

FINANCIAL FUTURE



Successfully handing over your farm



NFU Mutual
FINANCIAL PLANNING

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INTRODUCTION

🗨️ **As a farmer myself, I know first-hand that farming isn't just a job, but a way of life. Farms often involve the whole family and span generations.**

So when you think about the future of your farm, it's not just a question of land and assets; the attachment that you - and your family - have to your farming lifestyle often runs much deeper than that.

These considerations can make it complicated to plan for the future of the farm, especially when it comes to handing over the reins to the next generation.

Who will step up and run the farm if you choose to step back? Where will you live? How will you provide financially for you, your family, or even your grandchildren? Questions like these don't have easy answers and will require lots of time and consideration. You need to sit down and talk, both to family members and outside experts, who can help to guide you in the right direction.

To help understand how farmers are approaching this conundrum, each year, we at NFU Mutual speak to thousands of farmers about their challenges and plans.

Our 2021 Voice of the Farmer survey, which we delve into further in the pages below, shows there is currently plenty for farmers to contend with - from Brexit to Covid, to subsidies and rising costs. Confronting these challenges often leaves little time for planning for the future.

However, it is also true that events such as the Covid pandemic can shine a much-needed spotlight on the need to plan for the future. Now, more than ever, it's essential to ensure your farm and your finances are in order. As you'll see in the following pages, while there has been a small increase in the proportion of farmers who have a plan in place for the future of their farm, many are yet to take action.

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



Jim McLaren
Chairman, NFU Mutual

PREPARING FOR THE FUTURE

It can be hard to find the time to carefully plan for the future when you are confronting so many other challenges.

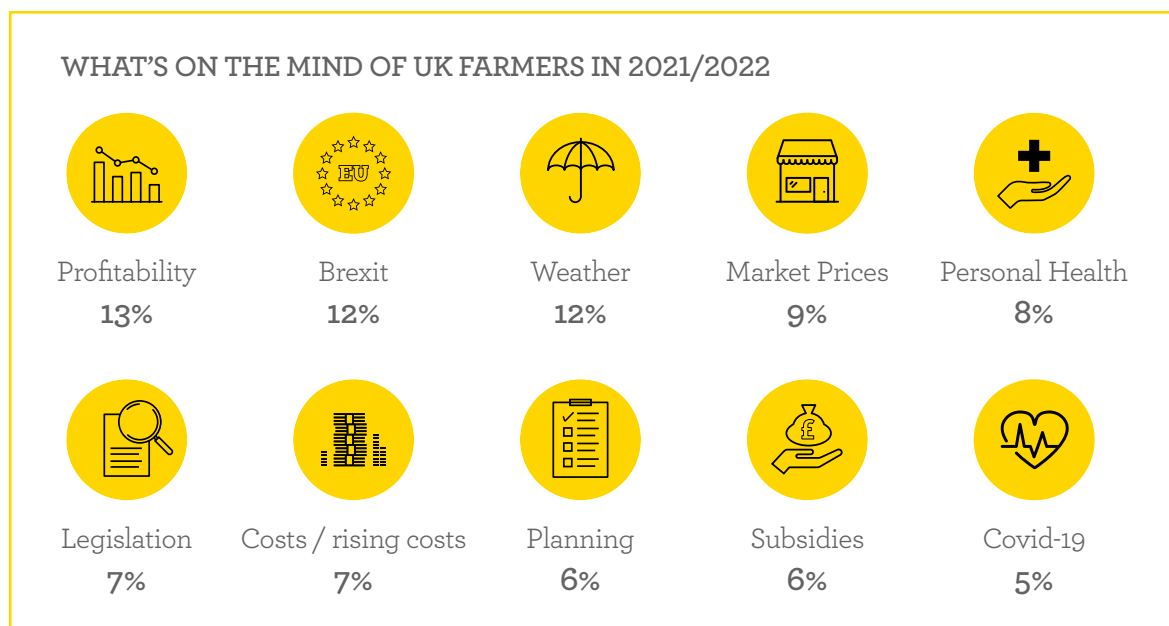
The 2021 NFU Mutual Voice of the Farmer research study asked 1,652 farmers across the UK about the biggest challenges they face. As well as the weather, common answers included Brexit, subsidies, legislation and bureaucracy.

This was against the backdrop of the Covid-19 pandemic, another challenge which has had far-reaching impacts for farmers, from a shortage of seasonal workers to the toll it may have taken on many people's mental health.

Yet the Covid-19 pandemic 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.

NFU Mutual's research suggests this has been the case for at least some farmers. In June 2021, our NFU Mutual Voice of the Farmer study showed that, among the farmers polled, 48% now have a formal succession plan in place. This is up from 42% in last year's study. Most of those farmers who have a plan in place have also reviewed it to ensure it was still relevant.

However, despite the small increase in those who are preparing themselves for the future, that still leaves a majority of farmers surveyed who are yet to put plans in place. Of those farmers questioned, 19% said they hadn't got around to making a succession plan - even though they recognise that it's important for the future of the farm.



TOUGH DECISIONS

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

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

The results also varied by nation. At the two extremes, in Scotland, 52% of farmers had succession plans in place, while this dropped to 44% for those in Wales.

It also varies by farm type: 61% of pig and poultry farmers had succession plans in place, a proportion which dropped to 44% for cattle and sheep farmers and 37% for horticulture.

Perhaps surprisingly, younger farmers (18-44 year olds) in the sample were marginally better prepared, with 50% having succession plans in place, compared with their older counterparts (55-64 year olds), of which 48% had plans in place. But of those farmers in the sample who had reached 75 years of age or above, only 52% had plans in place.

GET TALKING

One of the reasons farmers may put off planning is the difficulty of talking about the future of the farm. In fact, research NFU Mutual commissioned from Exeter University in 2020 showed more than a quarter of farmers (27%) hadn't yet discussed their plans for stepping down with anyone at all.

For some, this was because they're uncertain how to address what can be a difficult and complex conversation. For others, the topic is made harder as they don't have a clear choice as to who will take their place in the future. Meanwhile some younger farmers may feel that they have a long time before they need to broach the topic.

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.



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 68% of farmers had investment and savings, up from 60% just two years earlier. Similarly, 74% had pensions, up from 66% of those surveyed in 2019.

In addition, pensions, followed by savings and investments, were identified by farmers as their most important financial priorities in the coming year.

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."

Financial advice and tax management were among other financial priorities highlighted by farmers.

RETIREMENT INCENTIVES

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 - even if they're given a financial incentive to do so.

An earlier NFU Mutual 2021 survey with one hundred farmers asked whether they'd consider retiring

from farming if they were paid a lump sum to do so, and the result was split. While 32% were definitely in favour and 21% said they would probably step back for a payment, the remainder were either unsure or wouldn't consider it.



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

These uncertain times have made us think about how to best secure the future for ourselves, our family and our business. 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 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.

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.

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 stays appropriate for your circumstances.

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 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.

That includes a range of products which are designed to meet your broader financial needs, such as protection against the loss of a key person in the business.



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.

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 today.

Call us on 0800 622 323, option 3

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/farmhandover

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.

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



NFU Mutual

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