Cultivating agricultural clients

Financial advisor Raymond Riel draws upon his childhood experiences to provide tailored advice to farmers in the Prairies

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Farming families who need guidance in navigating the intricate — and often anxiety-inducing — process of passing the family farm to an heir may be one of the most poorly served markets in the financial planning sector. Too often, says Raymond Riel, a financial planner in Regina, the financial services industry treats a family farm like any other major asset and fails to tailor planning and product services to the needs of the agricultural sector.

"People often have a major emotional investment in their farm and want to preserve it for the next generation," Riel says. "But when they seek advice [at many financial services institutions], they hear a sales pitch about a particular life insurance or investment portfolio. They hear very little about how to transfer control to a [family member]."

It's no accident that Riel, founder of Advice Only Financial Group, has advised farm families for almost three decades. He grew up on a farm and, in the mid-1980s, went through the process of negotiating the transfer of his own family's farm, which was taken over by a sibling. When Riel began encountering farm-owner clients in his financial planning practice, their concerns resonated with him from the outset.

"The issues they face can be quite unique," says Riel, who has the certified financial planner and chartered life underwriter designations, among others. "And I realized that [this] was a market that needs to be addressed."

Riel, while working for a boutique advisory firm for many years, typically served a range of clients, including entrepreneurs, professionals and other high-income clients in addition to clients in the farming community. He made the decision to focus almost solely on the agricultural sector after taking an executive coaching course at Royal Roads University near Victoria in 2005. That course focused on the need for coaches to be what Riel calls "agenda-free."

“The coach has to work for the client,” Riel says, “and only for the client.”

Riel, who was a commissioned salesperson selling financial products when he worked for his employer, concluded that he would be in a position of conflict if he wanted to provide independent financial advice to his farming clients. He then reached a conclusion that fundamentally altered the nature of his practice: “The best way to address [that conflict] was to work only for the client, in a fiduciary capacity.”

That meant moving to a commission-free, fee-only practice. The prospect initially was daunting, Riel recalls, but he has never looked back. He uses customized software to help farming clients quickly gain a clear picture of their financial affairs and the scenarios and succession options open to them and devotes all of his time to advising clients. He does not sell or market any investment or insurance products.

Once clients have decided on their course of action, they use other advisors to execute their investing and estate plans. As Riel notes, he receives “not a penny” from the sale of products. Typically, his fees for planning services range from $15,000 to $30,000. Fees may be lower or higher, depending on the magnitude and complexity of the case.

“I can look the client in the eye,” Riel says. “I work only for the client.”

Riel views this business model — which has been growing in popularity across the financial services industry over the past few years — as particularly appropriate for clients who are business owners, professionals or executives with substantial assets. There is still a place, he says, for advisors who serve more traditional, more typically employed clients. Such investors may have greater need for expertise in investment and insurance products rather than complex financial planning.

The fee paid by a client in an advice-only model is much more visible than in a commission model, despite new rules requiring more transparency about how advisors are compensated. But, Riel says, clients are comfortable with the fee-only arrangement and, in many cases, prefer the clarity and separation of functions.

Indeed, many of Riel’s clients visit their bank or credit union before they come to see Riel but are confused and unsatisfied by the flurry of insurance and investment advice they’ve received at that institution with no overall plan. “When [prospective clients] come to see me, and I tell them about my fee structure [and the reasons for it],” he says, “often the reaction is relief. They know I am working only for them.”

A sensitive approach is required. Many families need expertise not only in specialized financial planning, but also in communicating those plans to family members. Three generations often are directly affected by decisions about farms that may be more than 100 years old. So, emotions can run high.

To ensure that all goes well, Riel spends much more time on the discovery process than is common for many financial advisors. The goal, he says, is to gain “a really clear understanding of what the [farm] founder’s concerns are, their objectives, their expectations of themselves and their successors — and expectations of non-farming children.” There are at least three such discovery meetings in Riel’s process, from one to two hours long.

Landmines abound. For example, a farm may be lost or severely damaged to fulfill a divorce settlement. Raising the issue of a prenuptial agreement, Riel says, can have an enormous impact on future outcomes.

“I’m there to tell it like it is,” he says. “Part of [my process] is just bringing awareness to clients, both founders and successors, about potential risks if a divorce or premature death occurs, and what can be done to reduce those risks [such as fairly drafted buyout agreements].”

The biggest hurdles typically arise when a family member wants to continue farming: as land prices continue to soar, such arrangements can put pressure on successors, who may need to compensate non-farming siblings as well as their parents. The question of how to accomplish these financial demands without asset sales or acquiring crippling debt has troubled farming families for decades.

Riel offers specific strategies to help such families. He notes that while many farmers automatically funnel revenue back into their operations by buying expensive equipment, which can reduce taxes via depreciation, they also should consider putting at least some of the money into tax-efficient investment accounts, such as RRSPs and TFSAs. This creates investible assets that grow over time, which can be used to facilitate an inter-family transfer of wealth by creating cash flow for retired founders. In addition, the client may receive a tax benefit that is equal to the value generated by depreciation on a piece of equipment — except the money used to generate the tax refund now is in the bank.

Insurance can be used in several ways to protect a farm: to offset cash needs; to expand the size of an estate; and to insure the successor — a risk that, Riel says, is often overlooked. “Succession planning for a farm is so much easier if the founders have income, they can rely upon that is entirely separate from the farm,” he says.

Indeed, Riel suggests that the financial services industry should tailor more products to the agricultural sector: “The ag sector desperately needs good insurance and investment advisors. They should be encouraging a client to set aside money for themselves personally, over a period, such that they will have a reasonable portfolio by the time they come to retire. A good insurance advisor can save a family farm. I think what’s lacking is training in the insurance and investment sectors.”

Riel brings a similar focus to his downtime. An avid motorcyclist, he has crossed North America east to west and north to south several times, averaging 12,000 kilometres per summer. Most of his summer rides are taken solo, but occasionally he is accompanied by one of his six children.

“I’ve ridden from Anchorage to the Florida Keys, from Tofino [B.C.] to Cape Spear, Newfoundland — and everything in between,” Riel says. “My dad got me my first motorbike when I was 12 to chase cows with, and I’ve ridden bikes ever since.” For Riel, farm and family are never far away.

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