

Preparation: Your Finances | Financial Goals, Preparations and Plans

What can you afford? And what do you need to do financially to be prepared?

To determine whether you are in a good position to make a farmland purchase and what the right purchase price is, it is important to understand your personal and business finances. Once you understand your finances, you can create a plan to reach your farm ownership and financial goals.

For a home loan, banks will provide an estimate of what you can afford based on your income, assets and liabilities, credit score, and standard household budgets. This may be all you need to move forward with a purchase, however this amount may not seem affordable to you, or it may not be enough to purchase what you need to operate your business. Farm business finances should also be included in your financial picture and loan application.

As you make your income and expenses projections, you will understand if your farm business is contributing income to your household, if your non-farm income will need to invest money in your business in the initial years, or if you will need a farm operating loan to get started.

The following sections will go into more detail on understanding your finances.

For now, think about your financial goals and plans:

- What are your income goals now and for the first 5 years of farm ownership?
- What financial goals do you eventually hope to achieve? Do these align with your production projections?
- In what year do you need to make a profit?
- How much do you need to reinvest in the farm (equipment and infrastructure improvements), and when do you plan to do that?