

# YOUR FIRST \$100,000 – HOW TO GET STARTED

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Cameron and Nicola van Dorsten<sup>4</sup>

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## Summary

The New Zealand dairy industry offers a wonderful career path and lifestyle opportunity, as well the ability to grow significant equity over time. All you need to do to get started towards your first \$100,000 is to decide to take the well proven pathway trodden by many people before you:

- Start saving – develop the habits of a saver and curb the spender.
  - Develop a personal budget to monitor your income, expenses and savings target.
  - Decide how much you can save each week or fortnight and get this direct credited into a savings account before you are tempted to spend it.
  - Don't use credit cards, unless you can pay off your credit card in full each month, and avoid hire purchase (HP).
- Become very employable - build your knowledge, skills and experience to be able to take on greater responsibility levels – therefore increasing your earning and savings capability.
- Develop a genuine great character - go that extra mile and build your reputation so that employers and others in your network look for opportunities to help you progress.
- Build a great team of support around you – trusted advisors, a mentor, respected farmers.
- Get very good at finding and evaluating opportunities, and making good decisions.

Even in a challenging economic climate it is possible for those on wages and salary to progress by focusing on the points above. Focus on saving and building your abilities, rather than rushing to move into a variable order or herd owning sharemilking or equity partnership position. Pressure and exposure to the economic climate increases as you move into operating your own business.

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Notes:

For further detail, visit [dairynz.co.nz/wealthcreation](http://dairynz.co.nz/wealthcreation) and read Lynaire Ryan's Steps to Wealth Creation article.

## Introduction

In this session, three farm business owners share how they have taken different paths to put together their first \$100,000 and now own their own herds. They have three very different stories:

- Egbert followed the traditional path of saving hard as soon as he starting working
- Vanessa and Bryden worked hard but spent their money until discovering financial goal setting
- Nicola and Cameron had to rebuild after their first venture didn't work out, and then found an opportunity to lease a farm, rather than go 50:50 sharemilking.

Their stories are summarised in this paper, and will be discussed in more detail during the session.

### ***Egbert Koning***

Egbert is from a non-farming family in The Netherlands. His partner, Rinny, is studying nursing in The Netherlands. Egbert came to New Zealand, as part of his university degree work experience requirements and was welcomed back as a herd manager upon completing his study. His dedicated work ethic meant that he was able to move up the responsibility ladder from herd manager, to manager, to Variable Order Sharemilker (VOSM).



Egbert saved his increasing income very well, and developed the skills to buy calves and subsequently lease them out as milking cows. He accumulated \$100,000 within four to five years of settling in New Zealand. Making the most of the very high milk price year, and being prepared to buy a herd primarily of heifers, Egbert was then able to step into Herd Owning Sharemilking (HOSM). Over eight years of farming, including this downturn, Egbert has accumulated \$400,000 (Figure 1).

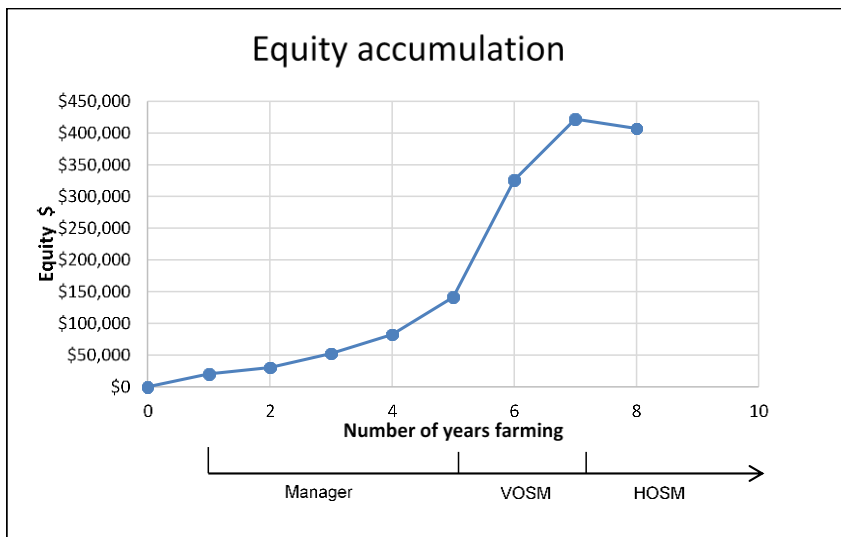


Figure 1 - Equity accumulation for Egbert Koning

### *Key messages from Egbert*

- Know what you want – after two years in the industry, I determined to go as fast as I could to get to 50:50. Farm ownership is my goal.
- Be prepared to work hard.
- Save a high proportion of your income and spend carefully.
- Be prepared to buy stock and buy good stock.
- Keep eyes and ears open for opportunities, and also ask other people.
- It is possible to start with nothing, or no farming background, and progress through the industry.

### *Managing this tough economic climate*

- This has been a very challenging year - examine all expenditure.
- Be prepared to work hard, but also try to work smarter.
- I am thankful for a lot of support from the farm owners in this difficult payout year.

### *Where to for the future?*

- Farm ownership is my goal.

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## ***Bryden and Vanessa Rufford***

Bryden and Vanessa Rufford were both great at earning money from a young age, 13 and 16 respectively. However neither thought of planning or saving for the future. The money was used to live the good life with nice clothes, possessions and travel. This all changed dramatically, thanks to a great employer and when attending a course at 23 years old. They were asked about their saving and financial goals, which were non-existent.



Making the most of their double income, \$22,000 hire purchase (HP) was paid off in one year and they became debt free. Within the next four years, the Ruffords put together their first \$100,000 through saving, receiving 10 heifers as part of their salary package for three years, and when they went VOSM they were able to have their own cows in the herd, generating replacements. Now, eight years since making their significant decision to set some financial goals, the Ruffords have gone onto herd ownership, had three children, and have \$350,000 in equity (Figure 2).

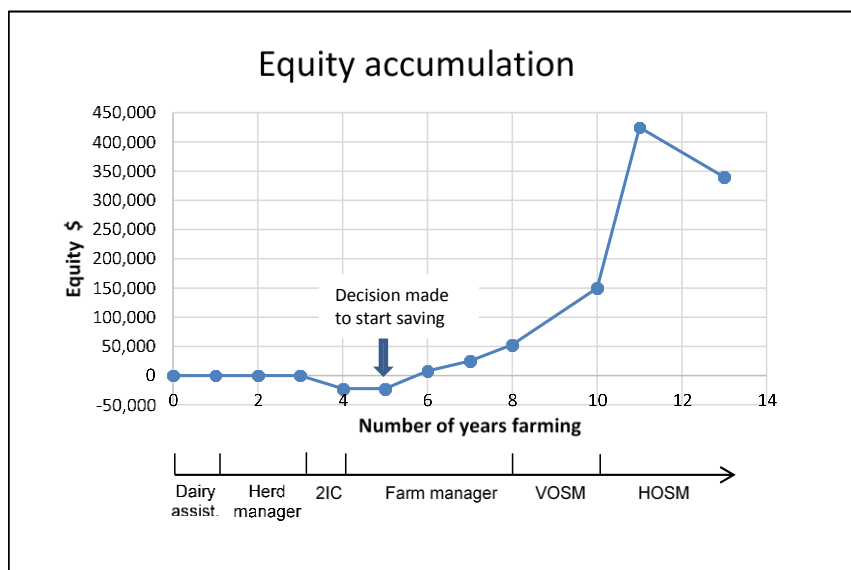


Figure 1 - Equity accumulation for Bryden and Vanessa Rufford

### *Key messages from Bryden and Vanessa*

- Cash is King.
  - Get saving sooner – don't miss the opportunity. Initially we worked to live – saving had never occurred to us despite a good combined income.
  - Focus on paying cash for things – avoid HP and credit card as much as possible – and pay off debt as quickly as possible.

- Forced savings such as being given some of your salary in heifers is a real bonus – earning money you can't spend.
- Build your reputation and be prepared to get out there – entering the Dairy Industry Awards was torture but we were determined to get our names out there. We wanted to be known as good employees to attract good employers.
- Further education e.g. Diploma in Agribusiness – set us in good stead with the bank and in discussions with the accountant. We learnt to decipher financial information.
- Supportive farmer owners are amazing.

*Managing this tough economic climate*

- Plan and then plan again. Make sure there are no surprises.
  - Do budgets, talk to the bank, talk to your accountant, minimise surprises.
- DairyNZ Tactics host farmer – focus on profit and justify all expenditure. Is this going to make us money? Make different choices, e.g. once a day milking to get cows cycling rather than veterinary treatment. Some things are non-negotiable and must continue.
- Family holiday – camping by the river at the neighbours, rather than travelling away.

*Where to for the future?*

- Farm owners by the time we are 40, owning a 500 to 600 cow farm.
- Travel Europe.
- Have some diversification or side-line income.
- Holiday house by the water.
- Work towards the future but also live our lives – not work and work until we are 60.

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**Cameron and Nicola van Dorsten**



Cameron and Nicola van Dorsten are from a farming background in the North Island. Cameron and Nicola moved to an equity manager position in Southland. Due to circumstances outside of their control the partnership dissolved after one season. This set them back a little, so rebuilding, they took on a managing role for one year then stepped forward into VOSM and built \$200,000 of equity over three years.



Cameron and Nicola were looking for a HOSM position for their next step.

They found an opportunity to either lease the farm or take a 50:50 role. Leasing the 300 cow farm was the preferable option as they wanted to have full control over all decisions made in their business. Over the three years on the lease farm they have experienced one great year, followed by two tough years of income, which on average has allowed them to step forward into a 600 cow HOSM position. Over seven years since having to rebuild, Cam and Nicola have had two children, and have put together \$400,000 (Figure 3).

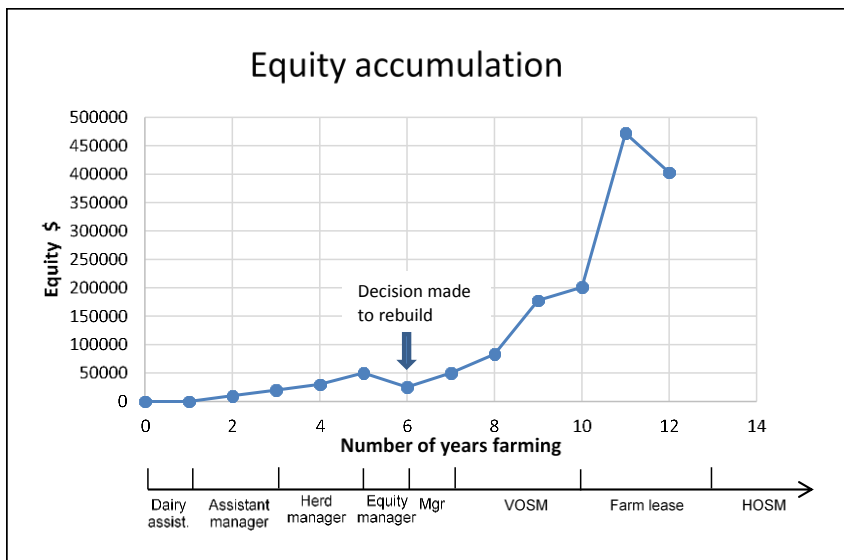


Figure 1 - Equity accumulation for Cameron and Nicola van Dorsten

*Key messages from Cameron and Nicola*

- Start saving and don't use HP – if you can't afford it, why buy it?
- Set goals – both long and short term. Within the farming operation on areas we want to improve, e.g. 6 week in calf rate, somatic cell count. Business goals changed as we grew – e.g. savings targets, obtaining a managing job by age 23, strict cost control goals, e.g. FWE, farm ownership within three years.
- Setting our business vision. At the beginning of the 2013/14 season we attended Mark and Measure and this cemented where we wanted to go in life with farming
- Explore a wide range of opportunities within your core business - don't limit yourself. Use budgets and pros and cons to consider all opportunities. When we are looking at different opportunities we do multiple budgets running different scenarios through. This enables clarity and demonstrates we have explored most options.
- Evaluate the opportunity well – look for supportive owners, a farm with good infrastructure which allows low FWE, and the right team behind you.
- Form a great network and team - accountant, bank manager, key farmers and mentors. This was a pivotal aspect of our farming business. The knowledge, guidance and understanding of the dairy industry really helped us with direction and purpose.
- Keep developing your business, staff and self. We believe you are not going anywhere if you are not learning.
- No regrets: You can't look back at the “what if's” and dwell on it. You have to look at them and learn from what you have done, what you could have done better and apply that to your decision making in the future.

*Managing this tough economic climate*

- It is stressful, but control what you can – focus on budgets, minimising FWE, set farm goals and maximise farm management skills.
- Avoid looking at what could have been e.g. what payout might have been.

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*Where to for the future?*

- Farm ownership with 400 cows in six years.
- Build equity – consider opportunities, maybe some diversification.
- Achieve work life balance with time for family and friends.

### **Side note for employers, mentors or consultants**

Your guidance can have a huge impact in helping employees get started financially. Consider asking if they have a savings plan or assisting with evaluating opportunities, offering heifers as part of the salary package or for purchase at slightly discounted rates, or suggesting setting up a direct credit to a savings account. Supportive owners or helpful mentors have helped open up opportunities for employees or young business owners to grow their equity.

**You have a great opportunity NOW to build for your future.**

**Save and learn.**

**Build your knowledge, skills, interests, networks and ability to find opportunities.**