**Duane’s Rules of Thumb**

FINLRB Financial Long Range Planning

* Total all acres to see if the tillable land is accounted for
* When listing crop share acres make sure you list ALL the acres and then pick from the share rental arrangements to allocate accordingly
* If possible have 3 years of Schedule F tax information to evaluate farm expenses
* Override Annual Capital Replacement with $1.00, extra cash can be used for this (purchasing or updating machinery and equipment)
* Tax information: Take out state tax (KS doesn’t charge), no personal tax on farm machinery either
* Separate farm insurance and utilities from personal residence insurance & utilities (that would be a family living expense)
* The farm’s share of personal autos can go in miscellaneous
* Estimating family living expenses,
1. Have the client go back to the previous year and get their bank statement for the months of March and September. Separate all nondeductible checks and add them up, multiply by 6 and you have a beginning total. Ask about how vacations, birthday and Christmas spending is handled.
2. Use the pick list to make the family think about various spending they do that is not deductible business expense.
3. Don’t forget to include the percentage of utilities, auto, property insurance and property taxes that are not deductible because they are personal expense.

Analyzing the Data

* Want cash available to be at least 10% of gross farm income
* Machinery and equipment investment per acre for crop purposes should be less than $450/acre to be competitive
* Term debt ratio needs to be 1.25 or higher
* Spreadsheet function (if you have more than 2 years of data is very helpful)
* Current ratio on financial statement very important
* Look at debt structure make sure the input is correct. Sometimes the program re-amortizes the payments if the remaining years imputed in the balance sheet were inaccurate
* Look closely at the liabilities section to see if FINPACK computes a different annual payment than what was on the financial statement