

## Planning and Budgeting for New or Replacement Tools by Esco Buff, PhD, APF, CF

Budgeting is an important part of running a successful business, especially a farrier business. Developing a working business budget probably doesn't rank very high on the list of activities farriers would choose to engage in during their spare time. In fact, many farriers might consider this task to be a chore, not a choice. That mindset can lead to many financial problems. Many farriers do not plan or follow a budget. When they desire or need something, they purchase it. The problem with not having a written out budget is there is no pre-planning given to things like determining what to charge, incorporating tool and equipment replacement expenses and other costs.

Part of the price you charge for your service should incorporate planned equipment or tool replacement costs. Budgeting and planning for replacing equipment before it is obsolete or unable to be used is not a complicated process but can be a daunting challenge. The easiest way to do determine how much you need to save in order to successfully purchase new or replacement equipment without straining your finances is to follow the following steps.

1. Put your budgeting plan into writing. This will create a measurement tool against which you can monitor your savings progress and create a checklist to ensure thoroughness in the process.

2. Determine what tools or equipment **NEED** to be replaced on a yearly basis, what is the cost to replace, and how often or when do they need to be replaced. Try and plan for increased costs over the year.

For example:

Rasps – \$20 each - once a week x 50 a year (number of weeks this example farrier works in a year) = \$1,000.

Nippers - \$120 – once a year = \$120.

Hoof Knife - \$55 – every 6 months x 2 = \$110.

For a **TOTAL** of \$1,230.

2. Determine what tools or equipment you would like or **DESIRE** to purchase new this coming year and what the cost is. Remember to plan for increased costs over the year.

For example:

Half Round Nippers - \$200

Hoof Testers - \$80

Shoeing Box - \$200

Pad Cutter - \$280

For a TOTAL of \$760.

3. Determine the total equipment and tool replacement costs and determine how much per week you will need to set aside into a separate savings account or cash stash envelop.

For example:  $\$1,230 + \$760 = \$1,990$  for the year  $\div 50$  weeks (number of weeks this example farrier works in a year) =  $\$39.80$  per week.

4. Document the depositing and withdrawing of cash out of this account so you can monitor you budget. Check your savings budget each week to ensure you are reaching your financial goals. If your actual replacement tool expenditures are exceeding what was budgeted, you will need to make adjustments.

You can see from the above example, \$39.80 is not a lot of money to set aside each week for replacement or new tool and equipment. The problem is getting in the habit of setting aside the money and depositing it into a separate savings account or cash stash envelope so it is not accidentally spent on other items.

I personally recommend finding a bank to put your savings into. Money out of sight is also money out of mind, especially if you are trying to build savings for a larger tool or equipment purchases, such as a mobile farrier shop. Choose a bank with no monthly fees and offers incentives with savings plans. .

It is also important that you **don't** consider your tool and equipment replacement budget as cast in concrete. It is a working savings plan, so you may have to modify it when the need arises. Having an actual working budgeting plan will help you better stick to your financial plans as well as give you a better or more realistic understanding of how much actual money you spend to replace or buy equipment and tools in order to conduct your farrier business. Knowing how much you

actually spend on replacing or buying new equipment will help you decide if you need to increase your service charges to cover for these purchases.