

## PL.5

# Planning for Management

Your business plan should clearly demonstrate that you have a viable plan for managing your business including keeping and maintaining required records, and making time to review critical data and make strategic decisions about the direction of the operation.

A personal time budget may be one of your most critical management tools. This is especially true if you have an outside job in addition to your farm or ranch job. Be sure to distinguish between what you need to do to have the records and data you need, and actually making time to review the records and data and use them to improve your business. You can often outsource many of the tasks related to creating and maintaining the records, but you are usually the only person who can review the records and use them to make management decisions.

## Financial Records and Decisions

You are required to keep financial records that are adequate to support the items of income and expenses that you must report on income tax, property tax, and sales tax returns.

You will need to select a bookkeeping system and decide what level of assistance you want from a bookkeeper. Many bookkeepers bundle the cost of the bookkeeping program with their monthly fee. *Be sure that you own your own data.* Bookkeeping costs vary by the number of transactions per month. Plan on at least \$150/month.

You will need to ensure that you have dedicated time each week and each month to ensure that bookkeeping tasks are completed as expected, and to review financial data for purposes of ensuring you are on budget and have adequate cash on hand.

## Non-Financial Records and Decisions

You will need detailed production and sales records to inform future decisions based on what you did in the past. They are also required in order to access agricultural credit, crop insurance programs, and disaster assistance, and will affect the value of your land if you own land and later sell it.

You probably will not be able to outsource keeping production records. Instead you will have to ensure that you have a system to record and review key information such as:

- What, where and when you planted;
- Harvest dates and yield amounts;

- Animal breeding records with breeding and birthing dates, weights, growth rates and vaccination schedules;
- Product and amounts sold by customer or market;
- Price per unit;
- Payment terms;
- Customer payment performance, other customer data and notes.

## Planning for Physical and Non-Physical Information

You will need a plan and a budget for how you will manage your physical and computer systems including regular mail, e-mail, and physical and digital data and document storage.

Be sure to consider:

- Where will online files be kept?
- Where will physical records and files be kept?
- What are the backup systems?
- What physical and digital data security systems will you need?
- What is the plan to retain documents and to destroy them after an appropriate period?

You may consider budgeting for general office support sooner rather than later, since many aspects of developing and maintaining good office systems can be outsourced.

Your role as a manager is to ensure that you have the data you need to make good decisions, and to use the data you have to manage current and future operations. If you spend too much time just acquiring and managing data you won't have time left to be thoughtful about how you use data.

A good management plan will prioritize your role as a leader, and make the tasks associated with gathering and maintaining data as routine and efficient as possible.

## How Long to Keep Records?

Keep most records for 3 years from the date you filed your original return or 2 years from the date you paid the tax, whichever is later, if you file a claim for credit or refund after you file your return.

- Keep employment records for 4 years.
- Keep records for 7 years if you file a claim for a loss from a bad debt.
- Keep records related to depreciable assets as long as you keep the assets.
- Keep records related to asset sales for 3 years after the sale.
- Keep records related to land for as long as you own the land and 7 years after the sale of land.