

Farm Succession & Estate Planning

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Let's dive into one of the most important topics facing your industry: farm succession and estate planning. This isn't just about paperwork; it's about securing your legacy, providing for your family, and ensuring your farm's future. It's a journey, not a single event, and today we'll lay out the key steps to get you started."

**How you are going to lose your
wealth if you don't do any planning.**

Visual Example: “In your packages you will see a \$1 mil bill, take it out and hold it in your hands, and there is no need to follow along with what I am going to do next as I don't want you to ruin my pretty picture on the back. Let's say you have \$1 million dollars in your estate, however without proper planning you will lose (rip a small piece off) a portion for Legal, Accounting & Probate Fees (rip another small piece off) a portion for Mortgage & Debts (rip a larger piece off) depending on the size of your estate CRA will take 27 – 53% (rip another small piece off) and finally if there are any family disputes.” While holding up the piece, “this is what you have left over of your lifetime of hard work to give to loved ones without

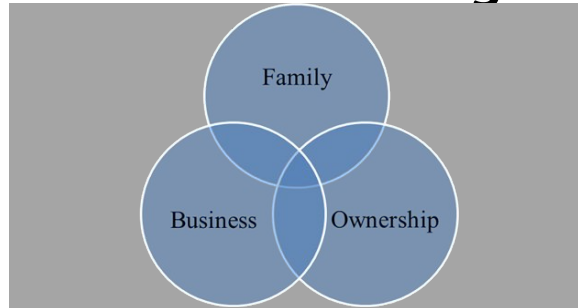
proper planning.”

Why Plan Now?

- Protecting your legacy & family harmony.
- Minimizing tax burden and maximizing asset transfer.
- Ensuring smooth transition of ownership & management.
- Addressing the “Farm Succession Crisis” in Canada.

"The average age of farmers is rising, and many are thinking about retirement. Statistics show that a large percentage of farmers don't have a plan in place. Without one, you risk significant tax liabilities, potential family conflict, and even the loss of your farm to non-agricultural development. A proactive plan is your best tool to avoid these issues and protect what you've built."

The Big Picture: What is Succession Planning?



Ownership: Who owns the land, equipment, and business?

Business: Who makes the day-to-day decisions?

Family: How are relationships and fairness managed for both farming and non-farming heirs?

"Succession planning is more than just a will. It's a holistic approach that considers three key areas. The transfer of ownership is just one piece. Equally important is the transfer of management, skills, and responsibility. And perhaps most critically, it's about navigating the 'soft stuff' - the family dynamics, emotions, and communication to ensure harmony. Fairness isn't always about equality."

Key Components of a Farm Succession Plan

- Strategic Plan:** The future vision of the farm.
- Retirement Plan:** Your financial and lifestyle needs post farming.
- Management & Labour Plan:** Who will run the day-to-day operations?
- Ownership & Transfer Plan:** How assets will be transferred (e.g., sale, gift, lease).
- Financial & Tax Plan:** Minimize taxes, debt management, and cash flow.

"A good plan is a series of smaller plans. The Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) identifies these key components. We need to define the farm's future vision, outline your retirement, figure out who takes over the daily work, and decide on the legal and financial mechanisms for the transfer. A strong financial plan is the backbone, ensuring both the retiring and succeeding generations can prosper."

The Legal and Tax Side



"This is where professional advice is essential. Canadian tax rules offer some significant benefits for farmers, particularly in Ontario. We'll discuss:

Capital Gains Exemption (CGE): The ability to exempt a portion of the capital gains from the sale of 'Qualified Farm Property'.

Tax Rollovers: The powerful tool to transfer property to a spouse or child on a tax-deferred basis. This allows the child to assume the parent's tax cost, deferring taxes until they sell the property.

Wills & Power of Attorney: The foundational legal documents that dictate how your assets are

distributed and who can make decisions on your behalf if you can't.

Farm Property Severance: A challenge in many rural areas, as policies can limit the ability to sever a home for a retiring farmer. It's a key conversation to have early."

Assembling Your Team

- Family (non-negotiable).
- Accountant/Financial Advisor.
- Lawyer.
- Agricultural Banker.
- Farm Business Advisor or Facilitator.

: "You don't have to do this alone. In fact, you shouldn't. Think of this as a team sport. Your team should include an accountant who understands agriculture, a lawyer specializing in estate law, and a banker who understands the unique financial needs of a farm. Consider a third-party facilitator to help with family conversations. The Ontario Federation of Agriculture (OFA) and other organizations offer resources and connections to these professionals."

The Process: A Step-by-Step Guide



- 1.Start the conversation:** Talk with your family.
- 2.Gather information:** Get your financials, wills, and assets in order.
- 3.Assemble your team:** Find the right professionals.
- 4.Create a formal plan:** Put it all in writing.
- 5.Review and update:** A plan is a living document.

"The most important step is the first one: starting the conversation. It can be difficult, but postponing it is far more costly. Once you have a dialogue, you can move on to gathering your documents, building your advisory team, and formalizing your plan. Remember to review and update it regularly, as your family, goals, and the tax landscape will change over time."

Final Thoughts



- Start early.
- Communicate openly.
- Involve professionals.
- Remember fairness over equality.
- A plan is a legacy.

"To sum up, succession planning is a gift to both your family and the future of your farm. Don't wait until it's too late. The conversations may be tough, but the peace of mind is invaluable. It's an investment in your family, your business, and your own retirement."

Key Resources for Ontario Farmers

- Ontario Federation of Agriculture (OFA).
- Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA).
- Farm Life Financial.
- MNP and other accounting firms with agricultural specialists.
- Shannon Neely Financial, Richard Wright-Lawyer.

"There are many great resources available. The OFA and OMAFRA are excellent starting points for guides and programs. Organizations like Farm Life Financial and firms like MNP specialize in this field. I encourage you to seek out professionals who truly understand the unique challenges of the agricultural sector."