



# Farm Succession Planning



**BDO Dunwoody LLP**  
Chartered Accountants  
and Advisors



**You've worked hard to build up your family farm, but every day you work growing your business is another day closer to the eventual need to turn it over to someone else. When that day comes, the business will need to continue growing, even without you.**



Whether you plan on transferring your farm to a family member, or selling it to a third party, don't put off the preparation involved in succession. Even if you feel you are years away from retirement, succession planning must begin now. It is a process that requires time, planning, and understanding.

In addition to transferring your business, this may also involve giving up your family home. We at BDO recognize that this is a major life event and not necessarily one you look forward to.

We also recognize that there are two main succession options:

- **Transferring the farm to a family member**
- **Selling the farm to non-family members**

Succession planning is not easy for any business owner, and for farm owners, it can be even more challenging. Farm owners often have a higher level of capital tied up in farming assets, in comparison to other businesspeople. Making sure that your business continues to grow isn't just important to your pride, it becomes important to help you and your family thrive.

In addition to the possibility you may have to move away from the farm, it will be more difficult to be fair to children, where one will take over the farm while others may not be involved, as the reality may be that your farm will only support one family. Once you have met with your BDO advisor you will have a better understanding as to which option is right for you. In the event that transferring or selling your farm is not an option, another potential option is keeping the farmland and allowing other farmers to farm the property in exchange for a share of the profit or rent. This option can be used as a temporary solution (for example, until family members are ready to take over) or in some cases, as a more permanent solution. Your BDO advisor can also review this option with you.



## Transferring the farm to a family member

Where you will be transferring the farm to a family member, issues you'll need to deal with include:

- Conducting family meetings
- Selecting a successor or successors
- Preparing the family member so he or she will be ready to take over
- Planning for your retirement – supporting yourself when a family member assumes control of the farm
- Reviewing your will and estate plan to make sure taxes are minimized and you are fair, as much as possible, to your heirs



At BDO, we understand that farm succession is an ongoing process, and we are ready to help at every step along the way.

## Selling the farm to non-family members

If you will be selling, the issues will be different, and in some ways, easier to deal with. For example, it will be easier to divide your estate among your children and treat them equally. That said, planning in advance is still a must. Things to consider include:

- Exploring steps you can take to enhance the value of your farm
- Minimizing the tax payable on the sale of the farm, specifically, making sure you take full advantage of the capital gains exemption
- Considering the possibility for other family members to realize a gain from the property that is eligible for the capital gains exemption
- Reviewing your retirement plan, and integrating that with the sale of your farm

## What BDO can do for you

At BDO, we can help you in many ways:

- Facilitating of family meetings where the future of the farm is discussed
- Helping you set a process to select an exit strategy and successor
- Helping you ready your successor to take over the farm or ready the farm for sale
- Providing retirement planning advice

- Helping you set an estate plan
- Tax planning to minimize tax arising on a sale
- Tax planning for the transfer of wealth to the next generation

At BDO, we understand that farm succession is an ongoing process, and we are ready to help at every step along the way.

As part of establishing a succession plan in partnership with your BDO advisor, we encourage you to look into government programs related specifically to aiding you with your succession needs. Although government programs vary over time, funding for business planning in general has been common.

## How to Begin Your Succession Process

Start by establishing a clear picture of your objectives by writing out some answers to these questions:

- Do I want to pass on my farm to my children?
- Does my spouse or partner agree with me on this?
- Do my children really want the farm and have I actually asked them about this?
- If one child gets the farm, can I provide fairly for my other children?
- Do I have a current will that tells my executors what I really want to happen?
- How can I minimize the amount of tax that the government will get when I die?
- Will I have enough money to live on if I transfer the farm?

If you can't answer all of these questions right now, don't despair. A successful succession plan takes a lot of thought and may take years to implement. Your BDO advisor will help you with the process.

After working through the above questions, begin to look into some of the following areas:

1. Collect financial information about your farm.
2. Collect personal information and important agreements.
3. Meet with your BDO advisor, who has experience in dealing with farm succession issues, to review those that are critical to your plans.
4. Determine your goals, as described in the questions above.
5. Learn about estate planning tools such as tax planning, probate tax minimization and wills.
6. Assemble a succession team which should include lawyers, your BDO advisor, bankers and others.

After looking into these areas, and having a better understanding of your financial footing, you will be well on your way to having a successful succession process.



### Contact Us

For further information on how you can work toward getting ready for succession or how to get in touch with a BDO advisor in your area, please contact us at 1.800.805.9544.

National Office  
36 Toronto Street  
Suite 600  
Toronto, Ontario  
M5C 2C5  
1.800.805.9544  
[www.bdo.ca](http://www.bdo.ca)

**National Succession Group Leader**

Bruce Ball, CA, CFP  
Partner  
(416) 865-0111  
[bball@bdo.ca](mailto:bball@bdo.ca)

BDO Dunwoody LLP is a Member Firm of BDO International. BDO International is a world wide network of public accounting firms, called BDO Member Firms, serving international clients. Each BDO Member Firm is an independent legal entity in its own country.



**BDO Dunwoody LLP**  
Chartered Accountants  
and Advisors