



Use prudence in financial planning

By PADMA NAGAPPAN
For the Capital Press

An experienced ag financial planner can help growers stay on top of changing tax laws, get better cash flow, present a better case to investors or banks, do short- and long-term planning, and expand their business.

Jeff Bradshaw, a financial planner in Clovis, Calif., focuses on ensuring clients know the profitable areas of their business, have a risk management plan in place, have asset diversification beyond the farm, have next generation transition plans, and an idea of the role technology will play in their operation.

“For states west of the Rockies, some commonalities are that there is now less water to irrigate with, a major shortage of labor, an increased regulatory environment and falling commodity prices,” Bradshaw said. “As the grower becomes aware that all these drivers are changing their world, they seek outside help to sell assets or consolidate it.”

Lay of the land

He has an ag family background, so he understands that many growers sometimes have five commodities, which are grown on 10 to 20 different blocks of land, with acreage spread across different sites. This is where it’s key to know which blocks are profitable, which have bad soil or poor



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Financial planning is a key element of any farm operation.

quality water, and then to analyze whether it’s worth keeping or selling.

Every business has a certain level of risk, which changes every year, so it’s important to have a Plan B, a back-up that acts as buffer when something goes wrong

somewhere in the business, be it a drought, or frost that kills trees or something else. It pays to have a plan in place should something happen to the main owner, or when they grow old, so the business can continue with someone else stepping

in. It also helps to know what competitive advantage a farm has, when growing a commodity or a niche product, to understand one’s place in the market.

Most farmers will want to expand their acreage, but for a future balance of profits,

it’s important to diversify and own some commercial property that can produce passive rental income, Bradshaw emphasized.

“Think of putting your money in different buckets to diversify, be it securities, rental property or some-

thing else,” he said. “Many second- and third-generation farmers are diversifying, buying property near town, like a medical office building, since ag has a history of good and bad years. If I can help my clients smooth out their income flow, it will help them balance the bad years.”

Retirement options

Attorneys will talk about putting living trusts in place for generational transitions, but Bradshaw talks to his ag clients about whether they’ve asked their children if they want to continue or if they don’t care for farming. This helps him advise whether to get the farm ready for sale, and invest in a pension fund before retirement, or look at other options for retirement.

Since banks rely so much on cash flow, financial advisors will model cash flows, and help pinpoint weak assets that should be sold. They also sometimes act as counselors, helping farmers sort out business matters within the family.

“I look at different streams of income, and try to set them up so they don’t face a situation where the bank is forcing them to sell the business,” he said. “Many times, the accountant and I sit down with the family for these meetings. A lot of times, with two generations, they don’t all agree, so it gets heated sometimes, but you can persuade the family to have an open discussion.”



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