

# FINANCIAL FUTURE



Successfully handing over your farm



**NFU Mutual**  
FINANCIAL PLANNING

# CONTENTS

- 3 Introduction
- 4 Stepping back from your farming business
- 6 Key issues and concerns
- 8 Common succession scenarios
- 8 Start talking
- 9 About NFU Mutual
- 10 Keeping pace with life's changes

# INTRODUCTION

🗨️ **Farmers often find it hard to contemplate a future in which they no longer work the land full time, and someone else is running their farm.**

While they may wish to hand over the reins, often to the next generation, they may also have to overcome a strong attachment to the land, livestock and the identity of being a farmer.

These conflicting forces, as well as financial complexities and the difficulty of discussing these matters, can mean that planning for their farming and financial future is sometimes left behind.

These were among the findings of research we carried out for NFU Mutual to really help understand how farmers are facing these challenges, and how they approach their future. We surveyed 688 farmers across England, Scotland and Northern Ireland between June 2019 and January 2020.

This research was carried out before the COVID-19 pandemic, the effects

of which are only likely to reinforce the importance of having a plan in place.

I was pleased to be commissioned to undertake this research by NFU Mutual as I've spent the best part of my career researching how farmers and their families respond to these challenges, both in the UK and internationally.

When I work with farmers who are planning for stepping back and handing over the running of their business, I always suggest that they break down the challenge into three related parts:

- transfer of decision making
- a plan for their own financial future
- transfer of the ownership of business assets.

Separating these out can make the whole process less daunting. Only by talking about these issues and thinking ahead as much as possible, can you start securing your financial future and your own peace of mind. 🗨️



**Dr Matt Lobley,**  
Professor of Rural Resource Management,  
Exeter University

# STEPPING BACK FROM YOUR FARMING BUSINESS – WHAT DO FARMERS TELL US?

## FARMING FOR LIFE

It is often said that farming isn't a job, but a way of life. It is not surprising, then, that a study we commissioned from Exeter University\* showed a large proportion of farmers want to continue to have at least some involvement on their farm well into later life.

After years committed to their farm, the idea of stopping working entirely is alien to many farmers. Less than a fifth (19%) of farmers who took part in the study said they plan on stepping back entirely at some point, and almost half of those (48%) plan to do so only after the age of 70.

👂 Dad is semi-retired but I don't think he wants to ever fully leave the farm/business. It's become his hobby in retirement. 👂

(Survey respondent, from July 2020 research report)

Most (58%) intend on cutting back on the amount they work at some stage, but more than 20% expect to never give it up – and farmers with smaller farms were more likely to be in this group.

For those who are planning to step back, common reasons given were age and reducing physical work, to make more time for other interests, or a desire to make way for the younger generation.

## A SECURE FINANCIAL FUTURE

Money is of course a big factor in deciding on the future of your farm. Thankfully, most farmers (82%) had made plans for their finances for life after work. A lot can be achieved with the right tax planning, and of those farmers who have put plans in motion, 66% have already considered Agricultural Property Relief (APR) and Inheritance Tax (IHT).

Almost half (43%) are planning to use income from their farm to at least partly support themselves financially once they stop working full time.

One big decision for farmers to make as part of this planning is whether or not to stay in their current home if they step back from full-time duties on the farm. Farmers in the survey were divided on this point.

Less than a quarter of farmers (22%) were sure they would move, more than half (53%) were confident that they would stay put, and the remainder were undecided.

With some exceptions, the smaller the operation, the less likely the business owner was to have made plans for financing life after farming. Farmers running dairy and cattle or sheep farms were also less likely to have made plans than other farm types.

The challenge is slightly different for the UK's many tenant farmers who don't own their land. Their efforts to plan for the future are complicated by the prospect of having to find somewhere new to live, if and when they end their tenancy.

## THE NEXT GENERATION

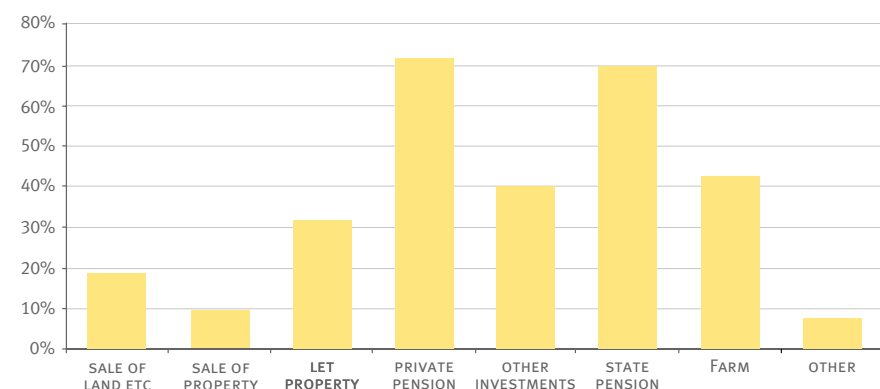
Identifying who might take over the farm is incredibly important to many farmers. The research confirmed that most farmers intend to keep their business in the family.

Yet, many farmers haven't tackled this often-delicate topic. Less than half have formal plans in place for who will run the farm if they choose to step down.

Deciding who will follow in your footsteps can be very difficult, and sometimes there isn't that special person: around a third (36%) of farmers who don't have a person in mind to take over the running of the business expected the farm to be inherited by family and either sold or leased out. Another fifth (22%) were very uncertain about what would happen to their farm.

\* Survey commissioned from Exeter University by NFU Mutual; 688 farmers across England, Scotland and Northern Ireland responded between June 2019 and January 2020.

PLANNED SOURCES OF RETIREMENT INCOME





# KEY ISSUES AND CONCERNS

The research shows that many farmers share the same concerns and challenges when it comes to stepping back from full time farming life and planning for a new custodian of the land they've worked on for so long.

## DIFFICULT CONVERSATIONS

Talking about their plans is among those challenges.

**More than a quarter of farmers (27%) hadn't yet discussed their plans for stepping down with anyone at all.**

This might be because they are young and hanging up their working boots seems a long way off; or because they're uncertain how to address what can be a difficult and complex topic. Also, not every farmer has a clear choice as to who will take their place in the future.

Working with your family to put a plan in place will help to safeguard the future of your farm; unpredictable events such the COVID-19 pandemic show more than ever the importance of making and reviewing plans, rather than making hasty decisions.

But knowing who will take over the running of the farm when you step aside doesn't always make it any easier to discuss the future and make plans.

Around a third of farmers surveyed who have identified a son or daughter to eventually take their place had not discussed their retirement plans with their children. For some farmers it might feel too soon to do so, others might not believe the details of their later life planning are a concern for their children, while others still put off what can be a tricky conversation. Avoiding these tricky conversations – and failing to plan for the future – can lead to a situation where farmers remain dependent on the farm as a source of income well into old age. As one farmer responding to the survey put it:

☹️ Farm break ups destroy families, so discussion at all times is necessary. ☹️

## NO SIMPLE ANSWERS

Many of the farmers surveyed were keen that their farm remain in one piece, rather than being split between multiple children.

☹️ [The farm] must be kept as one unit if it has any hope of providing an income for a family ☹️

said one farmer in Northern Ireland.

Even where farmers have just one heir, handing over the reins is not necessarily straightforward. One survey respondent said:

☹️ I have one heir, who we hope will take it over, but my pension fund is tied up in the farm. So, perhaps, I may have to sell up, which I don't really want. ☹️

## THE RIGHT ADVICE

These are not easy decisions to make. For many farmers, as well as thinking through factors such as the profitability of the business, where to live in the future, and tax considerations, they may simply never feel ready to hand over their farm.

Even among those farmers who have discussed their plans for life after full time farming, few have sought professional advice. But this can really help, particularly in relation to finance, addressing housing issues and planning who will run the farm in the future.

Are you wondering how to ensure your own financial security as you get older, while also making the best

financial decisions for your family's future? According to the recent research you're not alone:

<b>18%</b> of farmers hadn't made financial plans for life after work	<b>27%</b> hadn't discussed their retirement plans with anyone
<b>28%</b> hadn't identified a potential successor	<b>Only 22%</b> planned to move from their current home

At NFU Mutual we believe the best way to ensure a smooth transition and protect the future of your family's farm is by agreeing a plan using the best advice available, putting that plan into action and reviewing it regularly.



# COMMON SUCCESSION SCENARIOS

Change can be difficult and it's easy to shy away from making decisions about the important things. The first step is to identify where the issues lie and start a conversation. Common scenarios faced by farmers include:

- I want to play a less active role, but keep an interest in the farm
- I want to pass the farm on and step away from the business now, while remaining financially secure.

- I don't want to pass the farm on during my lifetime, but I want to provide for the future
- Only one of my children wants to farm; how can I be financially fair to the others?

Regardless of when, or if, you intend to hand your farm on to the next generation, making a plan will not only enable a smoother transition, but also play a big part in securing the financial future of the business and give you peace of mind that your plans will be realised.

## START TALKING

These uncertain times have made many of us think about what would happen to our wealth, business or our family if we weren't around.

Now may be the time to discuss the answers to important questions, such as:

1. What is the longer-term direction of your farming business?
2. What role each family member would like to play now and in the future?
3. What development, skills or experience do the younger generation need to acquire?
4. How the assets are to be owned in the short, medium and long-term?
5. What provision will be made for those who are not involved in the business?
6. What level of income does each member of the family want or need from the business?
7. Where will each member of the family live?

# ABOUT NFU MUTUAL

Whatever type of farming business you operate, large or small, NFU Mutual is here to help. With over 100 years of farming heritage, we know how farming works.

Our network of local NFU Mutual Agents works extensively with farmers. Not only do they understand your environment, but they're also on your doorstep to provide a local personal service. Agents are supported by expert NFU Mutual Financial Advisers, who are used to dealing with farming businesses and issues such as how to protect your farm for the next generation.

We're able to offer a range of financial and protection products designed to meet your financial needs. As well as insuring rural properties, vehicles and stock, we can advise you on inheritance tax and the reliefs available.

Please note that inheritance tax advice is not regulated by the Financial Conduct Authority.

NFU Mutual Financial Advisers advise on NFU Mutual products and services and selected products from specialist providers. They'll explain the advice services on offer and the charges.

## WE CAN HELP WITH YOUR FARM HANDOVER FINANCIAL PLAN

By finding out about your unique personal circumstances and financial aspirations, as well as answering all of your questions, we can help to create the right financial plan for your needs.

Your farm handover plan will almost certainly mean checking that you have the right pension, investment, and protection arrangements in place.

## HOW WE CAN WORK TOGETHER

Our philosophy is simple; we listen to what you want and use our expertise to recommend what you need:

**STEP 1** We get to know you

**STEP 2** We listen to your objectives in terms of handing down the farm and your personal financial goals

**STEP 3** We recommend a tailored financial plan just for you, to help you achieve what you want for your family and any successors in your farming business.





## KEEPING PACE WITH LIFE'S CHANGES

We understand that a good relationship develops over time. This means that getting to know you, your family and your business is an essential part of the financial planning process.

Regular financial reviews are an important way of making sure the advice you receive stays appropriate for your circumstances. It can be reassuring to know there's a professional available who is keeping up to date with changes in regulations and trends in the financial markets. So that your plans are the

best they can be and are keeping pace with any changes in your life, such as new grandchildren or the acquisition of additional land or property.

We want to protect you, your farm and your family and, with our years of expertise, we can offer the advice and products to do just that.

We can also offer access to a range of products from protection for loss of a key person and director's liability to investments and employee benefits such as pensions.



# ALWAYS LISTENING TO YOU

Our farming customers know the value of financial advice and it's one of the reasons they come to us to discuss the big issues in life.

If you're thinking about stepping back from the management of your farming business, we can help you to put the right financial plan in place to achieve your goals. Contact your local NFU Mutual agency now and our Financial Advisers will explain the personalised advice services they offer and the charges.

**Call us on 0800 622 323**

You can also visit our farm handover webpage for more information about how we can help farmers with the next stage of their financial journey: [nfumutual.co.uk/financialfuture](https://nfumutual.co.uk/financialfuture)

NFU Mutual Financial Advisers advise on NFU Mutual products and selected products from specialist providers. They'll explain the advice services they offer and the charges. Please note that inheritance tax advice is not regulated by the Financial Conduct Authority.



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