An understanding of the legal ramifications of contracts, agreements, and liabilities is integral to running your alpaca business. Alpaca breeder and attorney Daryl W. Goodrich helps to demystify these often complex legalities.

Daryl W. Goodrich, Esq.

) until a civil action between Buyer and Seller shall have been resolved in a Court of competent jurisdiction; or (3) in the alternative, Closing Compa
in its sole discretion, commence a civil action to interplead, or, interplead in any existing civil action, any documents, monies or other things of va
ved by Closing Company. Such deposit with the Court shall

Legal Lingo for the Layperson

Financial Independence with Alpacas

My years in the legal field focused heavily on buying and selling businesses for my corporate employer. While the legal and accounting aspects were challenging, meeting the business owners and walking through the many varied manufacturing and office facilities profoundly changed my life.

I saw business owners with cars provided by their companies, lavish offices, freedom to pick the projects on which they worked, and the ability to come and go as they pleased. Employees, on the other hand, had their own cars, small or shared offices, assigned jobs, and definite work hours. Owners had greater financial independence and security than their employees. The business owner characteristics appealed to me.

Owners and Employees

I found it curious how some people become employees and others become owners. My experience assured me that the outcome is not a conscious choice. As a child, my employment destiny was set by the implicit expectations of my formal education and parents. I was never given an owner/employee choice nor was I aware of the owner option. I then wondered if wealth, education, personality, or luck would help explain the outcome.

Over the years, I spoke with many owners and employees. My conversations were focused on uncovering how people think about and understand money and their relationship to it. Frequently, I attempted to assemble the seemingly random conversation pieces into patterns. After several years, the puzzle began to take shape. It showed several important principles.

The two groups see the money attainment process differently. Employees work for money. Owners make money work for them. The employee money attainment process is merely working for others. The owner money attainment process is developing and implementing a business plan. This plan is a structure of investments designed to generate money. Examples of these investments are apartment buildings and manufacturing businesses. Plans frequently include employing others as employees or independent contractors. And money is produced even when the owner is not even working.

Two Groups, Two Views

These two groups also see the money expenditure process differently. They tend to buy different kinds of assets when investing their money. This difference arises from how the nature of the asset fits into their respective money attainment process.

Net worth statements are the same for both owners and employees. Homes, cars, apartment buildings, and manufacturing businesses, if any, are listed as assets. That is because they are all property with value. This is accounting, though. Their actual nature is quite different.

Homes and cars have expenses such as maintenance costs, energy bills, loan payments, and insurance premiums. These things do not generate money. On the other hand, apartments and businesses have similar expenses, yet they generate money. Owners buy apartments and businesses because they are the means to making money work for them. These are true assets in the owners' eyes. They see homes and cars more as liabilities because these have expenses without income.

Employees see homes, cars, apartments, and businesses all as assets since they have value. They do not buy apartments and businesses because employees already have jobs for income. Employees buy homes and cars as a result of believing value is wealth.

Investing in assets such as homes and cars, however, gives a false sense of wealth. One can have a big net worth and a big paycheck but due to these assets acting as liabilities, there may be no discretionary income left after paying bills.

There is also another difference between the two groups in the money expenditure process. An owner tends not to increase his expenditures for assets acting as liabilities and for consumer goods unless he can increase his income. An employee, on the other hand, is more likely to increase these expenditures simply if he can find more credit on his credit cards or home equity loan.

Employees make their lives harder by buying these things that do not generate money to build wealth or fill emotional desires. While the goals may seem worthwhile, they rarely justify the resulting debt increase that pushes employees to work harder and harder.

While owners and employees may start out economically even, over time their positions become very different. When money works for owners, they are in charge of their money stream and it flows to them, largely regardless of how much they work. Also, debts do not push owners to work harder and harder since debts are paid out of existing income.

When employees work for money, their income stream slows down if they slow down. In fact, their income stream can abruptly stop if their jobs are taken away. Employees are forced by the very things they buy to work harder and harder to meet the growing debt load of their asset investments and consumer goods purchases. Also, as they get tied to more and more bills and debt, the negative impact of job loss increases along with stress.

It is not an accident that owners generally have greater financial independence and security than employees. The above-discussed owner and employee money processes breed this distinct difference. "But how," I then pondered, "do people end up as an owner or as an employee?"

Reviewing my years of informal business conversations revealed another principle. It is a pipeline or assembly line explanation. The line starts with learning the necessary social and technical skills. It continues with learning about the owner/employee money process, then executing the process. It ends with being an owner or employee, depending on which assembly line or pipeline is followed.

I was in the employee pipeline. Life said I needed money to live. My parents and formal education told me I needed education to learn skills that would land me a job so I could earn the money life required. I never chose that pipeline. Rather, I was cast into it. I would have selected the owner pipeline if given a choice.

This is just how life deals the cards. My dad was an electronics research engineer working his entire career for RCA. If my dad were an owner, I likely would have been in the owner pipeline. As we become worldlier, however, the other pipeline and chances to jump to it may come into view. But beware! Human nature may block jumping to the owner pipeline.

Emotions can prevent execution of the owner money process, trapping you in the employee pipeline. Acting in reaction to one's emotions may be human nature, but owner actions are not reactive. They are carefully thought out. To jump, you must overcome emotions and act as an owner.

The Anxiety Factor

Fear tends to push one to the immediate income stream of employment.

The two groups – owners and employees – see the money expenditure process differently. They tend to buy different kinds of assets when investing their money. This difference arises from how the nature of the asset fits into their respective money attainment process.

The fastest way to allay fear of having no money is to get a job. Employee paychecks follow work like night after the day. These emotions can also tend to steer one away from apartment rent streams, for example. Rent streams are influenced by many uncontrollable variables and thus are less certain than paychecks. Careful thought leads would-be owners to apartment and business type income streams.

Build From Investing

The emotional urge for possessions believed to bring happiness or self-esteem causes income to be spent on such things as fancy automobiles and expensive homes. Their liability nature demands the immediate income stream of employment and a paycheck. Incurring debts before allowing income to pay for them, does not allow time for income to build from investing in owner true assets. Owners only buy assets acting as liabilities, out of existing income streams.

Also, buying in reaction to this emotional urge for possessions can get more frequent and extreme, due to the expected happiness and self-esteem outcomes being non-enduring. Soon, piling bills and growing debts drive employees to more and more work. Avoiding reactive behavior diverts would-be owners away from being controlled by such debt.

Much earlier, I intuitively understood what my observations articulated. They served as reassurance that I was jumping to the right pipeline. While employed, my wife and I purchased several multi-family rental houses. A while later, I retired from the day-to-day practice of law. My wife and I then managed our rental property business. By the mid 1990's, we had built sufficient equity to do something else and decided to sell. We then looked for another money working for us opportunity. Alpacas caught our interest. We quickly recognized that they were owner true assets.

I still think in terms of apartment buildings. Our female alpacas are just like multifamily rental housing. People pay money for our females' crias like tenants pay rent for apartments. The Internal Revenue Code lets us shelter our income by depreciating breeding females similar to real estate rental housing.

Alpacas are not abusive to our land or buildings. They do not stop paying rent, lose their door key or make noise at 2 a.m., causing neighbors to complain. There are no leaky toilets, and no refrigerator or appliance failures. Financial independence and security without people and building problems are the alpaca way. Alpacas are definitely a step up for us.

Daryl W. Goodrich is a New Jersey attorney who spent many years as in-house counsel for Fortune 500 companies General Electric Company and Kidde, Inc. He and his family now own and manage Angel Wood Alpaca Farm, LLC in Hackettstown, NJ. They strive to assist breeders in reaching their alpaca goals. Daryl can be reached via e-mail at daryl@angelwoodalpacas.com or by phone at (908) 852-7204.