

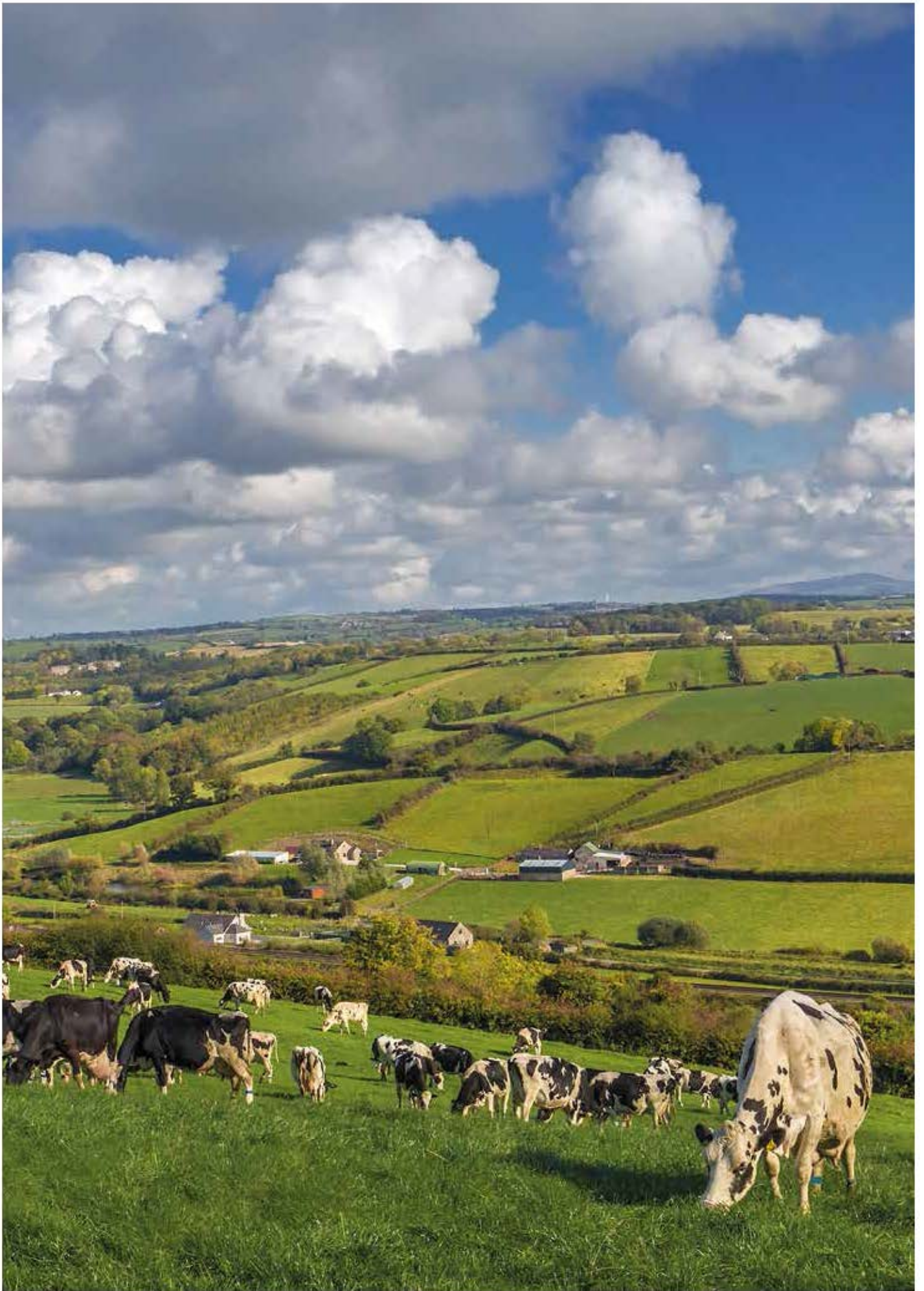
BETTER FUTURES ARE BUILT ON BETTER FINANCIAL PLANNING



Successfully handing over your farm



NFU Mutual
FINANCIAL PLANNING



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JIM MCLAREN CHAIRMAN, NFU MUTUAL



“As a farmer myself, I know that changes in the farming world can sometimes take us by surprise. But no one could have predicted the speed and scale of change over the last few years, including price increases and inflation rates which were completely unexpected.

Not surprising therefore that some farmers may be wondering if this is the time to reconsider where their future lies and potentially to involve the younger generation more.

At NFU Mutual we pride ourselves on understanding the environment our farming customers operate in and we appreciate that these are challenging times.

To help understand how farmers are dealing with the current market conditions, we at NFU Mutual speak to farmers every year about their challenges and plans. So we understand that when you make decisions about the future of your farm, it's not about the balance sheet alone; it's about a way of life that has served you – and your family – well, sometimes for many years.

Planning for a time when you step back from the day to day decisions on the farm can be difficult. There are a lot of questions to be addressed.

Not just who'll take over, and whether you've enough put by to live comfortably in retirement, but broader concerns such as how the business might evolve, whether the farm's finances will sustain the next generation and the role you might continue to play.

Questions like these don't have easy answers and each farming business is different.

When it comes to your personal financial plan, NFU Mutual is uniquely placed to help you move forward. We know that many farmers have still to think about a succession plan, but if we've learned anything from the last few years it's that getting our lives in order is something we shouldn't put off.

Only by talking about these issues and thinking ahead as much as possible, can you start securing your financial future and your peace of mind.”



BETTER FUTURES ARE BUILT ON BETTER FINANCIAL PLANNING

It's not always easy to find the time to plan carefully for the future when there's so much else to think about and farmers are so busy.

The 2023 NFU Mutual Voice of the Farmer research study* asked 1,703 farmers across the UK about their working environment.

These are challenging times for farmers and there has been a great deal of movement and change taking place in the farming sector:

- Significant exits from the sector have led to a reduction in the overall number of farms
- There's an increase in the volume of larger farms as smaller farms exit the market
- Some sectors are seeing more exits than others e.g. cattle and sheep.

In 2023, as many farms predicted falling profits over the next five years, as those that predicted growing profits. Farmers plan to bridge the financial gap in various ways:

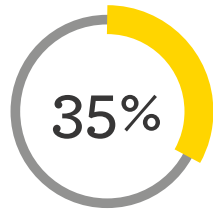
- 13% plan to borrow, up from 10% in last year's research, and 40% of that borrowing is to keep the farm afloat
- More farmers are taking up contracting for others as another source of income
- Levels of diversification continue to grow as farmers look to open up new income streams - 34% of farmers polled said that they were running commercial activities on their land
- The proportion of farmers planning to exit the industry is slightly higher this year than last.

Current farming challenges may have served as a trigger for you to start thinking about your family's financial options and put in place a plan for the future of your farm.

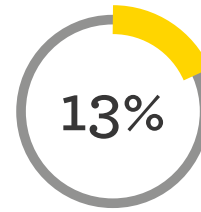
In June 2023, our study showed that among farmers polled, around 48% have a formal succession plan in place. Of those, 35% said they'd reviewed their plan to ensure it was still relevant as circumstances changed, but 13% hadn't undertaken a review.

*NFU Mutual Voice of the Farmer research with 1703 UK farmers, published June 2023.

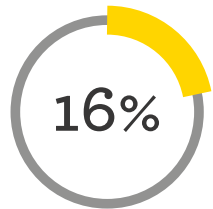
Our surveyed farmers said:



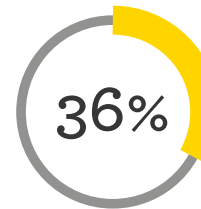
Our farm has a succession plan in place and we have reviewed it to make sure it is still relevant



Our farm has a succession plan in place but we have not reviewed it



A succession plan is important for the future of the farm but I have not got round to having a succession plan



A succession plan for the farm is not relevant or important for me





MAKING A PLAN

If you haven't thought about the details of handing over your farm, you're not alone. The majority of farmers surveyed are yet to put plans in place. Of those farmers questioned, 16% said they hadn't got around to making a succession plan – even though they recognise that it's important for the future of the business. And a further 36% just didn't recognise it as something important.

Tough decisions

Identifying who might take over the farm, if and when you choose to step down, is an incredibly important, yet delicate, topic.

The degree to which farmers have planned to eventually hand over the running of the farm varies according to factors including farm size and type.

The 2023 survey showed that for farmers with less than 50 hectares, 56% hadn't got around to having a farm handover plan or didn't see this as relevant or important. Whilst among cattle, sheep and livestock farmers 62% were in the same situation. Both of these figures are higher than average.

Start talking

One of the reasons farmers may put off planning is the difficulty of talking about the future of the farm.

For some, this may be because they're uncertain how to address what can be a difficult and complex conversation. For others, the topic can be made harder if there's no clear choice as to who will take their place in the future.

A good way to ensure a smooth transition and protect the future of your family's farm is by agreeing a plan and taking advantage of the best advice available, putting that plan into action and reviewing it regularly.

A key part of succession planning is making sure that all of the farm business owners have valid wills and where appropriate a Shareholder or Partnership agreement is in place. This will ensure the farm ownership ends up in the right hands at the right time.

FINANCIAL SECURITY

There are indications that an increasing number of farmers have some financial security in the form of pensions, investments or savings.

This year's survey showed that 68% of farmers had investment and savings and 77% said they had a pension. In fact, pensions were identified as one of the most important financial management priorities, particularly among the 65-74 age group, along with general financial advice.

Sean McCann, NFU Mutual chartered financial planner, says: "Pensions provide an independent source of income for the older generation, giving them the freedom to take less from the farm.

"This can be particularly important when two, and sometimes three, generations are relying on the farm for their livelihood. Because of the range of options when it comes to taking money from pensions, it's important to take advice to ensure you don't pay more tax than you need to."

Savings, investments and tax management were among other financial priorities highlighted this year by the farming community.

Making sure your plans are structured in the most tax-efficient way can be important in successfully passing on the business.

“Pensions provide an independent source of income for the older generation, giving them the freedom to take less from the farm.”

Sean McCann, NFU Mutual

Some other things to consider

Paying less tax

Issues around Capital Gains Tax and Inheritance Tax can be complex and there are a lot of potential traps, so it's important to take expert advice. It can also be helpful to understand how to maximise the potential benefits of Agricultural Property Relief and Business Property Relief.

Protecting business loans

If your farm has outstanding borrowings such as a loan, commercial mortgage or a Director's loan, your NFU Mutual Financial Adviser can help you protect these should

one of the business owners die or suffer from a specified critical illness.

Investing Excess Cash

Holding high levels of excess cash within your business, for example from a land or property sale, particularly during periods of high inflation, may not be the best option. If you hold more cash than you have a short-term business need for, and you are able to invest it for 5 years or more, we can advise you on a range of options, including pension contributions.

Please note that the value of your investments may fall and you may get back less than invested.



WHEN TO RETIRE

Some farmers may be happy to pass the business on during their lifetime while others want to hold on to it until the day they die. There is no 'right time', but having a plan not only allows for a smoother transition, it can also play a big part in securing the future of the business you've built up.

There's no evidence that the age of working farmers is falling and, in this representative sample of UK farmers, 53% of the respondents said they were over 65 years old. For many farmers, working the land is much more than a job and it can be hard to contemplate a future in which they no longer do this full time.



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 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?
- 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.

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 could also play a part in securing the financial future of the business.

Start talking

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 would each family member like to play now and in the future?
3. What development, skills or experience do the younger generation need to acquire?
4. How are the assets 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

Once you've spoken with the relevant professionals such as an accountant or a solicitor and have the right plan in place for your farm, NFU Mutual can help you with your own personal financial plan.

Our network of local NFU Mutual Agents work 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.

As well as insuring rural properties, vehicles and stock, we can advise you on inheritance tax and the reliefs available.

We can help with your farm handover personal 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.

That may include making financial provision for those children who do not wish to be involved in the business going forward. There are a wide range of investment options that can be used as part of the family's succession plan.

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.

It's important that you regularly review what you want to achieve through the financial plan you've decided on. If changes are needed, then our advisers are there to review those with you and make sure the advice you've received remains appropriate. That helps ensure your plans are the best they can be and are keeping pace with any changes in your life, such as new grandchildren.

We're here to share NFU Mutual's knowledge, answer your questions and bring clarity and focus to your financial goals. By learning about your circumstances and financial aspirations, we can help you create the right financial plan for your needs. Regular financial reviews are an important part of making sure the advice you receive is always suitable for your circumstances. It's also reassuring to know there's a professional available to help when you need us.

WHY CHOOSE NFU MUTUAL?

- Still local – with agency offices across the country
- Network of NFU Mutual Financial Advisers working with farming customers
- We believe that factoring Environmental, Social and Governance investing considerations (ESG) into our investment processes can provide customers with an appropriate balance between the potential for good long-term investment growth and sustainable investing
- Operating responsibly, charitable giving and supporting rural communities continue to be at the heart of what we do.

NFU Mutual has a long history of giving farmers sound financial advice. Trust your finances to a name you know.

ALWAYS LISTENING TO YOU

Whether you're thinking about stepping back from the management of your farming business or just need sound financial advice, we can help you to put the right financial plan in place to achieve your goals. Contact your local NFU Mutual agency office today.



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/farm-handover

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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We're committed to supporting our customers, whatever your circumstances or needs we're here to help.

If you're hard of hearing or deaf, or you have difficulty with your speech, you can contact us by using the Relay UK app on your smartphone or tablet, or by dialling 18001 before our number on your textphone.

To stop us contacting you for marketing or giving your information to other members of the NFU Mutual Group, write to Marketing Department (Do Not Contact Me), NFU Mutual, Tiddington Road, Stratford-upon-Avon, CV37 7BJ or talk to your local agency office. To find out more about how we use your personal information and your rights, please go to nfumutual.co.uk/privacy

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