



Economic Toolbox

Economic Hints From Eloise

Dear Eloise: I always read your column and love finding out better ways of doing things. Thanks for the great service. I keep a bowl (although any container will do) in an accessible place in my house in which to put all store receipts, even grocery receipts, in case I need to return an item. At year-end, I give this bowl to my tax preparer. It has just about everything he needs to keep me legal with the IRS. If I end up needing to return merchandise, I can easily find the right receipt - they're all in one place! Sure has saved me time and aggravation! --Karen Hoe

Karen - Now that's one fantastic idea! I've also seen variations on that theme that work just as well. For example, paper shopping bags hold more and can be labeled "1994" for long-term storage in case you ever get audited or need the information again for an expansion project. A word of caution however, don't search for information in this filing system while your banker is sitting across the table from you. He or she might get the wrong idea about your record keeping system. To impress your lender, you may want to organize those receipts by vendor or date and summarize them by expense category.

Dear Eloise: We have finally moved into the electronic age and put our farm books on computer. You wouldn't believe how much paper we save by never printing any of the reports our software is capable of producing. Another advantage of not printing reports is that we save time by not having to read or study the financial information provided by these statements. This way, we can still go to bed at night without a clue as to why there never seems to be enough cash in the checking account. And, we can guiltlessly continue to blame others for a lack of understanding of the real conditions faced by farmers.

-- Elizabeth Tine

Betty - You're right! And think of all the trees you're saving for future generations. Unfortunately, your future generation will probably be gainfully employed in something other than farming. Readers in the past have told stories about how they were able to improve their farm business by printing an actual-to-budget income and expense report at the end of each month. It gave them better control over the direction of their farm business. You could even save paper by printing on the back of large Christmas cards or carefully removed gift wrapping.

Dear Eloise: At year-end we get a form from our lender to fill out. It asks for information such as inventories, accounts payable and loans we have with other lenders. It also asks for last year's income and expenses, and production figures. Since my wife doesn't know how much we produced and I don't know how much our income or expense was, we never fill out the form. We have discovered that our lender will do it himself after he gets tired of asking us to do it. Other readers might find this time-saving tip invaluable. Why do they ask us to do their work for them anyway? --Bill Hook

Bill - Seems as though you have discovered one of the best kept secrets in farm business management. Your lender has to have that information in his/her file because it's needed for supporting your loans, with or without your help. Some banks are getting wise to your ploy and are making borrowers sign agreements that require you to provide financial information on a regular basis. As long as you don't need more than a couple thousand dollars, you won't have to worry.

Dear Eloise: I have discovered that by post-dating checks, I am able to pay for feed deliveries today from next month's milk check. My supplier doesn't have to bill me and he waits that same amount of time for his money. Occasionally I have a problem with insufficient funds in my checking account. Last year it only cost me seven or eight hundred dollars in bounced check fees. I'm sure I'll do better at predicting my milk check this year. -- Mitch Fork.

Mitch - Yes, postdating checks is a way of keeping your suppliers happy and acquiring working capital at the same time. However, once you start down this path you may find yourself unable to escape this money trap. You would be better off finding out why you are so short of working capital and correct the problem. If you are honest, your suppliers will work with you and soon you'll be getting pre-payment discounts worth seven or eight hundred dollars a year.

Dear Eloise: I'm writing to warn people so they will avoid our costly mistake. In order to maximize our government payments and minimize our income tax and other tax liabilities we created a maze of partnerships and loosely held related businesses. We maintain several checking accounts and befuddle auditors with convoluted transactions of every variety. Cash, barter, you name it. Unfortunately, we have borrowed from Peter to pay Paul and visa versa so many times that everyone is in debt. Now we need to show our lender that we actually do know how to make a profit so we can go forward with expansion plans. It's going to take all the king's horses and all the king's men to pull that one off! --Matt Mattock.

Matt - Some people are so smart that they outsmart themselves. A straight forward chart of accounts, a good year-end balance sheet, an accrual income statement and some well-timed tax planning goes a long way towards reducing taxes and showing profits. Sorry you had to learn the hard way. Thanks for the advice!