Income and Expense Statement
Focuses on the revenue, expenses, gains, and losses of a business during a particular period. Also known as a Profit and Loss (P&L) or a revenue and expense statement.

Incorporated (Inc.)
This indicates that a company has formally designated itself as a corporation.

Inheritance Tax
Canada does not have an inheritance tax. However, an estate may owe taxes on income earned before death.

Intergenerational Farm Rollover
A tax deferral which allows Canadian farmers to transfer qualifying farm assets to direct descendants without triggering immediate capital gains tax. Specific eligibility and rules must be confirmed by an accountant.

Joint Venture (JV)
An agreement where two or more parties agree to pool resources to accomplish a specific task; profits, losses, control and resources are shared. Joint Ventures are usually limited to a single enterprise for a given time.

Lifetime Capital Gains Exemption (LCGE)
Farmers with qualified farm property may claim an exemption from capital gains, up to a lifetime limit. Must meet CRA criteria.

Limited (Ltd.)
A corporate structure available in Canada. This designation generally limits the liability of owners to the amount they invested.

Market value
An estimated price range based on comparisons from similar properties or assets in the open market.

Mentoring
To advise or train typically between two people. It can be formal or informal.

MOU – Memorandum of Understanding
An agreement of an intended line of action between multiple parties. Although it is not legally binding, it demonstrates the commitment and cooperation of the parties involved.

NFI – Net Farm Income
Gross farm income (from farm cash receipts) minus production costs. This is the return to farmers for their labour, management and capital. In other words, the amount left over for debt payment and personal income.

OAS – Old Age Security
Universal retirement pension available to Canadians when they reach 65 years of age.

Partnership
A formal arrangement of two or more individuals to operate a business and share in its profits. Liability Is usually shared.

Power of Attorney
Gives legal authority to one or more people to manage your money and property on your behalf if you are incapacitated. Varies by province.

Preferred Shares
Part ownership of a corporation with no voting rights, as dictated by a Shareholder Agreement.

Prenup – Prenuptial Agreement
A marriage contract between two people stating their respective property rights and how support will be calculated if they divorce or if one person dies. Note: local jurisdiction may vary.

Probate
The general administration of a deceased person's will, or the estate of a deceased person without a will.

Promissory Note
A written and signed note promising to repay a sum of money in exchange for a loan or other financing. Typically, it contains all the terms involved, such as the principal debt amount, interest rate, maturity date, payment schedule, the date and place of issuance, and the issuer's signature.

Qualified Farm Property
A real or immobile property like land, buildings or quota that is used to carry on a farm business.

RDSP – Registered Disability Savings Plan
Designed to help parents and others save for the financial security of disabled people. Contributions are not tax deductible at the time of withdrawal, but do not count as taxable income for the beneficiary. Substantial grants are also available. There is a lifetime contribution limit.

Registered Education Savings Plan (RESP)
An investment vehicle for caregivers to save for post-secondary education. The contribution amount and any interest grown can be withdrawn at the student income tax rate, usually low. A government grant complements these contributions.

Registered Retirement Savings Plan (RRSP)
An account in which contributions are exempt from being taxed in the year they are saved. Money is taxed at the contributor's personal tax rate for the year it is withdrawn.

Section 85 – Rollover
A section of Canada's Income Tax Act which allows a taxpayer to transfer personal property into a taxable corporation at adjusted cost base instead of at fair market value. Often used to defer taxes owed at disposition or when moving from sole proprietorship to corporation.

Shareholders' Agreement (SHA)
Describes how a corporation should be operated, and outlines shareholders' rights, obligations, privileges and protection. May also include information on the management of the company.

Silent Partner
Within a partnership agreement, a partner who is not involved in the day-to-day operations of the business. May or may not have voting rights.

Sole Proprietorship
An unincorporated business with one owner who pays personal income tax on the business' profits. A sole proprietorship is easy and inexpensive to establish and dismantle.

Succession Planning
A business process and strategy for replacement and passing on leadership roles.

Tax Free Savings Account (TFSA)
Allows for interest, dividends, and capital gains to grow tax-free. Money withdrawn from a TFSA is tax free and can be used for any purpose. TFSAs can hold cash, funds, securities, and bonds. There is a limit on annual contributions and carryovers.

Term Life Insurance
Temporary coverage for a chosen time. Does not provide a cash value or survival benefits beyond the defined term.

Transition Planning
The process for preparing the transfer of ownership and management of a business.

Trust
A legal entity giving another party, known as the trustee, the right to hold title to property or assets for the benefit of a third party. There are 6 main types of trusts: living or testamentary, funded or unfunded, and revocable or irrevocable.

Whole Life Insurance
Whole life insurance is a permanent policy. It provides coverage and builds cash value which can pass to beneficiaries.

Last Will and Testament (Will)
A legal declaration of how a person wants property, assets, and guardianship of their children dealt with after they die.

The Collaborative Team of Succession Advisors

Len Davies

Family Business Succession Planner

A dedicated family business transition planner, Len has successfully assisted farmers throughout Ontario and the Maritimes over the past 20 years in completing comprehensive business continuance plans. Drawing from his upbringing on a dairy farm and his extensive experience as a primary producer and cash cropper in Ontario since 1979, Len brings authentic agricultural insight to every succession planning engagement.

davieslegacy.ca

Patti Durand

Coach, Transition Leader

A certified Family Enterprise Advisor, Patti has expertly guided hundreds of Canadian farm business families through confident transition decision-making. As founder of Brightrack Consulting, her coaching company based in Humboldt, Saskatchewan, Patti specialises in providing relatable, actionable strategies that empower business families to move forward together with clarity and certainty.

thefutureleader.ca

Elaine Froese

Farm Family Coach

An award-winning author, coach, and certified speaking professional, Elaine has guided over 1,000 families in reducing anxiety surrounding the uncertainty of their agricultural futures. She provides practical tools and strategic roadmaps to achieve fairness in farm transition planning. With her deep understanding of agricultural culture, Elaine excels at helping families envision positive outcomes and clear pathways for their farming enterprises.

elainefroese.com

Rob Knight

Founder, Financial Advisor, and Part-time Farmer

Bringing a unique perspective as founder of Steward Group, a financial advisory firm based in Cambridge, Ontario, Rob is also a part-time farmer. His passion for agriculture was cultivated through extensive youth experience on dairy farms. Since 1990, Rob has specialized in supporting farm families and actively contributing to the agricultural community, particularly addressing challenges that arise as farm enterprises expand, flourish, and prepare for generational transitions.

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Trevor MacLean, MBA, FEA

Partner, Agribusiness/Agriculture Management Consulting, National Leader TransitionSmart and Family Business Practitioner, MNP

Delivering comprehensive business and advisory services to agricultural producers and agribusinesses across Western Canada, Trevor provides innovative, customised, and practical solutions that help clients achieve their objectives and enhance their success. He specialises in supporting family businesses through intergenerational and transition planning, employing a multi-disciplinary approach that addresses both family dynamics and business requirements with expertise.

mnp.ca

Maggie Van Camp

Farmer, Director of Transitions Loft32

Combining hands-on farming experience with executive leadership, Maggie serves as Co-Founder and Director of Transitions at Loft32. Her distinguished career includes serving as BDO's National Director of Agriculture and as senior business editor with Country Guide magazine. Maggie started Farmers' Bridge to help farm families like her own navigate farm succession.

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