



The Rule of Thumb Guide

The 5 Success Pillars for Achieving Financial Freedom

For Farmers and Agribusinesses

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This eBook contains information that is general in nature. It does not take into account the objectives, financial situation or needs of any particular person. You need to consider your financial situation and needs before making any decisions based on this information.

Author's note

As a farmer's son, I've spent my life watching as some agribusinesses thrive and last for generations, while others struggle year-in, year-out.

What always intrigued me was how both the successful and unsuccessful farmers could start with the same resources and the same opportunities, **yet only some were financially successful.**

As a fresh-out-of-university financial adviser almost 20 years ago, I finally began to ask, "Why?"

This question started me on a journey of discovery, leading me to unearth the **common 'success pillars'** the successful operators share.

You see, most farmers are generally taught by their parents to be good farmers, but few are taught how to be savvy business owners.

I quickly saw that the farmers who instinctively ran their farms with a business owner mindset were the farmers who were thriving. Whether they knew it or not, they were building these **'success pillars'** into their farming enterprises and reaping the rewards of financial freedom.

Whatever state your farm is currently in, the good news is that these **'success pillars'** aren't some mystical, intangible secret. **They can be learned.**

To make understanding and applying the farming **'success pillars'** as easy as possible, I developed my unique **Farming Wealth Transformation Framework™**.

This simple-to-use, easy-to-understand model is completely based on my research and findings about **how** successful farmers run their businesses, and **what** they focus on to build their wealth.

By following the Farming Wealth Transformation Framework™ outlined in this guide, you can set your 'Wealth Windmill' spinning to grow your farming business and your wealth, improve your lifestyle, and leave a lasting personal and financial legacy.

By the end of this guide, you'll know exactly what it takes to achieve this financial success.

I look forward to joining you on your journey to achieving financial freedom!



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What is Financial Freedom

Financial Freedom.

It sounds like one of those terms bandied about by soy-latte-drinking city dwellers, or at best it is just a fancy way of describing funding your retirement, right?

But the truth is, financial freedom is a concept any farmer who wants to become financially successful must understand.

Where do we start? Well, we need a definition:

Financial Freedom means having enough “off-farm” (or “non-business”) assets, generating enough income, indexed to inflation, to cover your annual costs of living, without having to work, for as long as you live!

Now I know what you're thinking. It's probably something along the lines of "That's crazy!" or "That's impossible!" or "You're dreaming!" Let me be very clear, this won't happen overnight, but this is exactly what **you** want to be working towards.

By following the **Farming Wealth Transformation Framework™**, you can use your successful agribusiness to build your wealth and ultimately achieve financial freedom. It's the same framework I've used to help other (equally sceptical) farmers take the journey to financial freedom. Now it's your turn to take that journey.

If that's what you want, then skip ahead to the next page and let's get started!

PS: If you want to read more, see my blog **[“What is the definition of Financial Freedom for an Agribusiness owner?”](#)**

The Farming Wealth Transformation Framework

To keep things simple, let's begin this story by comparing wealth to water.

We all know you can survive on very little water for a short period if you absolutely have to, but life is going to be pretty tough. The same goes for wealth. You can survive on the "smell of an oily rag" for a while, but long-term, you're not going to thrive, are you? Having enough money (or wealth) is about being able to financially ride the ups and downs so you can **thrive and not just survive**.

To understand how you can build your wealth, let's turn to the humble windmill.

Whether you know it or not, in addition to the real-life windmills you may have on your property, you also have a **'Wealth Windmill'**.

The five blades on your Wealth Windmill correspond to the five **'success pillars'**. I have seen successful farmers use the pillars time and time again to achieve financial success.

The five blades are **"Team", "Plan", "Protect", "Focus" and "Grow"**.

Just like with a real-life windmill, to collect all the wealth you possibly can, your Wealth Windmill must have all five blades 'installed' and functioning. If one or more blades is missing or say installed back to front, your Wealth Windmill won't work as efficiently as it should. The outcome being you will 'pump' much less wealth than you could have otherwise.

Unfortunately, most farmers focus too much attention or energy on just one or two of their Wealth Windmill blades and fail to give the other blades the attention they require and deserve.

THE
FARMING WEALTH TRANSFORMATION
FRAMEWORK™



You probably already know that when only one or two blades on a real-world windmill work properly, the entire system pumps very little water.

The same goes for your Wealth Windmill.

No doubt you've seen this before, when a farming family goes broke or is sold up. Perhaps your own Wealth Windmill only has a couple of functioning blades and you feel like it is not pumping what it should be.

Next comes the sail. Your windmill simply won't work without a sail, will it? That's why when you want to turn your real life windmill off, you simply disable the sail and the windmill will stop pumping.

As the picture shows, **"Advice"** takes the position of your Wealth Windmill's sail.

Only solid advice can keep your Wealth Windmill facing the right direction, ensuring it makes the most of the wind.

But be careful because even worse than a Wealth Windmill that's missing solid advice, is a Wealth Windmill with poor advice.

Just imagine if your windmill had a sail that consistently pointed in the wrong direction because of poor advice.

"Good advice is priceless. However little you pay for poor advice, it is still expensive." - The Financial Bloke

The **Wealth Windmill** is the basis of the **Farming Wealth Transformation Framework™** you're about to learn about in this guide.

By the time you finish reading this guide, you'll know exactly which windmill blades you need to work on.

The Farming 'Success Pillars' - Your Windmill Blades

1. Team

“You are the average of the 5 people you spend the most time with” – Jim Rohn

Jim Rohn was probably referring to people's personal lives when he said this, but the same can be said for your professional advisers.

An agribusiness is rarely financially successful without the backing of a team of quality advisers. That's why "Team" is the first blade on your Wealth Windmill and an integral component of the **Farming Wealth Transformation Framework™**.

Every single successful farmer I've met over the last 20 years has always hired the best advisers available. More importantly, because no advice is better than poor advice, these farmers weren't afraid to change advisers if the people they started with weren't up to the job, or their enterprise grew or changed and required new skills.

As the owner of an agribusiness, it's vital that you **seek out professional and financial advisers with very specific experience in agriculture.**

You wouldn't hire a cardiologist to do your brain surgery. So why would you hire advisers who don't know agriculture?

In addition to understanding agriculture, your team of advisers must meet three key criteria.

They must **understand what you are trying to achieve**, they must be **top notch at what they do**, and, most importantly, **they must be able to work together to get you the best possible outcome.**

A great team of advisers will usually include (but may not be limited to):

- Solicitor
- Financial Adviser
- Accountant
- General Insurer

- Banker/Finance Specialist
- Business Adviser/Consultant
- Agronomist/Animal Health Expert

It's an important point so I'll say it again: to be effective, **your advisers must be able to work together and provide fully-integrated advice.**

The other secret to using your advisers is knowing what they actually do, what they can do and then calling on them at the right time. Taking the time to discuss these questions with them from the start is the best way to build this understanding.

So start with the list above and focus on finding the best advisers who get you and who will work together. You'll be amazed at the results.

* As a long-term former financial adviser, let me add this footnote. A common mistake I see people make is to assume that financial advisers simply pick stocks or investments. In reality, that's only a fraction of what a good financial adviser can offer you. Their true value is in coaching, guiding and project managing you to financial freedom.

2. Plan

“If you fail to plan, you are planning to fail” – Benjamin Franklyn

Once you have your team, it's time to plan. And when it comes to planning, I think Benjamin Franklyn said it all.

Planning is an area that's seldom given the attention it deserves.

A common mistake many farmers make is to presume that the only kind of planning they need is operational planning.

As you know, operational planning is about planning which crops to plant, which bulls to buy, which fences to mend, which fertilizer to spread and which regrowth needs clearing. But operational planning is just one of the many planning elements that a farm requires to be successful.

In my experience, combining operational planning with three other key planning elements will be the difference between struggling or thriving in your agribusiness.

Operational Planning

This is about planning your day-to-day production activities and farming operations. Most farmers get this one right!

Business Strategy Planning

This is planning that involves looking at farming as a business rather than simply an occupation. It's a key differentiator between successful farmers and those that simply 'get by'. To get it right, you should work on business strategy planning with your team of advisers.

Succession Planning

Succession planning relates to how you'll build and hand over custodial ownership of your farming business to the next generation. This sort of planning should begin as early as possible (at least 10 years before the actual succession). Rather than simply talking about your plans once then moving on, succession planning involves developing a detailed plan that's adjusted and implemented over time. It's part of the secret to leaving a true legacy.

Retirement Planning

It's vital that you consider what you want your retirement to 'look' like. This aspect of planning is almost always overlooked and placed in the 'too hard' basket. However, no one can work forever, so if you want to hand on the family farm to your kids rather than selling it to fund your retirement, you need to take retirement planning seriously. Ignore it at your peril. It's the second part of the secret to leaving a true legacy.

You must address all four of these planning elements if you want to be financially successful. And for these plans to be effective and get the results you need, they must be fully integrated.

This is a big job – one that requires help, guidance and support from your team of professional advisers with expertise across a wide range of knowledge and experience areas. Only professional advice will be comprehensive, robust and effective, so it's time to call upon your "Team" blade.

Don't be discouraged by the size of the task, either. Get excited! Because with "Plan", your Wealth Windmill will begin to come together. You're on your way to financial freedom.

3. Protect

"Risk comes from not knowing what you are doing" – Warren Buffett

Even the best-laid plans can come unstuck, so it's important to take steps to protect yourself, your farm and your wealth against risk.

Warren Buffett is arguably the world's greatest investor. He understands risk management like no one else.

Warren's success comes in large part because he spends an extraordinary amount of time on risk management. He always ensures that the downside risk is as minimal as it can be. Almost every farmer I've ever met has told me that they're conservative by nature. You've probably said it yourself before.

But farmers are actually very tolerant of risk – you included!

Think about it for a second. How many people out there are comfortable with the idea of planting crops costing hundreds of thousands of dollars, then crossing their fingers and hoping it will rain? Not many.

So, let's be realistic, most farmers are risk takers.

We all know that you need to take risks to be successful. It's the nature of any business – especially farming. However, you only want to take risks that will give you a reward, like planting crops to reap a harvest. You don't want to take risks that aren't balanced out by a reward.

While you can still keep praying for rain, every successful farm operator I know addresses and carefully manages four key areas of risk.

Debt Management

Debt is what brings most agribusinesses unstuck.

In contrast, the successful players carefully manage their debts and have an exceptional working relationship with their bank. They treat the bank as a powerful financial tool at their disposal. If they're serious about their Wealth Windmill, their banker probably forms a part of their professional adviser team.

You see, debt is like a chainsaw. It's a powerful tool when used the right way, but it will cut off your arm if you use it the wrong way. I recommend the option that leaves you with your limbs intact.

Estate Planning - Wills Powers of Attorney etc.

What would happen to your farming business if you or a key person in your business died? Would your assets and farm transfer smoothly to your beneficiaries? If your parents own the farm, what situation will you be in when they pass away?

These can be sensitive and uncomfortable questions to address, but failing to address them is a recipe for disaster.

Even the most successful farms can be suddenly sold off or become unviable after the owner dies due to estate issues, a poor Will or no Will being held at all. Successful farmers work with their team of advisers to address the tough questions surrounding estate planning so they can take care of their kids and grandkids and ensure their farm's future success and legacy.

Asset Protection/Structuring

If you have a good accountant, your farm and other assets should be structured to maximise your taxation benefits, which is certainly important. But are you also structured to protect these assets? What if you get sued? How well will your structures stand up to litigation?

It's also worth remembering that around one in three Australian marriages ends in divorce. Many a farm has been lost in the process of a divorce.

Successful farmers work with their advisers to structure their assets so they're protected. Doing this will ensure you can get the best protection available.

Insurance

You might have insurance. But do you have the right types of insurance? Most people have no idea!

Like most farmers, you probably understand the importance of taking care of your general insurance. That's the insurance that covers your buildings, machinery, shed, crops and any public liability you may have. It's the stuff you claim when there's a bushfire or a theft or your son-in-law rolls the tractor.

In addition to general insurance, successful farmers also invest in insurance to cover their agribusiness's "human capital". Some examples include:

- **Life Insurance** – cover for if you die
- **Total and Permanent Disability Insurance** – cover for if you become totally disabled and are unable to work again
- **Trauma Insurance** – cover for if you suffer a major trauma such as a heart attack, cancer or stroke (just to name a few)
- **Income Protection Insurance** – cover that pays an income if you become sick or injured and are temporarily unable to work

These insurances are designed to ensure your farm and wealth are protected should something happen to you. They may be less well-known and understood than general insurance, but they're just as vital – if not more so. The question you should ask yourself here is: What will happen to the farm or my family if I'm not around or I'm too sick or injured to work?

The "Protect" blade of your Wealth Windmill is one component that, if neglected, won't just impact your ability to generate wealth. It can also be downright catastrophic for your family and agribusiness. You cannot be truly financially free until you're able to weather any storm; and that's where your "Protect" blade comes in.

4. Focus

“The successful warrior is the average person, with laser-like focus” – Bruce Lee

Successful people focus on what matters and spend as little time as possible on anything that doesn't.

The same goes for successful farmers. After all, farmers are people too!

After years working as a financial adviser for farmers, I found that the successful operators all devote their focus to the following 'Big 5' areas:

Teamwork and Collaboration

Successful farmers focus on working as a team with their family, advisers, suppliers and clients. They know it's not all about them, it's about collaborating to get the best result.

Optimism

Successful farmers may be realistic, but I've also found that they're optimistic people. They focus on cultivating an attitude of optimism. Optimism is the foundation of the mental and emotional resilience every farmer needs to thrive. Do not underestimate its importance to your Wealth Windmill.

Quality and Performance

Successful farmers focus on finding and working with 'the best'. They seek out the best suppliers, best products and best markets to give them an edge over everyone else. These farmers don't settle for mediocrity. They also continually think "How can we do better?", then innovate and find the best ways to do things.

Farming as a Business

Successful farmers have a business owner mindset. They think strategically and long-term about their farm and their wealth. By reading this guide, you're already taking that step yourself!

Persistence

Successful farmers focus on making whatever situation they are in work. They also work incredibly hard. They have a never-say-die attitude and will stop at nothing to succeed, always seeking and finding new ways to grow their business. Once again, reading this guide means you're taking a step in the right direction.

If you've been letting other areas take your focus away from the 'Big 5', you're not alone. You're human just like the rest of us.

5. Grow

“You will either step forward into growth, or backwards into safety” – Abraham Maslow

Growth is undoubtedly the key to any successful business, and farming is no different. Successful farmers acknowledge that growth is essential both for themselves and for their legacy.

To grow, you need to take care of the following three things:

Building Off-Farm Wealth

Successful farmers don't simply focus on their farming business. They also use the business to build their off-farm wealth.

This is about diversifying your assets and sources of income so you're not solely reliant on your farm income. It may mean buying off-farm assets such as shares and investment properties, contributing money to superannuation, starting a non-farming business such as contracting or earthmoving, or something else. This off-farm wealth lowers the risks associated with your farming operation and assists with succession and retirement planning.

Increasing Your Operation's Size

Successful farmers know that they need to keep growing their farm sustainably.

This may involve purchasing more land or livestock, but it can also take the form of using what you have more efficiently. For example, you may begin producing more per acre or innovating and changing what you produce on your land.

Personal Growth & Enjoyment

Successful farmers know that travel, experiences and general happiness complement a successful business. So does continually educating yourself and spending time on interests other than farming. Growth is never just about growing your business. It's also about growing personally.

Time and again, research has shown that all the money in the world won't make you happy, but relationships, experiences and gratitude for what you already have will. Growing personally and investing in yourself and your family is the final secret to successful farming.

With **“Grow”** taken care of, your Wealth Windmill should be ready to spin at full speed. And because you've been consulting with your team throughout this journey to financial freedom, your **“Advice”** sail should have your Wealth Windmill pointed firmly into the wind.

Finding Your Way to Financial Freedom

As you've seen, there are at least 20 different things you need to take care of if you want to get your Wealth Windmill spinning and generating wealth.

Don't be overwhelmed. No one expects you to become an overnight expert on all the different elements we've discussed in this guide.

Simply start at the beginning – and remember, most farmers fail for two reasons. First, they start at the wrong point, which is focusing all their energy on operational planning. And second, they don't integrate and focus on ALL the success pillars we've covered. Their Wealth Windmill is made from misshapen blades facing different directions and perhaps some blades are missing entirely.

To fix this, I recommend that you start with your "Team" blade and begin leveraging off your team's professional advice and experience. Together with your "Advice" sail, you can point your Wealth Windmill into the wind from day one.

This is the surest path to:

- Making better financial decisions
- Building and protecting your on- and off-farm wealth
- Growing your farming business
- Living a better life; and
- Leaving a lasting personal and financial legacy for your kids and grandkids

In other words, it's the surest path to Financial Freedom as a farmer.

The Next Steps

1. Assess your professional advice team and work out who needs to be hired and who needs to be fired.
2. Start to think about how your Wealth Windmill looks and what you can do to 'pump' more wealth.
3. Listen to The Financial Bloke Wealth & Wisdom Podcast
4. Join the private The Financial Blokes Wealth & Wisdom Facebook Group

Good luck on your journey to financial success, and remember:

"Successful people are not born that way - they're taught!"



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