Managing Money Personally and for My Business

Being broke is a temporary condition.

Being poor is a state of mind.

The American Association of Riding schools®

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None of us plan to be poor. But, most of us also don't *plan* to be secure. This article will encourage you to think about your relationship with money because, outside of your actual horse handling skills, your ability to handle money will be the number one determinant of your business success or failure.

F*inancial security* sounds boring. It congers the image of a drab bank teller in an even drabber office. But, let me tell you from experience. It feels very good to be financially secure when you're fifty-eight-years old and ready to un-commit from a lesson plan that keeps you on schedule day-in-and-day-out, week-after-week, year-after-year. And, if you plan to still be riding when you're in your seventies, with enough horses to carry your friends and grandchildren, well, that takes financial security. So, let's consider money.

All of the things we purchase with money can be categorized into three groups: Long-term investments, durables, and consumables. Investments include things that can last a lifetime and increase in value as time goes by - such as land, buildings, and retirement programs. Durables include items that last a reasonably long time - such as trucks, trailers, fencing, and horses. Consumables include things that are here today, gone tomorrow - such as food, clothing, and entertainment. Financial security *happens* when we control in which of these three categories we spend most of our money.

If we want to grow to be financially secure, we must put a large part of our income into *long-term investments*, only what we need to into *durables,* and as little as possible into *consumables.* The secret to making this happen is learning to control the *third* category - consumables - *first;* and then working our way backward into financial wealth. The younger we are when we start, the more secure we will become.

All of the things we purchase on a weekly or monthly basis are consumables. (You might say that you make a car payment every month; but that doesn't mean that you buy a car every month.) Consumables can be divided into two categories: things we need and things we want. Sometimes, it's a little tricky to correctly identify an item as a *want* or a *need.* But, no matter our income, if too many of our purchases are wants *misidentified as needs*, we will never have money left for durables and investments. This is true in our private lives and in our businesses.

With regard to our stables, whether an item is going on our horse, in our horse, or around our horse, there are simply too many interesting horse *things* available in the consumables market. Profitable business owners know that it is not only how much money they take in, but also how little money they spend that determines their success. Part of accomplishing this is learning to sort the wanted consumables from the needed ones.

Your best starting point is to understand the basic premise that *everyone wants your money*. Consider your local shopping mall. Stores line both sides of the attractive corridor. In each, the business owner stands behind the cash register watching the window shoppers stroll by. The owners have x-ray vision that enable them to see through the shoppers' wallets – and they see money. Their goal is to get the money out of the wallets and into their cash register before a competing store owner gets it. That's what they mean when their ad says, "We are willing to compete for your business." The goal of the shopper is *supposed to be* keeping the money *in their wallet*. Has that thought ever crossed your mind? Or, are you playing the 'mall game' *without having read the rules?* One way or the other, you *are* playing.

In her old age, I decided that Stormy needed something to make her legs ache less. So, I purchased a concentrated liniment from a well-respected equine consumables manufacturer. Not long after purchasing it, I spent a particularly long day giving lessons and my own legs hurt so badly that tears ran down my cheeks as I lay in bed. My husband made a joke about using the new horse liniment. You guessed it. I hobbled right out the barn to get it. I poured the liniment into a shallow bath and soaked until the water turned cold; but my legs still ached. So, I rubbed the stuff straight on my legs and feet, even though the product label said it was so potent I should not do that with my horse. The product had no effect. Well, I smelled good. Consumables marketers are predators. Everyone is prey.

Here is food for thought related to horse consumables and veterinary visits, medicines, and holistic remedies. My observations of instructors employed at my stable over the decades indicate that we tend to project our own ailments onto our horses. Would you not agree that there are some people who never go to the doctor and others who go all the time? Doesn't it make sense that those who are in frequent contact with their own doctor would also be in frequent contact with their vet? I cannot tell you when you should or should not call the vet. I'm just suggesting that, if you are a frequent visitor to your own doctor's office, you might at least consider that this is a part of your budget where other stable owners may not be spending as much as you. I guess it's up to you to decide whether their horses are any less healthy. This I can confirm: During one year when I had four instructors working in my barn – clearly too many cooks in the kitchen – my vet bills for that one year alone were higher than the prior nine years combined.

I've watched numerous young riding instructors come through my employ, all saying they want to own a business *just like mine*. They see me, in my fifties, enjoying my horses, my property, and my family and, for some silly reason, they think this is what I was doing when I was their age. Most of them already own their horse and more paraphernalia for it than I have ever owned for any single horse. I can imagine you saying, "But, I *have* to own a horse! How am I supposed to be a horse professional without a horse?" You might need a horse if you were building a name as a competition trainer. But, novice-market customers will not be interested in your horse's bloodlines, your show name, or all the money you spent to get them. I'm perplexed by how many instructors are supporting their own trucks, trailers, new saddles, high-end boots, whatever; while waiting tables and giving lessons; and thinking they're going to somehow magically purchase acreage and open their own stable. What I hear them saying is, "Woe is me," when what they should be saying is, "Whoa! It's me."

So, how do you control your consumables spending? Well, here are some examples of reasonable control measures. Give up cable television, purchase truly basic phone service, read books and rent videos instead of purchasing movie tickets and four dollar popcorn. Eat your meals at home and pack your lunch on days you are away. One of my former university supervisors, a professor of finance who went on to become dean of one of the State University of New York business schools, packed peanut butter and jelly sandwiches *every* day. If it wasn't beneath him, it certainly shouldn't be beneath us. Carry bottled water filled from your tap, and leave trivial purchases like energy drinks and ring-tone cell phone songs to people who don't have a dream. Purchase most of your clothes, other than shoes and underwear, from Goodwill®. Go-to-the-movies-quality Calvin Klein®, Chic®, and Levi® jeans were my most recent purchases at $2.99 a pair. Turtle necks and collared sport shirts to wear under horse-related

T-shirts are $1.99 each. Oh, and coats – barn coats and dress-to-the-nines coats - $4.99. When you see me on stage or in front of a podium, you can bet I'm wearing a sport coat from Goodwill®. I don't buy clothes that are worn out. Some of them still had their original sales tags. I call it living off a foolish stranger's money. I don't care if they outgrew it, got bored with it, or *died.* I own an all-brick house at my stable with an indoor riding arena, and the mortgage is paid off. Question every *consumables* purchase.

'Second hand' works for *durables*, too. Drive a dependable used vehicle. I live near Flint, Michigan, the birthplace of General Motors. All those factory workers *just have to drive a new car* because, after all, they make them here. But, if you read the news, you know this isn't much of a GM town anymore and lots of those folk are living pretty tight – many in mobile home parks full of (once new, now used) cars, motor homes and snowmobiles (all *durables* including the mobile houses). Few-to-none have financial security. How would you feel at 40, knowing the only thing keeping you afloat was an unemployment check? Well, here's an even scarier thought. If you are a business owner, your savings account *is* your unemployment check.

Some people consider furniture an investment but, really, it as a durable. True to my belief that it's better to buy 'used,' I recently purchased a bedroom set for my guest room from a consignment shop, and then designed the room around it.

Moving on to long-term investments…. Every high school home economics teacher, every college personal finance instructor, and every commercial financial planner would advise that one's first *life step* should be learning to put ten-percent of one's salary away for retirement beginning early in adult life - because money needs time to grow through a process called compounding. It's about that trick question, *Would you rather have a penny, doubled every day for thirty days, or a lump sum million dollars on day thirty?* A penny doubled daily only amounts to $512.00 on day 10; and only $524,288 on day 20. That's a whole lot more than on day ten; but not anywhere near a million. But, on day 30, it amounts to $10,737,418.24. That's right. Ten million, seven hundred and thirty-seven thousand, four hundred and eighteen dollars, and 24 cents.

Similarly, if you put $2,400 a year (or $200 a month) into savings, possibly a mutual fund, for each of four years starting when you were eighteen-years old, for a total of $9,600; and then left it, never adding any more, in an average yield market, the money would grow to somewhere around a million dollars by the time you were sixty-five. Life's mean joke is that, when we are under thirty, talk of retirement is the farthest thing from our mind. We envision white haired people sitting on a porch - not us. When we are fifty, it's too late. And, when we are sixty, we still want money to enjoy our horses...and we want money to help our kids...and we want money to take our grandkids on vacation with us...and...all our *ands* are dependent on choices we made before we turned thirty.

As of today, rearrange your budget to pay yourself before you pay others by depositing twenty percent of every paycheck into a credit union or bank. ***I know this is not easy but that is not the point.*** Somehow, people get the convoluted idea that when they save, they are denying themselves; even punishing themselves. If this be you, like, unscrew your head from your neck and set it on the table. Then, have a long talk with it! Giving yourself money is a *good* thing! It is a gift to yourself. Consider this:

One of my friends has always wanted to go to Hawaii and does not have a spouse to accompany her. I said, "Let's make that happen within five years." And, of course I offered to be her travel buddy. To plan for this future trip, I suggested, and my friend agreed, that we would put coffee cans on our dressers to collect our loose change at the end of each day. It might not sound like that would pay for a Hawaiian trip but, hey, one of the tellers at my bank used her coffee can to save six hundred dollars in one year for Christmas. That amount would make Hawaii doable within five years. Well, it's been about six months since the inception of our plan and my can is so heavy that I cannot lift it with one hand. Sad to say, even though it is my friend's dream, she has yet to save a penny. If the plan is so simple, why is it not working? Here's the simple difference: I did what I said I was going to do.

Do you think you are an excellent horse handler? Here's some ironically interesting analogies. We see horse women touting the value of expensive horse feeds and supplements while chomping on a Big Mac® Meal Deal™. We see horse trainers preaching that consistent exercise makes for healthy, well-muscled horses while they themselves remain soft and of shallow breath. And, we see riding instructors who teach that sound safety habits make for a lifetime of happy riders and horses while paying no attention to their own unsound financial safety habits.

Do you sometimes spend money along with friends because you would feel small telling them you don't have the money to spend? A friend named Trish lived in a huge, unpainted, ramshackle farmhouse with her husband and daughter. Their home was comfortable enough – the kitchen was cozy, coffee pot always on, German Sheppard at her feet. But, it was the kind of house that would send most people packing to Home Depot®. There were often times when Trish would say they did not have money to do something that the rest of us were doing and, because her house appeared "in need," I assumed she meant *she didn't have the money.* Then, in conversation one day, she told me about their habit of purchasing ten-thousand-dollar CD's (certificates of deposit) at regular intervals because neither she nor her husband had retirement programs at work. When she said she didn't have the money, she meant she didn't have the money *to allocate to that event.* What I mistook for a hard-scrabble couple was really a financially mature marriage.

Decades ago, credit was something people earned. I graduated high school in 1970. We could not get a first credit card without having money in savings. We used to say that if you have trouble controlling the use of your credit card, cut it up *and* close the account. But, today, we need credit cards for on-line purchases and for making travel reservations. We just need to be really diligent about paying the balance down to zero every month.

Also, before the 1990's, we could not secure a home mortgage without having twenty-percent of the value of the property saved for the down payment. It gave us a vested interest in the loan and, for the lender, was a show of confidence that we would make our mortgage payments. At the time of this writing, Congress is still wrestling with the mortgage and credit card default mess. I heard a commentator say that, with stricter regulation, only a person with pristine credit would be able to purchase a home. I thought, "Makes sense to me."

I've heard people say that good credit is not important anymore. Most all of us know someone who has over-extended themselves financially, filed for bankruptcy, and then been able to secure credit again. At first, I thought this was impossible. But, the fact is, they were *not* able to secure credit again. They were simply able to get *someone* to loan them money again. That's not the same. Their poor credit is costing them tens of thousands of dollars in higher interest rates. For real estate, in some cases, over twenty or thirty years, the cost is well over a hundred thousand dollars in additional interest.

The interest rate at which loan companies are able to loan money today would have been a federal *usury* crime twenty years ago. *Usury* means to loan money at an immoral interest rate. It is what gambling loan sharks and drug tsars do. I use the word *immoral*. What has happened in the de-regulated banking industry is not just unethical - it is morally wrong. It is one group of people who understand the consequences of usury preying on people who they know do not understand the consequences. For Wall Street bankers and mortgage 'brokers' to suggest that it is not their fault that parents and schools do not teach personal finance does not relinquish their moral obligation to society. (The sick fact is that many of the corporate employees swinging bad mortgages don't understand the math themselves. Very sick.) And, as far as our schools are concerned, *shame on them.* The teaching of percentages should not be a mere six week module during the sixth or seventh grade. Understanding compound interest and the time value of money is as important as understanding the alphabet. Most people are so ignorant of these basic components of math that they cannot function in life; and they don't even know it. When they secure a mortgage after bankruptcy or simply with bad credit, they think they are getting the same mortgage as those with good credit. What a joke on them. And, as it relates to this writing, even if it is possible to secure personal credit after a personal bankruptcy, it is still essentially impossible to secure business credit after a personal bankruptcy.

Sound financial advice is available from a wide range of dependable sources. Someone in your immediate family or greater circle of family friends, relatives, former teachers, or employment supervisors understands money and is willing to mentor you. You just need to ask. I wish I had someone visit with me when I was twenty-four. Surely, there was a qualified mentor hidden among my own circle of 'older acquaintances." It just never crossed my mind to look. I'm telling you now to look. With pen in hand, make a list of the people you respect. Show them this paragraph. (Ask them to share a PB&J with you!) Ask them to tell you what they want you to know.

Once you open your stable, remember that *time is money* and *money is time*. Every lesson you give is money in your pocket and time away from something else. Every lesson (or hour of stall mucking) you pass to an employee is money out of your pocket. I want a profitable and rewarding riding lesson program; and time and money to spend with my husband and children. You can own a profitable and rewarding riding school that blends well with your family if you keep a clear view of what is really needed to care for the business and what are just expensive extras.

When your stable becomes a member of the American Association of Riding Schools, you will gain access to the password-protected *Member Resources* area of the *ucanride* web site. In the *Learning Library* (operating manual) and *Best Practices Guide*, you will find articles related to organizing your business finances, monitoring your income, managing your expenses, and analyzing your cash flow. These documents, combined with e-mail conferences with us and consultation with professionals in your own town, will give you great support.

I hope you found this article of value.

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