

Ag In Uncertain Times...

# The Interplay of Farm Business Finances and Family Expenses

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# Owner Withdrawals from the Business

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“Net profits must be greater than owner withdrawals”

(D. Griffith, June 24<sup>th</sup>)

## One checking account

- ✓ Family living equals whatever farm can pay
- ✓ Monies used to pay all bills
- ✓ Confusion about monies available

## Two checking accounts

- ✓ Determine family living & let farm pay.

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# Family Living Costs

(family only)

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- Food
- Household Supplies
- Clothing
- Giving
- Health Care
- Personal
- Education
- Vacation
- Recreation/Entertainment
- Life Insurance



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# Family Living Costs (Business & Family)

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- House
  - Payment/Rent, Insurance, Etc
  - Property Taxes
  - Repairs
- Utilities
  - Gas, Electric, Etc.
  - Telephone
- Auto
  - Ownership (Payment, Insurance, Taxes)
  - Fuel
  - Repairs



Taxes for Agricultural Enterprises  
RightRisk.org

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# Developing a Family Living Budget

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## 1. Communication

- Situation
- Goals

## 2. Income

- Farm/ranch business
- Non-farm

## 3. Expenses

- Fixed
- Regular
- Irregular

## 4. Balance & Adjust



A Lasting Legacy  
[RightRisk.org](http://RightRisk.org)

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# Budget - Family Living

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Expense	Monthly		Annual
	Regular	Irregular	
Food	\$300	1,100	\$4,700
Clothing			\$1,000
Gifts/Contributions	300	1,000	4,600
Health Care	800	1,400	11,000
Personal	150		1,800
Education, Vacation, Recreation/Entertainment			2,700
Life Insurance	250		3,000
<b>Total</b>			<b>\$28,800</b>

# Budget - Family Living

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Expense	Monthly		Annual
	Regular	Irregular	
House			
- Payment/Rent, Insurance, Etc	500		6,000
- Repairs			3,000
Utilities			
- Gas, Electric, Etc.	350	Less 25% farm	3,150
- Telephone	150	Less 50% farm	900
Auto			
- Ownership (Payment, Insurance)	300		3,600
- Fuel			1,200
- Repairs			950
<b>Total</b>			<b>\$18,800</b>

# Business Profits Needed for Family Living

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	Annual
“Family Living”	\$28,800
Personal Portion of “Shared” Expenses	18,000
Subtotal	46,800
Est. Taxes (income = 15%, state = 4%, se = 7.65%)	12,475
Retirement	6,000
Other	0
Net Business Profits Required to cover Family Living Expenses	\$65,275



# Business Profits Needed for Family Living

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Increased Family Living	Annual
“Family Living”	\$36,000
Personal Portion of “Shared” Expenses	18,000
Subtotal	54,000
Est. Taxes (income = 15%, state = 4%, se = 7.65%)	14,400
Retirement	6,000
Other	0
Net Business Profits Required to cover Family Living Expenses	\$74,400

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# Business Profits Needed for Family Living

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Increased Family Living	Annual
“Family Living”	\$24,000
Personal Portion of “Shared” Expenses	6,000
Subtotal	30,000
Est. Taxes (income = 15%, state = 4%, se = 7.65%)	8,000
Retirement	0
Other	0
Net Business Profits Required to cover Family Living Expenses	\$38,000

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# Reducing Family Living Costs

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- Produce own food?
- Older vehicles?
- Clothes – sewing, sales,.....
- Burn wood available on own land?
- Drive less
- Less costly recreation and entertainment

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# Reducing Family Living Costs

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- Don't ignore
  - Healthcare
  - Insurance
  - Children's and personal needs
  - Retirement
    - \$2,185 /month (social security)

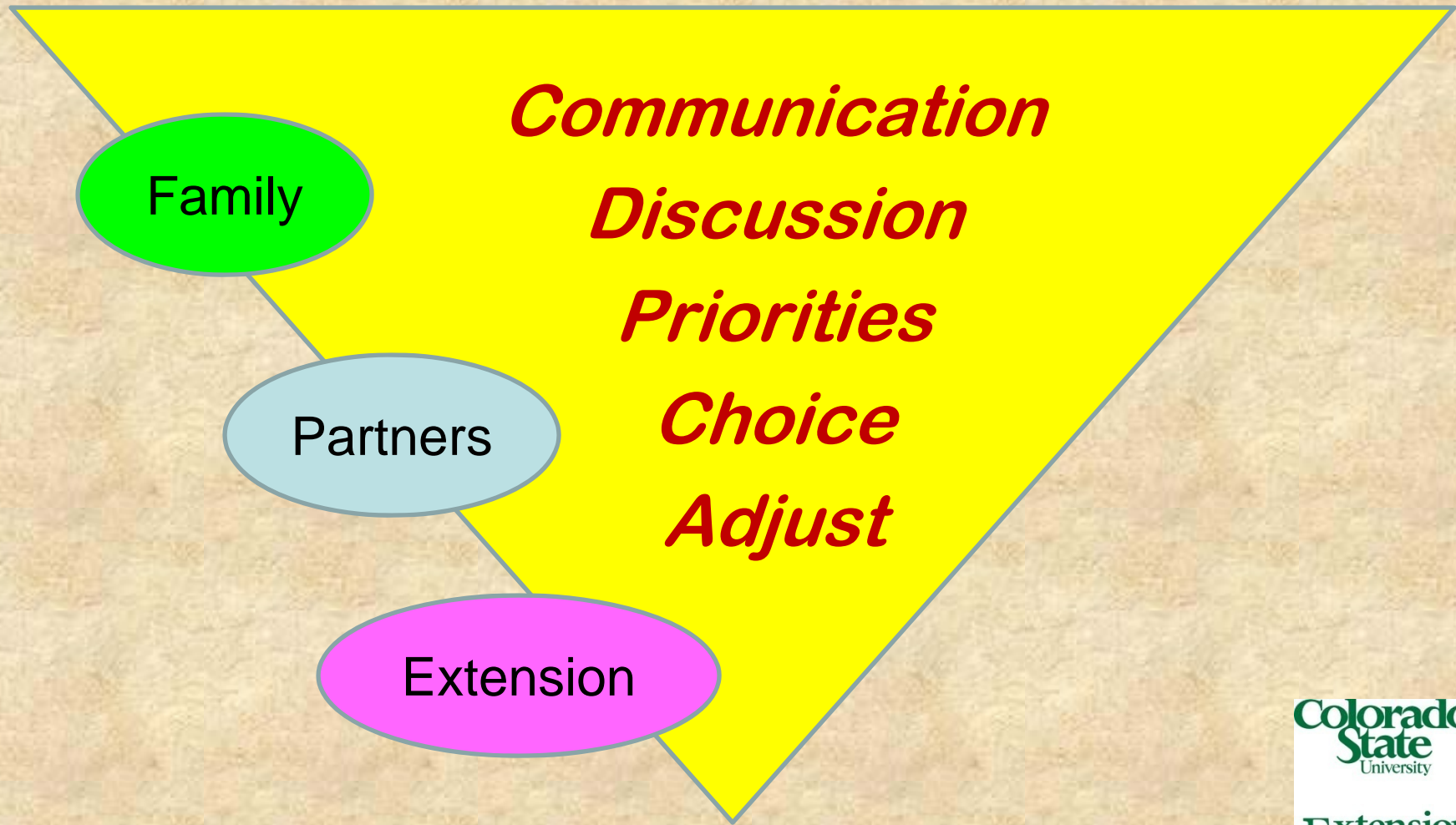
[ssa.gov/estimator/](https://ssa.gov/estimator/)

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# Family Budgets That Work

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