

# Planning for a better future

REVISED

In 2006, I ran a series on the On/Off pages titled 'Planning for a better future'. It was aimed at helping farmers make better investment decisions. A number of farmers volunteered, and experts visited them and put an investment plan in place.

The aim was simple: find out about the people, see what they want to achieve, both

financially and personally, and help them to plan to achieve it.

That was three years ago at the height of the off-farm investment frenzy. In the summer, I asked the same experts to revisit the farmers to see what they had done, how their investments had fared, and what should they do now? Some valuable lessons are to be learned.

## 1 What's best for the family?

### DETAILS

- Married couple, two children.
- Age: Late 30s
- County: Louth
- Farming: Dairy farm 100 acres, 50 cows, 55,000 gallons of milk, plus beef



### PRIORITIES

- To have a secure future and build wealth, with the option of retiring at 55 to 60.
- Provide for children's education and future needs.
- Ensure quality of family life is not overlooked.
- Adviser: Paul Fagan, Farrelly and Mitchell



- Off-farm: Wife works 15hrs per week off-farm.
- Husband: Involved in construction partnership.
- Off-farm investments: Investment properties in Drogheda, but sold one recently. Large mortgage on home, plus borrowing for machinery.

### PHILOSOPHY OF REVIEWS

The goals of a farm business and personal finance review, as the proverb says, are to own your own house, have children, and know a trade. Owning your own house expresses the idea of building savings for security, which should never be ventured for profit. To have children expresses the idea of investing with a view to a long-term reward, not a quick return. And to have a trade encapsulates the idea that you should invest in an enterprise in which you are personally involved, and which will gener-

ate cash through good times and bad. Although everybody's circumstances are different, success is a question of balancing these objectives.

### DAIRY

In 2006, the couple had to decide if they should get out of dairying entirely, or increase the scale and efficiency of the operation. They decided to commit to the cash-generating dairy enterprise, and chose a Farm Investment and Expansion programme.

- They increased the herd from 60 to 68 cows, and purchased 11,500 litres extra quota in the first restructure round.

### CONSTRUCTION

They upgraded farm buildings to comply the Nitrates Directive, and converted a calf shed to cubicles for extra cows; built a new calf house and added to slurry storage. In the future, they aim to expand production and produce milk as cheaply as possible. His grass-base and labour availability is limited, so he is focusing on selecting EBF bulls to build on his herd's relatively good fertility index, and increase milk yield from 1,100 gallons average to 1,300 gal.

In 2006, he established a construction business, as an off-farm enterprise. The business expanded to take on four employees. He very wisely scaled back the business to cut costs when the building industry started to contract. Now he employs one person on a full-time basis and he works on a part-time basis. The business is well-placed to take on work as it becomes available, without carrying excessive overheads during the current lean period.

### RECOMMENDATIONS

Reducing costs and freeing up

### INVESTMENT MIX

TOTAL (excl farmhouse) 2006: €440,000 2009: €605,000

