FINANCIAL PLANNING FOR A NEW GENERATION OF FARMERS

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Financial Planning for a New Generation of Farmers

✔ What are the tools for financial planning and management?

✔ How and when do I use these tools?

✔ Why do I want to know how to use these tools.
Tools for Financial Management (Accounting)

- Tax Accounting
- Managerial Accounting
- Financial Accounting
overall goal = lower your tax liability

- Show lower taxable income and keep capital to grow your business

- Specific rules that help you achieve this goal
  - Cash vs Accrual Accounting

- CPAs are tax experts
  - Succession Planning (transferring assets)
  - Experts on ever changing tax laws
  - 1031 Exchange/Prepaid Inputs/Bonus Depreciation
overall goal =
help you run your business and maximize profits

- **Cost Accounting** (variable/fixed costs)
- **Revenue Source Tracking**
- **Production**
- **KPIs**
  - Food conversion ratios
  - Cost per CWT of weaned calf
  - Revenue per breeding female
  - Pounds weaned per exposed female
- **Helps with business decisions and income projections**
Financial Accounting

overall goal =
provide the information that is needed for sound economic decision making

- Provide information about a firm’s performance to external parties such as investors and creditors
- Understand impacts of Capital Purchases
- Ratios analysis (liquidity, solvency, debt service coverage)
Key Takeaways

Use the tools for their intended purpose!

- 3 Tools that require 3 separate skill sets
- There are 3 separate goals and different rules to achieve those goals
- Utilizing each for their intended use will:
  - Lower taxes
  - Increase profits
  - Make capital available for you
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