



# Growing Forward in Newfoundland and Labrador

## Succession Plan Minimum Requirements

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## Minimum Requirements for Succession Plans

A succession plan is a business continuity plan. It is essential to ensure the continuity of a farm business through to subsequent generations. The transfer of a farm business contains three elements, all of which are usually included in a farm business succession plan:

- the transfer of management and control;
- the transfer of assets and ownership; and
- the transfer of labour.

To be eligible for *Growing Forward* funding, your Succession Plan must be completed by a qualified accountant or consultant. The criteria for a qualified accountant or consultant are:

- be a member in good standing of a recognized professional organization **or** have related post-secondary education in financial analysis
- have experience in preparing financial statements or financial statement analysis
- provide a minimum of two references from previous clients (names and telephone numbers) who can endorse past work of a similar nature.

Listed below are the minimum details which must be included in a farm business succession plan:

### Cover/Summary Page

- Provide the business/client names (retirees, successors and non-farming members), addresses, and telephone and fax numbers.
- Provide a list of key contacts, including the consultant who prepared the plan.

### Table of Contents

- List the major chapters of the plan for reader reference and convenience.

### Executive Summary

- Provide a summary that describes the overall plan and highlights the action points on which the family must act to implement the plan.

### Description of the Farm Business

- Provide an outline and description of the current farm business, including what is produced, where it is located, who is involved, and the type of business arrangements (e.g., partnership, corporation, joint venture)

## Description of Business, Personal Goals, and Expectations

- Provide an outline and description of the goals and expectation of both the “founders/retirees” and the “successors,” with specific reference to the farm business and to their own personal aspirations.

## Retirement Plan

- Provide an outline of what is going to happen in retirement, and how it will be financed (i.e., goals, expectations, and desired activities for retirees, including how the “founders/retirees” will or will not be involved in the farm business in the future)
- Provide the address where everyone is going to live.
- Include a financial plan outlining where money will come from and how it will be spent, both for annual living and relocation (if necessary)
- Explain any retirement-income planning; e.g., RRSPs, RRIFs, CPP, OAS.

## Training and Development Plan for Successor

Outline what skills are needed to successfully manage the farm, and how they will be obtained.

- Provide a skills profile for a fully qualified farm manager.
- Provide a skills profile for the successor.
- Identify skill gaps and an action plan on how they will be met (e.g., hiring to fill gaps, additional training)—if both generations are staying involved, having them attend the same training courses could be beneficial.
- Provide an outline of a performance review process and mechanism to provide the “successor” with feedback on progress.

## Farm Business Plan

- Provide an outline of how the farm business will meet the needs of both the successor(s) and retiree(s).
- Analyze the current farm business (if necessary)
- Outline the plan for the future direction of the farm business; e.g., maintenance, contraction, expansion, diversification, value-added; and provide a description of how this will affect the business, along with projected financial statements.

### Operating Plan

- Provide an outline of how everyday activities will be managed.
- List roles, responsibilities, and authorities for managing the business on a daily basis.
- Explain if it will be a multi-generational farm with two or three generations co-operating, and/or how it will change over time.
- Provide a description and plan regarding family business meetings to discuss such issues as the progress of the transfer process, and necessary changes (e.g., how they will function, who is responsible for what and where it will take place, the involvement of non-farming family members, what they will and will not have a voice in, and how they will be involved)—the end product will be a "user's" manual.

### Management, Control, and Labour Transfer Plan

- Provide an outline of how the transfer of labour and management will take place, including a timetable for transition to the successor(s).

### Ownership Transfer Plan

- Provide an outline of how the farm business is currently structured (referenced back to the description of the farm business) and how this will be changed during the transfer process.
- Explain how the transfer of ownership of the assets will be handled.
- Include an inventory and valuation of assets and liabilities.
- Identify what the business arrangement is going to be (e.g., sole proprietorship, corporation, partnership).
- Identify the transfer mechanism; e.g., purchase, gift, rental.
- Include a prenuptial agreement (if necessary).
- Explain the tax implications and how to address them.
- Explain the financing required, and its sources.
- Explain the treatment of non-farming children.

- Outline the insurance requirements; e.g., death, disability.
- If required, provide a copy of the will to the consultant or an overall description of the intent to assist with ownership transfer plan.
- Provide a description of any other legal agreements; e.g., employment contracts, partnership agreements, shareholder agreements, buy-sell agreements.

### **Implementation Timetable**

- Provide a summary of the overall timetable for when key activities start and finish—include time frames that allow progress to be monitored, measured, and amended if necessary.

### **Communications Plan**

- Define the process by which the family communicates and makes decisions (e.g., regularly scheduled family meetings).
- Determine how disputes and conflict will be managed and resolved (e.g., family voting, third-party mediation assistance)

### **Contingency plan**

- Explain what will happen and who will ensure implementation in such situations as death, illness, divorce, disability, business downturn, or failure.