



Do you remember doing your first financial statement? I remember mine. I just graduated from college, was trying to establish financial goals, and needed a starting point. After

compiling my assets and liabilities, I glanced down at my net worth and remember saying to myself, "Wow! I have my work cut out for me." Like with anything in life, you need to start with honesty and accuracy. If you're not completely honest with yourself, you can't achieve the potential end results.

Now I was determined to improve my financial situation. Who would have thought paying for college and a car was so expensive? I budgeted, began retiring debt at an accelerated pace, and started building a savings account for a down payment on my first house. A year later I completed another financial statement and saw some significant changes. The difference between the net worth on the first and second statements is what we refer to as your *earned change* for the year.

All of our lenders at UBI not only prepare financial statements for our customers, they also prepare financial trend analysis which shows the comparables and changes from each statement year to year. If done properly, the statement will show how the overall *cash equity* changed in your operation. One of the first things you learn in becoming a lender is a simple phrase. What pays loans? Cash pays loans. The earned change on a trend analysis is a measuring tool many people might overlook. It is a simplistic way to help guide you in your operation to obtain goals and measure your overall equity growth.

Since the key in these equations is measuring the change of cash equity in your overall operation, you will be able to see how things move on your financial statement from one

category to another. You can break assets and liabilities down into three subcategories: currents, intermediates, and long-term. Within a given year, cash will move from one category to another. Sometimes people prefer to adjust the value of certain assets, especially in the machinery and equipment (M&E), and land values categories. When adjustments are made for a *paper change* in value, it can distort the cash equity change that we evaluate when viewing the overall earned change. I'm not saying this is wrong since everyone completes a financial statement a little bit differently. If you want to obtain a *true equity* or *cash change* within your operation, you should look at leaving the paper change consistent from year to year so you can see a more accurate change. If you want to make changes to reflect true market values on your M&E and real estate, it is perfectly acceptable. You will need to remember to adjust those paper changes when comparing your current financial statement to the previous year. This will reflect an accurate earned change.

At times throughout the year, people ask me how they compare to other operations. It's hard to compare apples to apples with others, however your earned change is one way to self evaluate or obtain a personalized report card on the health of your financial strength.

As you read this article, please remember the staff at UBI is focused on creating and maintaining personalized relationships with our customers. Part of what we do is to help coach and guide individuals to achieve their financial goals.

Watch for information on a presentation we will be hosting in February on Farm Succession Planning featuring speaker, Dr. Ron Hanson. This topic, along with understanding your earned change, will help guide your farm legacy to future generations.

Jim Friel  
V.P. Regional Branch Manager  
Carroll Office



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## Coming soon - Succession Planning Seminar

Ag customers often ask for advice on how to transfer their family farm operation on to the next generation. Knowing this is very important and requires professional advice, we will be hosting seminars featuring speaker, Dr. Ron Hanson, an expert on this topic. Seminars will be held in Ida Grove, Denison, and Rockwell City in early February.

Watch your mailboxes for more information.