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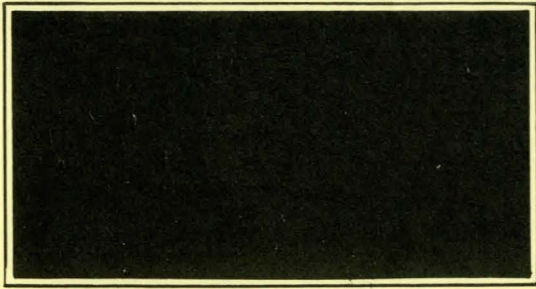
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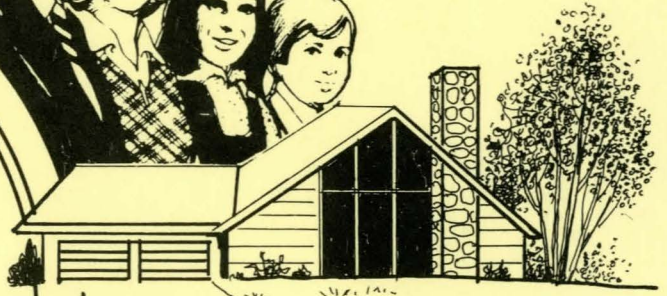
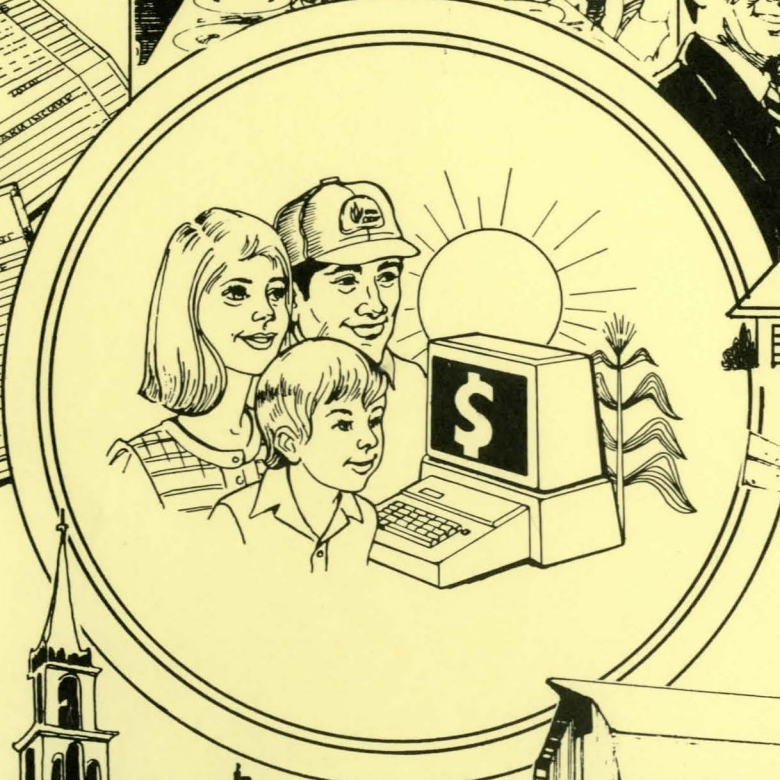
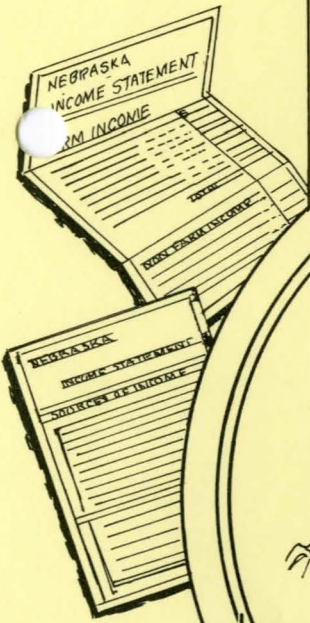
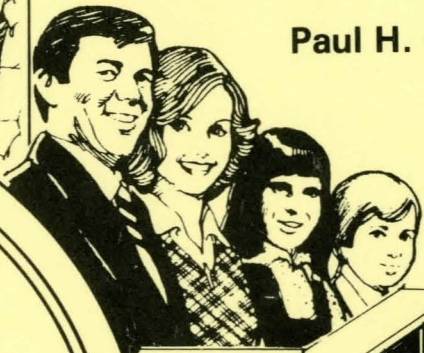
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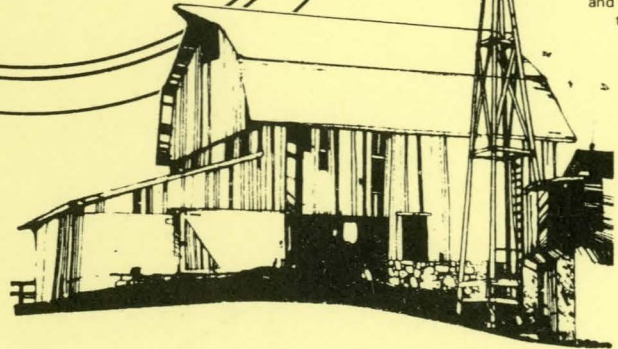
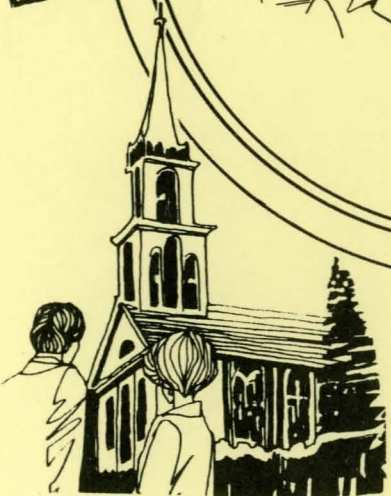
PART II: IDENTIFYING YOUR GOALS

Paul H. Gessaman



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GOALS FOR FAMILY AND BUSINESS FINANCIAL MANAGEMENT

PART II: IDENTIFYING YOUR GOALS *

By Paul H. Gessaman
Extension Agricultural Finance Economist

This is the second of a series of three Campaign Circulars intended to help you be a more effective manager. Prior to completing the goal identification activities described in this circular, you should have completed the self-assessment activities of Part I (CC 312, revised July 1985). If you have not already done so, please complete Part I and then work with this circular as you identify goals for your family and business financial management.

IDENTIFYING YOUR GOALS

What are you trying to achieve through your use of time, effort, money, and management skills? Where are you going, how are you going to get there, and when will you arrive at your intended destination? The answers to these questions, and the nature of your intentions for the future, can be found in your choice of goals. Since management is a goal-directed activity (an activity directed toward goal attainment), your goals provide direction to all your management efforts. This circular provides a framework for identifying your most important farming/ranching and family life goals.

In work with Part III (CC 314, revised July 1985), goal conflicts are identified and dealt with through priority setting. Then, high priority farming/ranching and family life goals, and information about enterprises and

* Contributions to this document by Kathy Prochaska-Cue and Larry Bitney are gratefully acknowledged.

activities of your farm/ranch are drawn together in a management plan. When completed, this plan will be your guide for future business and financial management decisions.

Goal Identification Considerations:

All of us have goals that we work toward over many years -- goals such as the debt-free ownership of a farm or ranch, or "burning" the mortgage on the family home. Some goals will require a lifetime to achieve. Others can be attained in a year, a few years, or a decade. Goals that will be achieved over many years are called long-term goals. Those that can be attained in relatively short periods of time usually are called short-term goals.* In farming/ranching, short-term goals focus on hoped-for achievements such as renting an adjacent quarter for this year, averaging 160 bushels per acre of corn this year, or attaining a desired level of feed conversion efficiency.

To the extent possible, one seeks to have short-term goals that directly support attainment of long-term goals. When this is true, the stage is set for more effective financial and business management. But, it's rare for all short-term and long-term goals to be mutually supporting. And, goals for farming/ranching may be somewhat in opposition to important short-term family life goals. If you find inconsistencies in your set of goals, don't be surprised. Priority setting activities in Part III (CC 314) provide a means of examining conflict or competition between goals and identifying the ones that you believe are most important or most urgent.

Goal-Writing Guidelines:

Here are some ideas about writing goal statements that can serve as guidelines as you complete the activities laid out in this circular:

* Short-term goals often are referred to as objectives. For simplicity, this discussion uses only the short-term goal and long-term goal terminology.

- Goals are written as action statements. "To complete . . ." or "To earn . . ." or other action statement introduces a typical goal.
- Long-term goals usually specify the time by which the goal is to be attained. "To pay off the real estate mortgage by . . ."
- When long-term goals do not specify a time dimension, they usually refer to qualitative aspects of life. "To make it possible for each of our children to secure a college or university degree by providing . . ."
- Long-term goals should be believable in that they should describe situations or conditions that you think you can achieve over the years. Avoid "pie-in-the-sky" long-term goals that you neither believe in nor will find possible to achieve.
- Short-term goals have a time dimension that indicates the time by which the goal is to be attained. "To replace our present tractor with a 125 horsepower model by the end of 19__."
- Short-term goals should be attainable in that they should describe situations that you believe are possible to achieve in the designated time. Avoid "impossible" short-term goals that you know cannot be attained, as they will cause great discouragement.

As you write goal statements you are expressing your hopes and dreams and ambitions for the future by identifying what you want to achieve, how you intend to achieve, and when you intend to achieve each desired outcome.

LONG-TERM GOALS
FOR YOUR FARMING/RANCHING OPERATION

Each person should initially complete this section without discussing it with his/her spouse, other family members, or business associates. Then, initial goal statements can be shared, and versions developed that represent the best judgment of persons involved in operation of the farm. To the extent that it is feasible to do so, base your goal statements on the insights gained from completing the self-assessment questions in the Part I circular (CC 312, Revised July 1985). Select goals that will use the interests, motivations, and abilities of those who work and manage the farm/ranch.

Over the next five to ten or more years, what do you think will be the most important long-term goal for your farming/ranching operation?

In that same period, what will be your second most important long-term goal for your farming/ranching operation?

Several goals that often are identified as important farming/ranching operation goals are listed below. (Some may be virtually the same as the ones you have written out above.) Place a check mark to the right of each one that you feel is important with respect to your own farming/ranching operation, and is not a goal that you wrote down above. (On some you will need to fill in a blank.) If you have other important goals, add them on the lines at the end of this listing:

- _____ To pass on the farm/ranch as an operating unit that can be retained and operated by the next generation _____
- _____ To reduce farm/ranch debt so that only minor borrowing for operating capital is necessary in a typical year _____
- _____ To expand livestock production by adding a _____ enterprise. _____
- _____ To shift _____ acres from non-irrigated to irrigated crop production, thus reducing drouth risks _____
- _____ To reduce borrowings to _____ percent of present debt _____
- _____
- _____
- _____

Now go back over all the long-term goals for farming/ranching that you have identified thus far -- the ones you wrote down and ones you marked with a check at the right side of the goal statement. In the blanks next to the

left margin, assign to each a ranking number that reflects your view of the importance and/or urgency of each. Put the number "1" beside the one that you think is most important or urgent, the number "2" beside the next most important and so forth.

When you have completed and ranked your long-term goal statements, discuss them with your spouse and/or business associate. Use an additional copy of this circular (your record copy) as you enter the goal statements and rankings that you think most suitable for future farming/ranching operations. Be sure to indicate on the record copy that it is the result of discussions among the persons involved in your farming/ranching operation.

SHORT-TERM GOALS
FOR YOUR FARMING/RANCHING OPERATION

The goals that you hope to achieve within the next one or two years, are commonly called "short-term goals." Short-term goals contain a measurable element that you can use to determine whether you have achieved what you hoped to do (attained the goal). For example, a short-term goal could be, "To reduce debt by \$10,000 this year." When you complete your balance sheet at the end of the year, you will be able to compare your total liabilities at the start of the year with those on the new balance sheet and know whether you succeeded in attaining your goal.

As you did before, start this goal identification process by working individually. As soon as each of you has completed it, discuss your goal statements with your spouse and/or business associate, and enter the resulting version of goals and rankings on your record copy of this circular.

Over the next one or two years, what do you think will be the most important short-term goal for your farming/ranching operation?

What short-term goal for your farming/ranching operation will be the second most important? (During the next one or two years.)

Several short-term farming/ranching goals that might be important to you are listed below. Use them in the same way as you did the sample listings of long-term goals. Fill in blanks and place a check mark to the right of each one that you feel is important with respect to your own operation. Add other important short-term goals on the lines at the bottom of the page.

_____ To own at least _____ acres and lease at least _____ acres _____
of land during the next crop year

_____ To reduce operating debt by at least \$ _____ per year _____
in each of the next two years

_____ To have at least _____ head of cows, _____ head of sows, _____
_____ head of cattle in a feedlot, and/or _____ head of
hogs being fattened per year by _____ years from now

_____ To put _____ number of acres under irrigation by two years _____
from now

_____ To increase next year's net farm/ranch income by \$ _____ _____

_____ To have at least _____ bushels of ventilated grain storage _____
by the time next year's crop is harvested

Now go back over your list of short-term goals as you've identified them on this page -- the ones you wrote down and ones you marked with a check at

the right side of a printed goal statement. Assign rankings to them by putting numbers in the blanks in the left margin. Put the number "1" beside the one that you think is most important or urgent, the number "2" beside the next most important or urgent, and so forth.

When you have completed and ranked your short-term goal statements, discuss them with your spouse and/or business associate. Use your record copy of this circular (the one that you used previously) to record the goal statements and rankings that you think best represent your thinking about future farming/ranching operations.

As mentioned previously, in Part III you will re-examine the rankings of your long-term and short-term goals using a more formal method of priority setting. Before doing so, identify your family life goals so they can be recognized in the priority setting. Your goals for farming/ranching usually will not stand alone. They generally will be linked to goals for family life through competing claims on your time, effort, money, and management skills. Thus, the priorities that are reflected in your family and business financial management plan need to recognize your goals for family life and your goals for farming/ranching operations.

LONG-TERM GOALS
FOR FAMILY LIVING

Each person should initially complete this section without discussing it with his/her spouse or other members of the family (or business associate). Then, goal statements can be shared, and goals developed that represent the best judgment of those involved in the discussion. Remember that long-term goals can specify a year by which they are to be achieved, but also can specify a stage of life or a qualitative aspect of life that you wish to attain over a period of years. In whatever form they take, they must be believable if they are to be really useful.

Over the next five to ten years, what do you think will be your most important goal for your family living? Record it on these lines.

What is your second most important goal for family living during the next five to ten years?

Several goals that may be important to family living are listed here. Place a check mark to the right of each one that you feel is important with respect to your own family situation, and is not a goal that you already have written down. If you have other important goals that don't appear in either place, add them on the lines at the top of the next page:

- _____ To pass on the farm/ranch as an operating unit that can be retained and operated by the next generation _____
- _____ To maintain a level of living similar to that achieved by friends who live in towns or cities _____
- _____ To take at least one vacation per year in which we travel to _____ where we can enjoy ourselves for a period of _____
- _____ To provide donations of money, goods, or time and effort in support of our church or other organization(s) _____
- _____ To support participation by family members in continuing education opportunities or degree programs in colleges _____
- _____ To provide _____ percent of the costs of higher education for _____ members of the family _____
- _____ To reduce outstanding consumer debt to _____ percent of its present level _____
- _____ To buy a new automobile (or a good used automobile) every _____ years _____
- _____ To provide for an adequate level of retirement income starting in 19____ by _____
- _____ To improve the energy efficiency of our home by adding insulation, weatherstripping, or a better heating system _____
- _____ To encourage family members to work toward better physical appearance and health by exercise and good diet _____

Now go back over all the goals you have identified thus far -- the ones you wrote down and ones you marked with a check at the right side of the goal statement. Assign ranking numbers to them in the same manner as was done with the farming/ranching goals putting the rankings in the blanks at the left margin.

When you have completed and ranked your long-term goal statements, discuss them with your spouse and/or business associate. Use your record copy of this circular to enter the goal statements and rankings that you want to use when developing your management plan.

SHORT-TERM GOALS
FOR FAMILY LIVING

Short-term goals for family living identify the aspects of family life that you hope to achieve within the next one or two years. Remember that short-term goals for family living contain a measurable dimension to be used in determining whether you have attained each goal. As you did before, start this goal identification process by working individually. After each person has completed it, you can share and discuss your goals with your spouse or other family members.

Be certain that your short-term goals are statements of things that it is actually feasible to think of attaining. Short-term goals that are not attainable usually are sources of great frustration.

Over the next one to two years, what do you think will be your most important goal for family living?

What is your second most important goal for family living during the next one to two years?

Several statements that may be important short-term family living goals are listed below. Place a check mark to the right of each one that you feel is important for your family, and is not one that you already have written down. Other important goals that aren't listed can be added on the lines at the top of the next page:

- _____ To fully insulate our home so it will be more comfortable and utility expense will be decreased _____
- _____ To reduce debt from family consumption expense by at least \$_____ per year in each of the next two years _____
- _____ To pay at least _____ percent of the cost of attending the college or university for _____ members of the family _____
- _____ To provide financial or other support of our church and/or other organizations that we support _____
- _____ To pay for orthodontic work needed by _____ member(s) of the family _____
- _____ To reduce household operating expense by _____ percent per year in each of the next two years _____
- _____ To ensure that every family member has a "personal allowance" (a specified amount of money for each time period), none of which needs to be accounted for to anyone else _____
- _____ To provide a means of handling non-business, irregular, and emergency expenses such as maintenance items, repairs, payments of losses not covered by insurance, memberships in organizations, gifts, clothing, etc. _____
- _____ To become involved in at least one significant community activity that is important to my (our family's) goals, health, values, or well-being _____

Now go back over all the goals you have identified thus far -- the ones you wrote down and ones you marked with a check at the right side of the goal statement. Rank them in the same manner as previously by placing numbers in the blanks at the left margin. Remember that the goal you rank with the number "1" should be the one that you think is most important or urgent.

When you have completed and ranked your short-term goals for family living, discuss them with your spouse and/or other family members. Use the record copy of this circular as you write down the goal statements and rankings that represent your desires and best thinking about family living in the future. As the next step in developing your business and financial management plan, go on to the priority setting activities in Part III (CC 314, revised July 1985).