



Spring 2021

from CBI Bank & Trust

Message from our Bank President

CBI Bank & Trust and our sister bank, F&M Bank based in Galesburg, Illinois, were combined into a single organization on Friday, February 5, 2021. We continue to operate under the CBI Bank & Trust name, while the current locations of F&M Bank operate as “F&M Bank, Division of CBI Bank & Trust.”

Our customers are now able to transact business at any of our ten locations in Iowa: Muscatine, Davenport, Coralville, Kalona, Washington, Walcott, and Wilton; and six locations in Illinois: Buffalo Prairie, Galesburg, Brimfield, and Peoria.

Our banking organization has \$1.1 billion in combined assets with more than \$160 million in agricultural loans for farmland, equipment, livestock and farm operations. Our geographic reach covers nearly 3,300 square miles in eastern Iowa and west-central Illinois with a combined legal lending limit of more than \$20 million.

CBI Bank & Trust is committed to meeting the financial needs of our ag customers. Our team of advisors extends beyond lenders to cash managers, and financial and estate planners. We are here to help farmers grow and prosper. Whether you need financing for daily operations or to fund growth and expansion, we have loans and programs that can help.

We're excited by the new convenience and enhanced banking resources that our organization now offers. Thank you for your loyalty and business!

Sincerely,

Robert J. Howard
President, Iowa Division
CBI Bank & Trust



Bob Howard

Fraud Protection Services



With today's sophisticated computers, printers and scanners it is very easy for criminals to create unauthorized items. Our fraud protection services can help you to catch fraud earlier helping to reduce the opportunity for the money to leave your account. This is especially important for farmers who are often busy around the farm and in the fields.

Positive Pay (Checks)

Our Positive Pay system is available through the Business Online Banking system. Adding Positive Pay to your account can help detect fraud early by:

- Catching duplicate items before they can clear your account.
- Discovering mismatched/altered dollar amounts.
- Flagging checks with numbers outside your current check series.

How does Positive Pay work?

- Once you create/write a check, you will upload the check issue file into our online banking Positive Pay system.
- As checks are presented to the bank, they will be matched against your written check list.
- If a presented item isn't recognized by dollar amount or the check number, that item will be considered suspicious and will require a “pay” or “no pay” decision.

continued on next page

ACH Fraud Block and Filter (Electronic Debits)

An ACH Block and Filter is an electronic fraud protection tool designed to protect your account from unauthorized electronic debits.

- ACH Fraud Block: Add this to an account that should never have any ACH items (electronic debits). Easily place an all-debit block and prohibit any electronic debits from automatically posting to your account.
- ACH Fraud Filter: Add this to an account that allows

preauthorized debits such as insurance premiums, utility bills, but filters unauthorized debits and provides a list for you to review and approve.

How does ACH Fraud Filter work?

- You provide the bank with a list of approved ACH companies.
- ACH Filter service automatically filters out unwanted ACH transactions and accepts only authorized ACH debits.

Trusts as an Estate Planning Tool



A trust is a very useful and flexible tool for estate planning, yet it is probably the most underused estate management technique. A trust is an artificial entity, something like a corporation, created by a document or instrument.

A trust requires four basic elements – trustee, trust property, trust document, and known or discernible beneficiaries. The trust document specifies the rules of operation for the trust, the powers of the trustee, the beneficiaries to share in the income and principal from the trust, and instructions for distribution of the trust property.

How is a Trust Created?

A trust is created by means of a legal document known as a **trust agreement**. A person who creates a trust may legally be referred to as a **grantor, settler, or trustor**.

Beneficiaries of the trust are also named in the trust agreement and may include the individual who established the trust, spouse, relatives, friends, churches, and/or charities.

How is a Trust Funded?

An individual who creates a trust must take steps to change the title of ownership for each asset that will be placed in the trust from the individual's name to the name of the trust. This process is known as **funding the trust**.

Who Manages the Trust?

Trust assets are managed by a **trustee**, according to the instructions contained in the trust document. The trustee can be the person who set up the trust (the grantor), or a corporate entity (bank or trust company), another family member, friend, or a combination of these.

What does it Cost to Establish and Maintain a Trust?

Trusts are sometimes promoted as a tool to avoid the costs

of the probate process. However, the costs to establish a trust will likely exceed the costs of drafting a will. Note also that while trust assets are not included in a probate process, when the property is transferred to and titled in the trust, there are fees related to trust management and administration.

Do I Need a Trust?

Trusts are a tool in the estate planning toolbox, but are not necessary for everyone. The process of estate planning involves an evaluation of whether a trust is useful in particular circumstances.

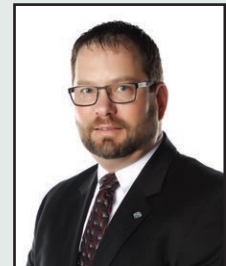
What are the Main Types of Trusts?

The two main types of trusts are **living** (or inter-vivos) trusts and **testamentary** trusts. A testamentary trust is established in a will and comes into being at the time of death under certain circumstances. A living trust is established by a living person and there are two main types of living trusts: **revocable** and **irrevocable**.

Other Common Types of Trusts

- Credit Shelter Trust (Bypass Trust or Family Trust)
- Generation-Skipping Trust (Dynasty Trust)
- Qualified Personal Residence Trust
- Irrevocable Life Insurance Trust
- Crummey Trust
- Qualified Terminal Interest Property Trust
- Special Needs Trust
- Charitable Remainder Trust

For questions regarding trusts as an estate planning tool, please contact Jon Holthe at (563) 262-3124.



*Jonathan D. Holthe
Senior Vice
President & Senior
Trust Officer*

Nondeposit investment products available through our Trust Department: • Are Not FDIC Insured • Not Bank Guaranteed • May Lose Value • Not a Deposit • Not Insured by Any Federal Government Agency

Could 2021 Net Farm Income Really Drop? Here's Why USDA's First Forecast May Be Too Low

In early February, the USDA released its first net farm income forecast this year. The initial look showed farm income could fall 8%, which would be a \$10 billion drop from 2020.

However, the net farm income story this year is far from over. Much of USDA's projected drop is counting on little to no government payments this year. And while a lot can still change in 2021, Farmer Mac's chief economist says history shows USDA's initial look at net farm income is typically too low.

"If you go back and you look at prior years of USDA forecasts, we find its on average about 13% too low," says Jackson Takach with Farmer Mac.

University of Missouri economist Pat Westhoff says coming off a year where 40% of the net farm income picture was made up of government payments, the projected drop for 2021 isn't a surprise.

"For the most part it seemed to confirm what we were expecting to see," says Westhoff, director of the University of Missouri Food and Agricultural Policy Research Institute (FAPRI).

Westhoff says even without government payments, the picture for 2021 shows improving commodity prices will help farm income this year.

"The very sharp drop in government payments does result in a modest decline there from 2021," says Westhoff. "They [USDA] are projecting increased receipts for both crops and livestock. So, that's definitely encouraging."

Takach thinks USDA's projection has room to grow, especially considering commodity prices today versus what USDA has penciled in.

"If you look at the prices that were baked into the February forecast from the USDA, we're in the neighborhood of like a \$3.60 corn price," says Takach. "And we know that right now, the corn prices in the futures markets are up above \$5. There's also that basis, and you have to account for basis, but it's not \$1.40 in basis. So, it's very likely that some of the prices that are being captured by farmers in the first quarter and first half of the year, are going to put some upward pressure on expectations for the year."

As commodity prices climb, so do feed costs, another expense that could impact the overall net farm income picture in 2021.

"Frankly, one area we think USDA is too low is on feed, where they have a modest increase in feed costs projected," says Westhoff. "But given where corn and soybean oil prices are, it's a little surprising they're not showing a larger increase than they are."

As volatility continues to take shape in 2021, Takach still thinks the net farm income picture will improve.

"I do think that we'll see an upward revision coming through when we get to August," says Takach. "The next look is not for another six months. So we have a long wait before we get another look from USDA. And that's when we might see our first upward revision if these commodity prices hold."

Morgan, Tyne. "Could 2021 Net Farm Income Really Drop? Here's Why USDA's First Forecast May Be Too Low." Accessed March 2, 2021. <https://www.farmermac.com/could-2021-net-farm-income-really-drop-heres-why-usdas-first-forecast-may-be-too-low/>

What's the best way to transfer farm equipment to next generation?

There are options available to transfer your equipment to the next generation. Here are some ways to do so:

- 1. Sell outright** – More often than not the cash flow needs of the retiring generation guides us through this process. If the equity in the equipment is needed to pay down farm debt or support your income needs in retirement, then the option of selling the equipment usually comes to the forefront.
- 2. Sell on contract** – Can this tax be spread out over a period of years by selling the equipment on an installment sale? The quick answer is no. This strategy is not favorable for equipment since all income tax recapture on depreciation must be recognized in the first year of the sale, regardless if the equipment is sold outright or on contract terms.
- 3. Gradual transition** – This tends to lead to a discussion about a gradual transition of the equipment over a period of years. When it comes time to trade or update a piece of equipment the incoming generation can bring the boot and own the new implement.
- 4. Lease to own** – A lease to own, or rent to own, may offer another alternative. This concept involves setting up
- 5. Gifting strategies** – Gifting or a combination gift and sale strategy is a consideration for those who don't necessarily need the equity from the equipment to service debt or other needs. Some would rather make a gift of equipment knowing their tax savings will go towards helping the next generation get started. This option may lead to a conversation about fair versus equal among farming and non-farming heirs.
- 6. Entitize** – A more formal way to structure the transition is to put the equipment into an entity such as a limited liability company or corporation. Ownership units of an LLC or stock of a corporation can more easily be transitioned over a period of years by sale, gift, or a combination of both.
- 7. Do nothing** – Oddly enough our current tax laws reward the do nothing approach. The reason being is basis step up and the fact that depreciated farm assets such as grain, machinery, and livestock receive a new basis at death (under current laws). This allows the surviving spouse or next generation to sell these assets with minimal or no tax after receiving this new basis adjustment.

Downey, Mike. "What's the best way to transfer farm equipment to next generation?" Accessed March 30, 2021. <https://www.farmprogress.com/commentary/whats-best-way-transfer-farm-equipment-next-generation>

Our Ag Lending Team

Muscatine, Iowa

Ryan Cox

Vice President,
Ag Banking Manager
(563) 262-3101
ryan.cox@cbibt.com



Washington, Iowa

Matthew Brown

Assistant Vice President
Ag and Commercial
Banking
NMLS#1599478
(319) 653-2265
matthew.brown@cbibt.com



Muscatine, Iowa

Matt Smith

Ag and Commercial Banker
(563) 262-3833
matt.smith@cbibt.com



Walcott, Iowa

Zach Kinrade

Assistant Vice President
Ag and Commercial
Banking
NMLS#1703530
(563) 284-6202
zach.kinrade@cbibt.com



Muscatine, Iowa

Diane Coulter

Business Assistant
(563) 262-3132
diane.coulter@cbibt.com



**Bank at any of our ten locations in Iowa:
Muscatine, Davenport, Coralville, Kalona,
Washington, Walcott, and Wilton; and six
locations in Illinois: Buffalo Prairie,
Galesburg, Brimfield, and Peoria.**



Aim High. Bank Strong.

www.cbibt.com

Connect with us



Member
FDIC