



# FARMING FOR OUR FUTURE: CANADA'S 150<sup>TH</sup>

OTTAWA, ONTARIO | NOVEMBER 21-23, 2017



@FMC\_GAC #AgExConf17






**Backswath**  
Management Inc.

# Show Me the Money!

How to discuss farm finances  
within the family

Terry Betker, P.Ag., CAC,  
CMC

Innovatively advancing farm management

A photograph of a brown hen with three white chicks. The hen is on the left, facing right, with her head lowered towards the chicks. The chicks are on the right, facing left, towards the hen. They are standing on dark, moist soil in front of a rough, grey stone wall. Some green leaves are visible on the left side of the frame.

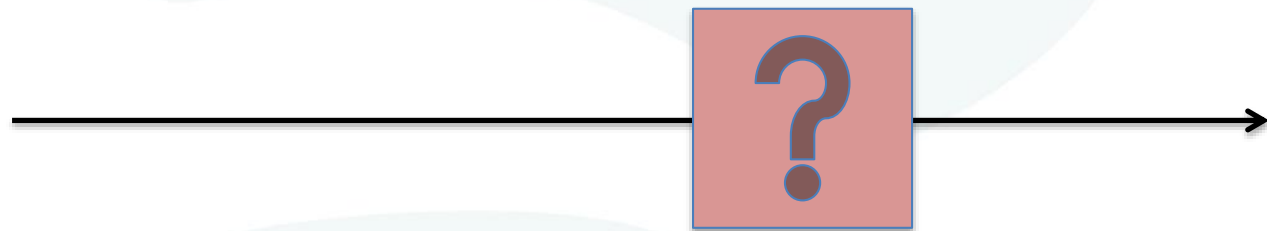
Tell me and I forget.  
Teach me and I remember.  
Involve me and I learn.

—Ben Franklin

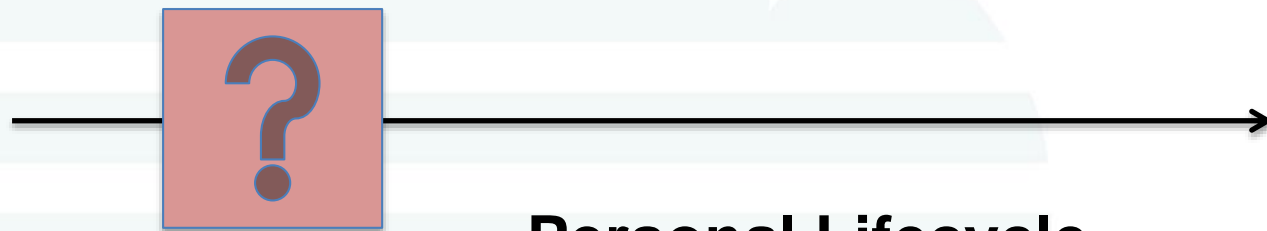
# Today's Agenda

- Opening comments – the 'why'
- Money sense as it relates to succession
- Money sense in ourselves
- Our children
- Common attributes of money sense successors
- Key considerations
- Process

# Timelines



**Business Lifecycle**



**Personal Lifecycle**

# Fundamentals

- Business objectives should include increasing owner / shareholder value
- Businesses are built to be sold
- Businesses outgrow management
- Businesses generally cannot adjust costs fast enough to compensate for falling revenues

**These all apply to farms!**

# Key Questions

- Is it possible to make a profit and not have any cash?
- Is it possible to make a profit and not get a good return on investment?
- Is it possible to have cash without making a profit?

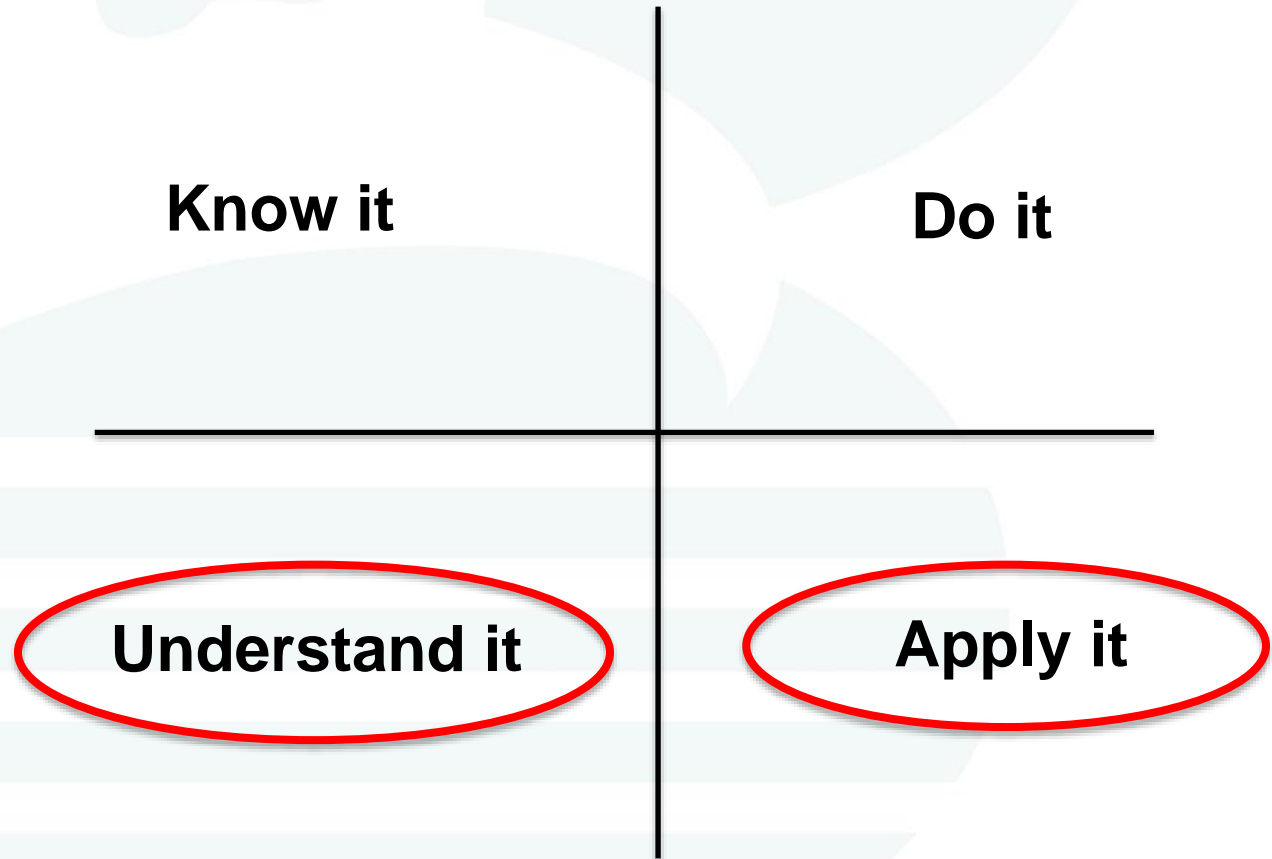
For farmers, yes. Sometimes unfortunately.

# Farm Finances ....

# Integral to Succession...

- Retirement planning
  - Investments, insurance
- Farm financial management
  - Analysis
  - Budgeting and cashflow
  - Capital investment
  - Financing
- Asset valuation
- Ownership structure
  - Dividends, capital gains, taxation

# Quadrants of Financial Management Expertise



## **Understanding**

**What is going on?**

## **Identifying**

**Where is it happening?**

## **Affecting Change**

**How can I measure and change it?**

Source: Jacqueline Gerrard, Backswath Management Inc.

# Financial Management Continuum

# Our Kids



## EARLY CHILDHOOD

Developing  
executive  
function skills



## MIDDLE CHILDHOOD

Building financial  
habits and values



## TEEN YEARS AND YOUNG ADULTHOOD

Practicing  
money skills and  
decision-making



## ADULTHOOD

Skills, habits, and  
attitudes that  
support financial  
well-being

# Backswath Findings

- Looked at:
  - Age
  - Parents financial management skills
  - How they started the business of farming
  - Post secondary education
  - Other education
  - Work experience
  - Current farming structure
  - Interest in further education and approach to this learning

# Backswath Findings

- Common attributes of successors with financial management skills:
  - Started farming by owning their own operation
  - Ag diploma
  - Worked elsewhere before farming full-time
  - Now farming full-time in own operation
  - Interest in continuing education
- Not enough common attributes in age or parents financial management to make conclusion

# Backswath Findings

- Common attributes of successors lacking financial management skills
  - None really
- Interesting to note –
  - Parents who were considered to have financial management skills did NOT necessarily have successors with the same financial management skills

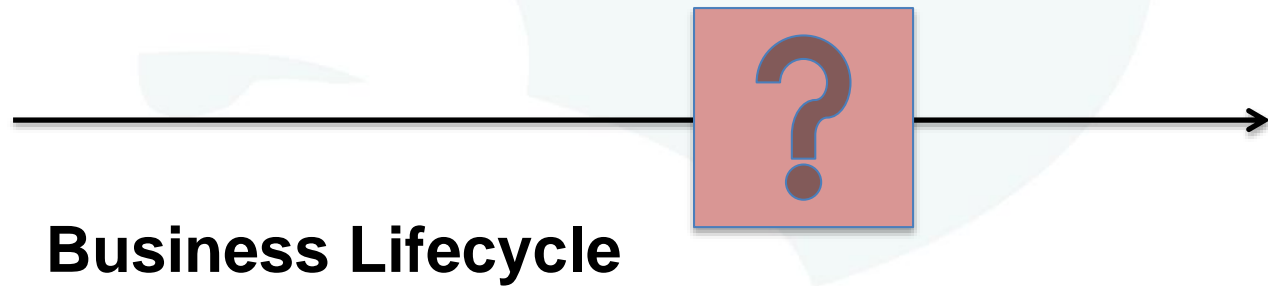
# Considerations

- Wealth and inclusion
  - Farmers are millionaires
    - Assets, net worth, profit and cashflow
  - Financial management feels like it is a mess
- Successor disinterest in financial management
  - Create awareness / educate
  - Treat financial management as being an important and valuable management function
    - Walk the talk!
  - Do not use the Balance Sheet to create interest
- There are advisors and resources available to help
  - You don't have to do this on your own

# Transparency

- Unless the parents intentions are to never share financial information with their children, the issue becomes a function of:
  - Timing (when)
  - Method (how)

# Timelines



# What to do next - Parents

1. Accept that there is a continuum of financial management development
  - It's a marathon ... not a sprint
2. Write down key events in the past and note their impact on your financial performance (positive and negative)
3. Assess where you feel you currently sit on the financial management continuum
4. Write down your vision of where you'd like to be from a financial management perspective in three years
5. Decide if you intend to upgrade your financial management skill set before including children
  - If so, look into appropriate learning opportunities

# What to do next - Parents

6. Determine when you are going to discuss farm finances within the family
7. Determine how you are going to discuss the finances:
  - Write down a process
  - Options
    - Establish a certain age
    - Align with a threshold of education achieved
    - Align with a commitment to the farm
      - 'X' number of years working on the farm
      - Full time or part time options
    - Only include 'farming' children
    - Start with the income statement only / do not discuss the balance sheet until a later date
    - Start with a certain aspect of the overall farm
      - A quarter section / 'x' number of acres / 'x' number of animals
8. Assess how the training is going and make adjustments as required

# What to do next - Successors

1. Determine where your successor sits on the continuum
2. Determine where they need to be
3. Involve, involve, involve
  - Schedule meetings with:
    - Family only
    - Finance professionals and advisors
  - Attend courses with your successors
  - Include successors in
    - Budgeting
    - Input price comparison
    - Marketing choices
    - Bookkeeping
    - Financial statements
    - Capital purchases
  - Autonomy

# Context

- How much would you be willing to spend to protect your investment?
  - $\frac{1}{4}$  of 1% of \$5,000,000 in assets is \$12,500
- How much time would you be willing to commit to protect your investment?

# Questions / Comments



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