

## **Budgeting for Your Horse Business**

by Jennifer Foster for [Desert Mirage Arabian Magazine](#)

When you first approached the bank about financing your horse business, they likely required you to forecast your financial statements for the first three years of operations. This is because banks understand the importance of projections and the budgeting process. Creating a budget for future years forces you to think about the direction you want your business to go, set realistic goals and expectations, and chart a course to get there. So why is it that most horse people don't do it unless they're forced to? That's because most horse people keep their business "plans" in their head, and would rather spend their time with their horses, rather than behind a computer. Regardless, creating a budget and maintaining it throughout the years will help you understand how much money you're spending and how much income you need to generate to stay afloat, or your breakeven point.

Are you the kind of person that retains all of the details of your business in your head? Do you occasionally forget to plan for large annual expenses, such as property taxes or liability insurance? Creating a budget will help ensure that you properly plan for your expenses, and adjust your business strategy to generate enough income to adequately cover them. The first thing to do is to eliminate the negative mental imageries of budgets that you might carry. Don't think of it as something that you will be required to adhere to regardless of your changing business. It's **your** budget. You are allowed to adjust it as often as you want to guarantee that it's effective and useful for you. It doesn't have to, nor should you expect it to be, perfect the first time.

Here's an overview of the process, and we'll discuss each task in more detail below.

- 1) Create a list of monthly expenses, based on your historical spending
- 2) Conservatively list income from all sources
- 3) Compare the expenses against the income
- 4) Customize the budget, and adjust for future expectations
- 5) Adjust and re-adjust as necessary to create the strategy you want for your business
- 6) Plan for the most efficient use of excess funds

It seems simple, doesn't it? It is. One of the hardest parts about creating a budget is forcing yourself to sit down and do it. Once you overcome that hurdle, you'll likely find that all of your thoughts and knowledge regarding your business flows quickly. Where should you keep track of your budget? Most people keep track of it on a simple Excel spreadsheet. If you're not very technologically savvy, feel free to write it down on paper. Remember, it's YOUR budget – do what works for you. Keeping it simple in the beginning is the best way to make it less overwhelming to get started.

The first step in creating a budget is to create a list of all of your business' monthly expenses. Don't forget to include the monthly portion of semi-annual, quarterly, or annual bills, such as property taxes, insurance or vehicle registrations. For the expenses that vary from month-to-month, such as feed, hay and gasoline, estimate at the highest likely cost, to err on the side of caution.

Second, list the income from all sources. Be realistic. If you have forty stalls in your barn, but you keep an average of thirty horses, include income for only thirty horses. As you get further in your budgeting process, you will see whether you will need to fill the remaining ten stalls to cover your expenses, or whether the business does fine with just the thirty horses. Do not include income that is not guaranteed, such as horse sales commissions or prize money. This is not income that can be depended upon and you want to be conservative with your budget.

Now compare the expenses against the income. Does your income exceed your expenses? That's a good thing. If not, then you need to review your budget for opportunities. Do you have capacity for more boarders or training clients? Can you give lessons four nights a week, rather than just two? Can you buy your hay less frequently and store it when you can get a good price? Review the monthly expenses to see where you can cut back. Likely candidates for reduction generally include telephone, meals and entertainment, and possibly even contract labor.

So now you've got all of your finances down on paper, and you've reviewed it to strategize most effectively for your business. Now you need to set aside time each week or month to review the budget. This doesn't have to be a long, or drawn out process. Pick out a time that works best for you, and compare your actual results with your budgeted expectations.

If you find that you're missing your targeted costs, analyze the activity to determine what went wrong. Does the budget need to be adjusted? Was there a reason for the excess spending? Re-evaluate your budget based on your spending. Remember, it's your budget and you have control over it. You will likely discover that one of your biggest budget drains are the smaller, impulsive expenses, such as meals and entertainment or small barn purchases. Curb this by giving yourself twenty-four hours to determine whether you really need to purchase something. New buckets in the barn would be nice, but are they necessary *right now*? Ideally this will help reduce your impulsive, and possibly unnecessary, spending.

If you have money left over at the end of the month, determine the best way for your business to allocate those funds. Typically the best way to use your profits is to pay off high interest debt, such as credit cards. If you don't carry credit card debt (good for you!), then put the profits into a savings account for that next major purchase, such as a tractor or new show horse.

Set an ultimate goal. What is the primary reason you're budgeting? Do you want to save for a new truck? Pay off your business debt? Or do you need to analyze your business to increase profitability? Remind yourself of this goal frequently – consider putting a chart near your desk to track your development.

Developing your first budget and developing the habit of reviewing it on a regular basis will be a challenge. But forcing yourself to do it is one of the best things you can do for your business, and will be well worth it in the long run. Understanding your income and expenses is necessary. Soon you will be worrying less about your finances, and living your life freely. Good luck with your budget!