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What options do I have for managing the family estate? | Financial Times

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Opinion Your Questions

What options do I have for managing the family estate?

I'm due to inherit from my father and I'm worried I don't have time to manage the estate

LUCY WARWICK-CHING



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Lucy Warwick-Ching 5 HOURS AGO

I am next in line to inherit my family's estate, which has been passed down through the generations. I have watched my father work tirelessly to maintain its upkeep and he has even repurposed it into holiday accommodation to keep it afloat. I know he wishes to hand this down to me and it has large sentimental value. However, with other work commitments I don't think I can commit the time needed to take ownership of the estate. What are my options?

Rupert Mead, partner at law firm Forsters, says that while ownership of a landed estate can be accompanied by financial and personal benefits, it can also create significant challenges and obligations. If the costs associated with running an estate prove too much, then a sale of some, or even all, of it may be the right decision, albeit a difficult one to make from a sentimental perspective.

However, hopefully, with some good advice and possibly some changes to the management of the estate that improve its financial performance, you will be able to hold on to it for the benefit of future generations.

The first point to consider is whether the estate is held in trust or whether, when the time comes, you will own it 'outright', in other words free of any trusts. If it is in trust, then the legal responsibility for managing the estate and any decisions about its future will probably rest with the trustees rather than you. If, on the other hand, you end up owning the estate yourself, you will be free to manage it — and indeed dispose of it — as you decide.

An alternative to living there and managing it yourself would be for you (or the trustees, if relevant) to employ others to run it on your behalf. This could be through a property manager on the estate or a firm of land agents who would be able to provide professional advice on a wide range of matters.

Assuming the estate is a traditional one, comprising a mixture of [agricultural land](#), woodlands and let property, a land agent could, for example, take on full responsibility for the day-to-day management of the farm, the supervision of contractors in relation to any forestry work and all the compliance associated with lettings.

More generally, an agent may be able to help improve the performance of the estate by focusing on areas that can be run more efficiently and maximising alternative sources of income through diversification, including, for example, holiday cottages or opening a farm shop.

You should also consider instructing an accountant and a solicitor to advise you on the most efficient legal structures and the mitigation of potential tax liabilities. In the first instance, you will need to consider the tax implications of taking on the estate, whether during your father's lifetime or on his death. Reliefs from [inheritance tax](#) and capital gains tax are available in certain instances for [agricultural land](#) and business assets, so you should seek advice on whether they might apply here.

The availability of reliefs from inheritance tax may be a long-term reason to continue owning the estate, even if it becomes primarily a source of income for you in the

meantime, rather than a place to live and work.



Simon Blackburn, Partner at Payne Hicks Beach

Simon Blackburn, partner at law firm Payne Hicks Beach, says this is a dilemma that many of our landed families face. You don't say how old you are but I am assuming early middle age, with a buoyant career which you are unwilling to shelve. Might there be a time in your life when you would feel the urge to take over where your father left off?

If this is the case, then sale moves further down the list of options, sentiment should be parked momentarily and the focus ought to be on two primary financial issues. First, does the estate cover its own costs at the moment (or could it do so); and second, are you ready to inherit now if the time commitment would allow you to keep working the day job?

If the answer to both is no, then sale may be the only realistic option.

If the estate is currently running at a loss, it is worth engaging specialist help from an agri-business adviser, who will be able to help you understand whether or not you are looking at a rural enterprise that has legs. It could be (and this happens a lot) that your father has implemented a piecemeal diversification strategy rather than one designed around the whole estate.

Assuming that the estate's true diversification and farming potential has yet to be realised and you would like the option in later life, then it becomes a question of

timing and tax. Depending on the tax analysis and your preference, or your father's, you might either inherit now, or work with him to maximise the estate's profitability with a view to a natural succession on death.

It may well be that the business analysis does not favour retaining the estate as a whole: many country estates have undiscovered development potential and a sale of strategic land could well provide funds to implement a full diversification strategy. Failing that, banks see farmland as good security and will surely be grateful for the opportunity to lend.

None of this, however, addresses the personal side of things. If there is a father who is ready to retire and a child who is unable or unwilling to take on the mantle, then the only option available is to turn the estate into cash, which may ultimately be more suitable to the family's long term needs. It also has the advantage of being more readily distributable to family members.

There are many, many variables to this. However, the best advice is for you to gain an understanding of what you are being offered and its potential before deciding whether or not to take it.

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10 New Square, Lincoln's Inn, London WC2A 3QG

DX 40 London/Chancery Lane

Tel: 020 7465 4300 Fax: 020 7465 4400 www.phb.co.uk

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