Selling the Game:

Becoming an Owner—Achieving Your Dream by Having a Plan, Setting Goals and Keeping a Budget

Careful forethought, realistic expectations and fiscal responsibility can help make you a more successful owner

By Fred Taylor Jr.

This is part five of Selling the Game, a series of articles about the excitement of Thoroughbred racehorse ownership and how to attract new owners, by Fred Taylor Jr. He is the founder and managing partner of Mojo Thoroughbred Holdings LLC, which operates Mojo Racing Partners offering affordable opportunities for newcomers and veterans to become involved in Thoroughbred ownership. Taylor serves as a liaison to the Department of Transportation for a major airline and is a former recipient of the Texas Thoroughbred Association's Allen Bogan Memorial Award for member of the year. If you missed a previous installment, you can find past issues of American Racehorse at americanracehorse.com.

Hello,* American Racehorse *readers! Now is an exciting time to be or become a racehorse owner. The first Triple Crown winner in 37 years captured the hearts of racing fans like a long-lost dream come true. What once seemed so difficult to achieve in the modern racing world finally happened and along with it came proof that the impossible is actually possible when the right circumstances come together at the right moment. In the first four articles in this series, we discussed the dreams and desires horse racing inspires, as well as the fundamental elements of owning and training racehorses. For the next two articles, we're going to explore the components for developing a strategy to help make your ownership experience a success and hopefully your dreams come true.

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Having a Plan

Whether you've been in the horse racing business for years, or you're ready to participate in your first racehorse venture, it's important to not only understand how the sport works but also that you need to have a reasonable plan that can help provide the best possible experience.

In previous articles, my objectives were to help you understand the sport from an insider's point of view. I explained the types of ownership, the costs to participate, the types of training and the racing process. Now, I want to provide you with some general guidance to help you think about developing a strategy that can take you from being a spectator or fan to actually owning a racehorse.

You Need a Strategy

A strategy defines what you are going to do, who's going to be involved, how much you are going to invest or spend to make it happen and when you are going to do it. In a nutshell, a strategy spells out in four steps how you are going to do something.

A strategy is essentially your business plan. Some business plans are informal—I'm going to claim a racehorse at Oaklawn; Jack Lucky is going to be my trainer; I'm going spend $15,000 to claim the horse and $3,000 a month on training and vet care; and I'm going to do this at the end of the Oaklawn meet to race the horse at the upcoming Lone Star Park meet. This is a pretty straightforward plan that clearly defines the owner's intentions.

Some business plans relay the same intentions as the one above, but the strategy is more complex—especially if two or more people are involved because the structure of the entity becomes more dynamic when considering distribution of costs, revenues and personal interests. Even a general partnership requires some basic documentation that outlines the agreement for banking and tax purposes. If you are considering forming a partnership or LLC that involves multiple partners and different levels of participation, capital contributions and management decisions, then it's best to draft a formal business plan (or articles of incorporation) that is reviewed by an attorney and a CPA, as well as a tax expert. Once the plan is agreed upon, the participants need to sign an agreement to make it binding.

If your strategy is to join a racing group and follow its racing plans, then you need to know your obligations (costs and length of commitment), as well as what is being promised in return (access, experience and distributions). If a racing group's business strategy (the terms and conditions for participation) isn't specifically outlined in plain English, then it's in your best interest to look at another entity that offers a clear vision of what it intends to do.

Make It Reasonable

Some people are ambitious, have deep pockets and possess the ability to absorb significant losses over the years before their dream comes true. Some people make a medium-sized investment and strike gold on their first attempt. And, some people take part while operating on a shoestring budget, meticulously managing their money and enjoying the different aspects of the experience along the way.

Once you are aware of the different ownership structures and the costs and processes to keep racehorses in training, then you know what you can afford. If you decide being a sole owner isn't for you, you can choose other practical options such as participating in a racing group or starting a partnership or LLC where the costs are divided among the participants.

The key to any of these options is knowing what's right for you and sticking with it.

Get Right With Racing

It may seem like a gospel saying, but it's very true about being an owner: If you ain't right with racing, you can't be right with ownership.

To be an owner at any level requires a certain amount of commitment and prioritization and having a mindset that allows you to accept the reality of horse racing itself—and that includes both the highs and lows. To put it another way, the beauty of the ownership experience isn't the illusion of living in a dream state, it's the satisfaction of that dream coming true based on all of the effort put forth to make it happen.


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In this regard, the plan you come up with and the decisions you make have to be constantly fueled by hope and optimism while at the same time grounded in the reality that there may be (and most likely will be) setbacks. It may take time to realize your dream, and what you do has to be managed by practical objectives. Once you set your expectations based on the realities of the sport, you'll be able to carry on even if your horses aren't running well and you can celebrate when they reach their peak performance at whatever level they race.

Setting Goals

We've all heard the saying: "Rome wasn't built in a day." The same adage applies whether you're trying to figure out if you want to be a sole owner, evaluating different racing groups or creating your own partnership—it takes time to put together an ownership strategy.

Once you have a plan established, the next step is to implement it in stages. To do that, you need to set goals—preferably goals that are "SMART" (Specific, Measurable, Attainable, Reasonable and Timely).

Here's how SMART goals can work for your racehorse ownership plans:

• **Be Specific.** If you were to say, "I want to own a racehorse," I would think that's great, but I wouldn't know how you are going to do that because you weren't very specific about your intentions. But if you told me you want to join a racing group during the current race meet to learn more about the different aspects of ownership so one day you can branch out on your own, then I would have a better understanding of what it is you are trying to achieve. When you set a goal for yourself or your business, make it SMART by defining what it is you are trying to achieve—this not only helps you be clear about your objective, but it will also help others understand what you are doing if you want them to participate in your efforts.

• **Measure Your Results.** You need to be able to evaluate your actions to know if your objectives are successful or not. In this regard, the idea is to have some sort of hard numbers to quantify the result (e.g., only spend $10,000 or earn enough purse money to offset training costs). However, being measurable doesn't always require having a specific set of data to know if you are being productive. You can measure your success if your goal is to acquire a racehorse at a particular sale, bring on a couple of partners or join a group. Either way (data-driven or task-specific), in order for a goal to be SMART, it needs to demonstrate a predetermined personal action. Otherwise, it would just be a passive intention that's meaningless to what you ultimately want to achieve.

• **Can You Actually Do It?** Winning the Kentucky Derby is the pinnacle of success in this sport, but you have to ask yourself if it is attainable based on your present position. The best way to evaluate whether your goals are SMART in this regard is by considering a series of questions: Are you putting the right resources, people and bloodstock in place to make it happen? Is what you are proposing reasonable for your, your racing group's or your partners' budget?

What are the hurdles or pitfalls that would keep you from attaining your goal and can you overcome those types of setbacks?

• **A Better Alternative.** Doing things on a whim is exciting, but you might find yourself accusing your spouse, friend or business partner of "spoiling the fun" when they ask a simple question about your spontaneous decision: Does it make sense? In other words, they want to know if your idea is realistic and reasonable. This part of the SMART check tests the practicality of your plan. It also encourages you to think about other options that can help you realize some level of success quicker and still be equally fulfilling while you are working toward your ultimate objective. Maybe taking on the burden of owning a racehorse outright isn't doable right now, but being part of a racing group might be more practical because it's affordable and fun.

• **When Will You Get It Done?** The last part of a SMART goal is establishing a time frame in which you will achieve it. Having a deadline keeps you on task and forces you to think about and do all that you can to make it happen (within reason, of course). Deadlines can be as narrow or wide as you want them to be. Working within a set time frame can help you think outside the box and come up with ideas you might not otherwise consider if you had more time to dwell on a set path. The most effective goals are those set quarterly, but depending on the size of your task and the stage of development, it may make more sense to try to achieve a result every six months or more. That being said, the more you can divide your objective into smaller, time-driven tasks, the more likely it is you'll achieve ultimate success.

Keeping a Budget

Cost is one of the main determining factors of whether you decide to become an owner or not. As discussed in the third article of this series, the overall cost of ownership is made up of bloodstock acquisition, training and racing expenses, vet care and administrative expenses.

By being aware of the costs of racehorse ownership, you can then determine what you can afford and at what level you are willing to participate. Once you determine your level of participation, you should establish a budget to cover your costs over a set period of time.

The three most important considerations for setting a budget are determining how long you can afford to participate, having a reserve and sticking to your budget.

Capital Longevity

The amount of money you should plan to spend depends on how long your horses are expected to race. On average, the racing tenure for most Thoroughbreds is two to three years. After that, a small percentage of colts become stallions (based on their pedigree and racing success), many fillies become broodmares and the majority of colts and geldings are transitioned from racing to other careers such as hunter/jumper, polo and eventing.

Young Thoroughbreds (yearlings and 2-year-olds) can be in a race group for several years if they stay healthy and sound. You should be prepared to cover your portion of the ownership costs for at least a year or two unless the terms of the agreement in your group or partnership stipulate an exit opportunity.

Depending on their ability, older racehorses may only be competitive up to 5 years old. That being said, some veteran geldings run well at ages 7 and 8, and even beyond. To this end, it's important to know the age and racing campaign for the individual that is being considered for or already part of the group's bloodstock.

Contingency Planning

Despite their tremendous size, Thoroughbreds are lean and rather fragile animals. Because they are bred for speed, they are also "high-strung" animals. Their unique physique and sometimes skittish behavior requires careful management to keep them in proper balance.

Accidents and injuries happen that require additional veterinary treatments, surgery and care before the horse can return to racing. When a racehorse needs time off, all of the time and effort put in up to that point is essentially lost and will have to be restarted once the horse returns to training.

To allow for unexpected veterinary costs, it's a good idea to set aside three to six months of budgeted training/vet care as a reserve. This is like having a self-insured major-medical or disability plan for your horse (or yourself if you are in a partnership). If you decide to not do it up front, then you should at least be prepared to pay your portion of the additional costs if extra veterinary care is required.

Budget Stick-to-itiveness

Sticking to the budget you've created should be an important consideration regardless, but this is especially true if you decide to purchase bloodstock from an auction. Thoroughbred auctions are exciting and enticing. It's easy to get caught up and carried away by the thrill and enthusiasm of buying your racehorse. For every horse that enters the ring, the auctioneer generates a buying rhythm with his yodeling cadence, and bid spotters detect the signals from the buyers gathered around and then belt out their acceptance of the current price—which is announced in single numbers (two, five, seven…). When shortened up, the actual prices ($22,000, $55,000, $107,000) don't seem to be as large as they are in reality, so be mindful.

In the next article, we'll examine the elements of a strategy for selecting bloodstock from a sale and why that is important in preserving funds to cover training and other expenses.