

# Managing Equine Expenses

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**H**orses require hefty amounts of food, frequent exercise, ample pasture space, and most importantly, a steady cash flow. Regardless of how frugal a horseman you are, you will always encounter mounting expenses. The best way to keep them in check is to monitor and record how much you spend, when, and where, and to be meticulous about it. This chapter will address smart equine-related expense management and how to stay within your (shrinking) budget, before delving into more specific cost-cutting advice in later chapters.

## **LOOKING BACK TO PLAN AHEAD**

To kick-start the year, or even the season, it is wise to estimate what your costs will look like before you're faced with unexpected or overwhelming expenses. If you can project how much your horsey pastime is going to set you back, you can budget the appropriate amount each month. The key to good fiscal planning and expense management? Records, records, records. Milton C. Toby, Kentucky lawyer, professor, and author of *The Complete Equine Business and Legal Handbook*, can't emphasize enough the importance of good record-keeping. Horse owners, whether responsible for a large-scale operation or just a horse or two in the backyard, should maintain records of all their purchases from previous years.

"If you can't see what you spent last year, then you won't know where to direct funds in the current year, or what worked and what didn't," says Toby. "Look at trends in your records and that will tell you what you've been spending in a good year so you can adjust to know what you're going to spend in a down year."

If you don't have years of previous spending records, start collecting and organizing them NOW. Refer to your checkbook and past credit card and bank statements. Records of transactions should include bills, receipts for feed, veterinary care, utilities, even gas money. Aim toward keeping more records than you actually need, but keep them organized by date and item. Nothing should be labeled as "miscellaneous" – you need to know exactly where your money is going. Although some expenses are so small and routine you hardly think about them, they could be adding



up. It may even be useful to open a separate bank account to avoid mixing household and equine purchases. If your horse hobby is also a business, regardless of how small, a separate bank account then becomes crucial to monitoring records.

Precise record-keeping is not only a good practice in organization, it's the first step toward establishing a budget and determining what all the different components of horse ownership are going to cost you. Ultimately it's up to you to determine how big your budget is and how much spending is TOO much. Try to project cash flow, whether coming or going, and compare your projections with the actual numbers each month for an accurate and realistic budget. Making these proposed and actual figures match is much easier said than done, but financial soundness depends upon this exercise.

So how does ceaseless record-keeping save you money in the long run? It should ultimately help you determine where you're channeling the most funds, and where you can cut back in your spending. First, develop a worksheet similar to the one provided at the end of this chapter. Estimate monthly and yearly costs based upon previous records. Depending on the state of the economy, your financial status, and time of year (is it horse show season? foaling season? a little R&R during the winter?), set a reasonable monthly spending limit. Once you have reached your limit, refuse to go over it unless your horse's health is in question. Go back through your receipts each month and query each purchase made – was it necessary? Can you do without it next time? The smallest cuts can quickly add up. Perhaps you will find that you can allocate some of the money saved in one area (for example, cutting your number of riding lessons) toward something else you may need.

To further stay within your budget and determine how

to spend less, divide purchases into two groups: necessary costs and incidentals. Necessary costs are those you can't do without and that you will always incur, such as board, feed, farrier bills, vaccinations, insurance, etc. Incidental costs are far more variable, and often include those things you can do without. If your goal is to spend less, start pruning those incidentals, such as that extra saddle pad and that bucket of horse treats.

Horse owners have unfortunately discovered that it is impossible to avoid all unanticipated and variable expenses. Horses are accident-prone, unpredictable, and don't care how rough they are on the all blankets and equipment you've bought. You will always have to apply some "what-ifs" to your proposed spending. One smart way to address these unanticipated expenses is to set aside some money each month for veterinary emergencies or equipment repair. Putting aside \$100 a month for an emergency vet fund is going to be much easier on the wallet than trying to come up with several thousand dollars at once.

### **BUSINESS EXPENSES**

Ultimately, if you are running a business around horses, record keeping is not only vital to planning ahead and managing expenses, it also proves to the bank and the IRS that your business is legitimate. And with a slowing economy, you need to be increasingly meticulous with your records. Toby says that the IRS now, more than ever, wants people to break records and costs down for each individual horse. The reason being that one might be earning a lot of money while another earns nothing; one of your horses may cost a fortune in upkeep while another costs very little. It's up to you to show the IRS that your business is well-founded and not all loss. The bottom line: When it comes to applying for a loan, paying taxes, or being audited, you need to be able to prove everything.

In the long run it's often worth shelling out some extra money to hire a certified public accountant knowledgeable about the horse industry. As Toby explains, "No matter how good your records are, it's very hard to look at your own operation and see the mistakes or where changes can be made." Having an impartial third party review your records may open your eyes to other ways you can decrease costs and spending.

If you encounter a situation where you need financing, talk to people who also own livestock or run a horse business for a living and ask them where they bank. You may consider

using a familiar agricultural loan agency such as Ag Credit or Capital Farm Credit, as they will be more experienced and familiar with farm terminology and practices.

Toby's *The Complete Equine Business and Legal Handbook* goes into greater detail about the financial and legal aspects of a horse business.

### **SMART SPENDING**

Analyzing your past spending trends may be critical to good expense management, but there are also several ways to practice smarter spending right now.

For organizational purposes, Toby suggests that when paying for equine purchases, use check or credit card as often as possible, as it gives you a measure of control as well as knowledge of where your money goes. However, with most of today's services and horse shows accepting credit cards, don't get plastic happy to the point that you're forced to sell your horse as a result of an equine-related credit card debt. Writing a check may feel old-fashioned, but it's a stalwart record of transaction. Don't forget to make full use of a check's memo line either. Hang on to all credit card receipts and bank statements, or, in this digital era, manage and organize your spending records online. As a rule of thumb, avoid paying with cash, as it disappears quickly and is difficult to tie to a particular item. If you must pay in cash, don't be afraid to ask for a signed receipt.

Dr. Robert Losey, a small-time owner and breeder and a business professor at the University of Louisville, offers advice on good money management that's critical to equine affairs, but is also good practice on a broader scale.

"Pay bills as late as you can. Anything that's due in thirty days, pay in twenty-nine, rather than immediately," said Losey. "Use any excess funds to pay down debts as soon as possible, and put money at work by earning interest in it."

Also keep in mind how the time of year or the geography of where you live might affect the ebb and flow of your expenses. For instance, adjust accordingly if you live in a drought-prone region by stocking up on hay and grain before the dry season. Plan ahead if winter is a more financially taxing time of year, particularly in regards to purchasing hay. Will you be horse showing heavily during a particular season? Do you anticipate needing new equipment or making barn improvements? These considerations are all part of the planning process and are going to vary dramatically between horse owners.

If you have been meticulous about record-keeping and

## EXPENSE WORKSHEET

Mark a (0) next to the items that do not apply to you, or that are included in board rates.

### Housing

- Monthly board
- Payment for property leased
- Bedding

### Feeding

- Hay
- Grain
- Supplements, salt, minerals

### Health

- Medications
- Vaccinations
- Deworming
- Dental

- Farrier services
- Alternative therapies  
(acupuncture, chiropractor)

### Maintenance

- Grooms/manual labor
- Equipment upkeep/purchases
- Barn and fence repairs
- Manure removal

### Riding

- Tack/supplies
- Apparel
- Lessons/training/clinics
- Horse lease/purchase

### Horse Shows

- Show fees
- Association fees
- Trainer fees
- Travel costs
- Misc. (braiding, tips, etc.)

### Other

- Laundry/cleaners
- Water/electricity
- Stud Fees
- Insurance
- Emergencies

To compare month-to-month and yearly expenses, you can create your own personalized spreadsheet using a computer program such as Microsoft Excel. Make a list of your known monthly expenses as determined from past records or the above worksheet. Each row represents a different expense, and each column is labeled for a different month. This allows you to compare, contrast, and (hopefully) cut costs. Excel even does the math for you by calculating totals.

tracking expenses, however, but you still don't know where to cut costs, it may be time to make some harder decisions. Elizabeth Clarke, a Massachusetts equine lawyer and head of the Equine Business Institute, reminds us that the horse is part of a much bigger picture.

"Identify the resources you have, cut costs, but remember that you can always simplify what you do with your horse," said Clarke. "Some things seem so obvious, like horse showing less, but are hard for people to give up."

Clarke notes that historically, horsemen weren't spending nearly as much as they do today. This is in part due to today's improved (yet pricier) technology and care, but can also be attributed to the fact that many riders decades ago got by on just one lesson a week, owned their own land rather than paying for board, did their own dirty work, and relied more upon pasture than expensive feed and supplements.

"Look back fifty years and see how horse people did it then," suggests Clarke. "Then get help only when you need it, or take semi-private or group lessons. These adjustments

may hit trainers, but offering these things may save them from losing business altogether."

### CONCLUSION: ON A POSITIVE NOTE

No one likes to dwell on a down economy and a tight budget, but its lasting impact may turn out to be a positive one. All in all, it's a great time for horse owners to discover new opportunities.

"You may not be dead in the water," said Toby. "There will be opportunities that some people are not thinking about – you just have to identify them. For example, stud fees are down, which is a downside for stallion owners, but it's creating openings for others who still have some expendable income and who could not afford them previously."

Toby also anticipates a trend toward more bartering, rather than spending; Clarke suggests horse owners become more self-sufficient, and that small farm owners pool their resources.

Get creative, try new things, and find out what works for you and your wallet.