

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

Nebraska Women in Agriculture

Fire Up Your Farm & Family Finances

· Paul Stoddard
· Department of Agricultural and Consumer Economics
· University of Illinois



illinois.edu

1

1

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

It's good to be here!



illinois.edu

2

2

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

Ten Action Items



illinois.edu

3

3

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

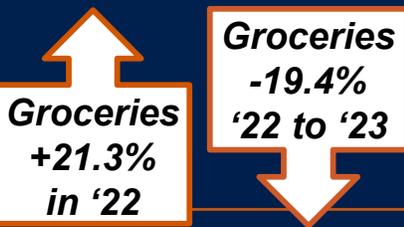
1) Make them
share the
financial
records...



4

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

Don't scare your accountant!
**2) Know your farm & family
living expenses,**
in real time



illinois.edu

5

5

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

3) Bad Times don't last either

Conduct your personal and farm financial business accordingly



6

6

4) Financial Planning is a life-long process

involving legal and accounting professionals

and maybe a financial planner too



7

- Do you need a Financial Advisor/Planner?
- 3 types
- Some won't talk to you until you do these 3 things...



8

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

5) Learn to prepare and USE

Balance Sheet

Income Statement

Cash Flow Statement

1) *in real time*

2) *not just at year end* <https://nfbi.net/>

3) *not just for borrowing purposes*

4) *not just for tax purposes*

Hit me!



illinois.edu

9

9

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN



6) You must have life insurance if you have dependents!

10

- Who are your dependents?



11

- Term Insurance
- You only get one thing
- There's a reason they call it "term"
- Designate carefully
- Cost compared
- The good news about insurance...



But what if I don't use it?



12

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

- What about Whole Life?
- Two things...but!
- You can never get your hands on both ...
- Yes, you can have it forever, but...
- Cost



illinois.edu

13

13

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

- Whole life: what the salesperson says...
- And what the wise man said..



14

14



What the widow told me...



15

- How much life insurance do you need?



16

7) **Today** is the **day**
to begin planning for
retirement



17

PFIN 101: Retirement Planning

- “*Best Retirement Strategy*”
from Stanford Center on
Longevity, February 2018
- Two key components



18

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

- #1
- Don't take Social Security until you're 70
- "It's a nearly perfect retirement income generator:
 - It lasts the rest of your life
 - It protects against inflation
 - It doesn't go down if stock market crashes
 - It gets paid automatically into your checking acct
 - Part isn't subject to income taxes"



illinois.edu

19

19

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN



Here's an Easy Button <https://www.ssa.gov/>

Your Estimated Benefits

*Retirement	You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until... your full retirement age (66 and 6 months), your payment would be about \$ 2,290 a month age 70, your payment would be about \$ 3,044 a month If you stop working and start receiving benefits at... age 62, your payment would be about \$ 1,590 a month
*Disability	You have earned enough credits to qualify for benefits. If you become disabled right now... Your payment would be about \$ 2,075 a month
*Family	If you get retirement or disability benefits, your spouse and children also may qualify for benefits.
*Survivors	You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family may qualify for the following benefits: Your child \$ 1,584 a month Your spouse who is caring for your child \$ 1,584 a month Your spouse who reaches full retirement age \$ 2,113 a month Total family benefits cannot be more than \$ 3,698 a month Your spouse or minor child may be eligible for a special one-time death benefit of \$255.
Medicare	You have earned enough credits to qualify for Medicare at age 65. Even if you do not retire at age 65, be sure to contact Social Security three months before your 65th birthday to enroll in Medicare.

20

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

- #2 Put your retirement money into **low-cost index funds**
 - “Target date” or “Age-weighted” funds are an easy choice
- Beginning at age 72, IRS will require you to take the “Required Minimum Distribution” or RMD
 - (They want their tax dollars)
 - Many plans will automatically calculate your RMD and will distribute it to you in whatever frequency you want
 - And they’ll withhold taxes, if you choose
 - So it becomes an automatic paycheck
 - At age 72, RMD is $1/27.4 = 3.65\%$



21

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

- IRA
- Roth IRA
- Self-directed 401k



22

- So how much do you need to retire?
- 4%?
- T-Bill rate?



- How I think about farmland re: asset allocation...



UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

- Time makes a big difference!



25

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

What if... 5 people start earning \$50K and investing at age 23, can earn 8% for riskier portfolio and 4% for more conservative, and retire at 70? Assume no inflation and no raises.

- Start & Stop? **Start/Stop**
 - Invest 15% of salary annually and earned 8% until age 43, then stop adding to investments (but stay invested until 70)
- Start Late? **Start Late**
 - Don't start investing until age 43, then invest 15% of salary annually until age 70 and earn 8%
- Too Conservative? **Too Conserv**
 - Invest 15% of salary annually in conservative investments beginning at 23, earn 4%
- Contribute Too Little? **Too Little**
 - Invest 8% of salary annually beginning at age 23 and earn 8% until age 70
- Early and Aggressive? **EarlyAggr.**
 - Invest 15% of salary annually beginning at age 23, earn 8% until age 70



\$135,870 \$109,965 \$72,464 \$39,884 \$26,205

26

26

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

- 8) The secret to **getting rich** is really boring



- Spend a little less than you make and do that for a long long time



illinois.edu

27

27

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

- The big scary thing in your retirement years...



illinois.edu

28

28

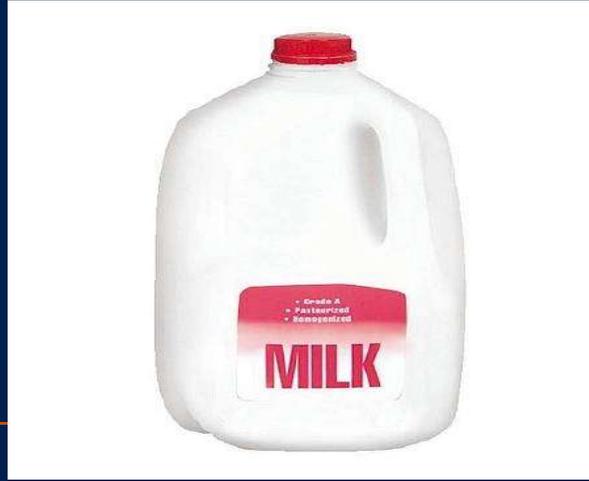
UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

9) Inflation is a **huge risk** in your retirement years

“Rule of 72”

With 4% inflation, 30 years later the last gallon you buy costs \$11.32

You retire at 60 and milk is \$3.49/gallon



29

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

A few thoughts about estate and succession planning

- You need professionals, but...as Buffet says...
- “Major life events” or every 2 to 3



illinois.edu

30

30

Things we'd rather not think about...

Prepare: a) A will b) A living will

c) POA for healthcare d) POA for your farm business

e) Release of medical information

f) Letter of last instructions

g) Instructions re: your digital assets

h) A "permanent file"



31

31

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

- People don't do this in the order we expect...
- Dr. Kohl's "dead man game"



illinois.edu

32

32

10) Assemble a team



ILLINOIS
Agricultural & Consumer Economics
COLLEGE OF AGRICULTURAL, CONSUMER
& ENVIRONMENTAL SCIENCES

33

Assemble your team

- At a minimum...



ILLINOIS
Agricultural & Consumer Economics
COLLEGE OF AGRICULTURAL, CONSUMER
& ENVIRONMENTAL SCIENCES

**If your banker, attorney, accountant are not
trusted resources...**

34

Do you need Tom Hagen? Better yet: Find your Bob



ILLINOIS
Agricultural & Consumer Economics
COLLEGE OF AGRICULTURAL, CONSUMER
& ENVIRONMENTAL SCIENCES

35

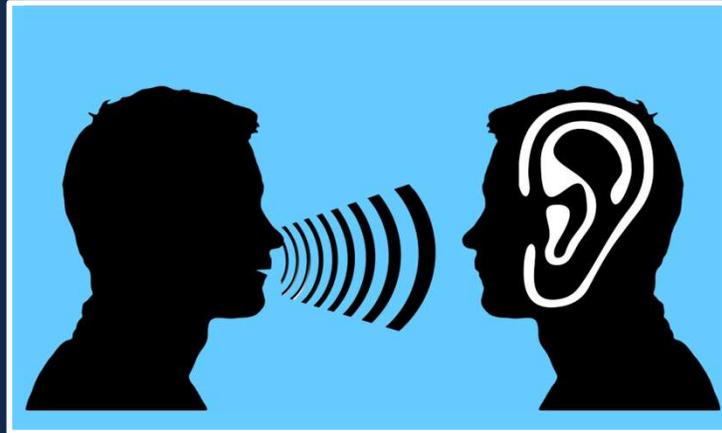
When to ask your team



ILLINOIS
Agricultural & Consumer Economics
COLLEGE OF AGRICULTURAL, CONSUMER
& ENVIRONMENTAL SCIENCES

36

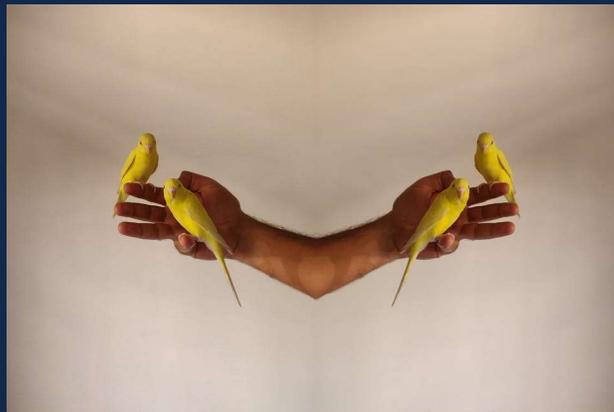
After you ask...



ILLINOIS
Agricultural & Consumer Economics
COLLEGE OF AGRICULTURAL, CONSUMER
& ENVIRONMENTAL SCIENCES

37

The canaries in your coal mine



ILLINOIS
Agricultural & Consumer Economics
COLLEGE OF AGRICULTURAL, CONSUMER
& ENVIRONMENTAL SCIENCES

38

*Never forget
the Number
One Goal!*



ILLINOIS
Agricultural & Consumer Economics
COLLEGE OF AGRICULTURAL, CONSUMER
& ENVIRONMENTAL SCIENCES

39

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

A parting thought about finance...

- A great gift anyone can give their kids...



40

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

pstoddrd@Illinois.edu

Thank you for your time!



illinois.edu

41