**Long Range Planning Rules of Thumb**

Crop Plan:

* When listing crop share acres make sure you list ALL the acres and then pick from the share rental arrangements to allocate accordingly
* Total all acres to see if the tillable land is accounted for

Operating Expenses:

* If possible have 3 years of Schedule F tax information to evaluate farm expenses
  + If family has a lot in Supplies on Schedule F, Detail “Repairs” and “Supplies” under Repairs category of Related Operating Expenses
  + Some tax preparers detail Crop Insurance expense under line 32, others put it in line 20 of the Schedule F. When looking at line 32 (Miscellaneous), consider if crop insurance needs to be deducted from other Dues & Profession type expenses.
* Fuel usually averages $20/acre for minimum and no till operators
* Repairs generally average $35 to $50/acre
* 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

Operating Interest:

* Calculating Line of Credit interest (operating loan) look at working capital first and see how much is available
  1. Then calculate 100% of expenses for crops in 8 months. Subtract working capital and you will get an estimate of the amount of Operating Loan funds needed
  2. Cattle Line of Credit: use number of months on feed for total expenses and subtract working capital

Other Information:

* 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.

* If the family receives social security, for many of the families we are working with, this will be nontaxable personal income.
* Use gross income for off-farm contribution so that tax calculation can be made for all income received.
* Override Annual Capital Replacement with $1.00, extra cash can be used for this (purchasing or updating machinery and equipment)

Creating Alternatives:

* When creating alternatives, under General Information and the Title, note what you are building your alternative upon IE Base + Refi Debt. You can also describe the alternative changes in the notes section.

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