

Midwest Farmowner

News & Information from First Mid Ag Services

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Make Farm Family Estate Tax and Succession Planning a Priority

By: Kenneth C. Baker, J.D., MBA, First Mid Senior Fiduciary Officer

Many family farms are more than a business – they are a legacy built through generations of hard work, sacrifice, family and community contributions and endless days of preparation, planning and prayers, often with the hope of passing them along for future generations to enjoy.

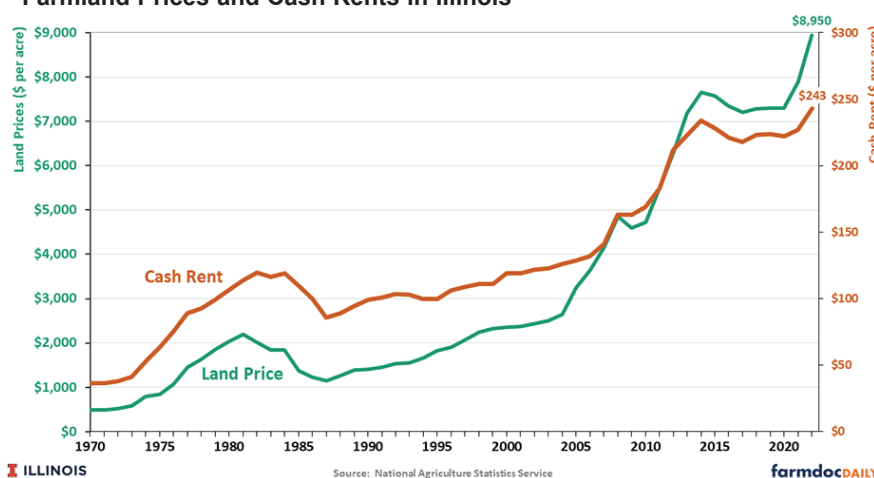
And if you don't have proper estate, tax and succession plans, your legacy goals may not be achieved. Assets may be subject to time-consuming, costly probate administration and subject your assets to creditors and other claims. You may need to liquidate farmland or other assets for tax payments that could have been mitigated. Or assets may pass to unintended beneficiaries, or a family may experience disharmony because of the lack of or poorly executed estate plan.

One of First Mid Wealth Management Company's purposes is to help family farms work through today's challenging tax and land value environment. Estate tax laws are always changing and quite possibly are harder to plan for and rely on than tomorrow's weather prediction.

Current tax laws now allow each person in 2022 to have a \$12.06 million federal estate tax exemption (indexed for inflation through 2025) and a \$4 million Illinois estate tax exemption (not indexed for inflation). This means each estate can be up to \$12.06 million without incurring a federal estate tax and up to \$4 million without incurring an Illinois estate tax. As you can see, Illinois' exemption amount is significantly lower than the federal exemption amount (known as decoupling), which means a person feasibly could avoid having a federal estate tax liability but incur an Illinois estate tax liability. To make tax planning more challenging, the federal exemption amount is set to revert to \$5 million (indexed for inflation) in 2026. With shifting political winds, it is hard to predict tax laws by 2026.

In addition, recent farmland values have increased the probability of landowners attaining taxable estates, if not at the federal level at least at the Illinois level. For example, a central Illinois farmer could feasibly approach the Illinois exemption amount with just 200 tillable acres, assuming \$20,000 per acre. At a modest \$10,000 per acre, it would only

Farmland Prices and Cash Rents in Illinois



Swanson, K., G. Schnitkey and N. Paulson. "Potential Impact of Estate Tax Changes on Illinois Grain Farms." *farmdoc daily* (11):87, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, June 1, 2021.

take 400 acres to reach the Illinois exemption. Both the federal and state tax rate gradually increase as the estate value exceeds the exemption, with the top federal rate at 40% and the top state rate at 16%.

With proper estate, tax and succession planning now, these uncertainties and challenges can be addressed and mitigated. Landowners can further a legacy but also have ease-of-mind knowing a plan is in place. In addition to typical estate-planning documents – a will, powers of attorney for healthcare and property, a living will declaration – landowners can consider annual gifting, generation skipping transfers, titling, and ownership between spouses, forming an entity such as an LLC or partnership, utilizing revocable trusts, life insurance trusts and spousal lifetime access trusts; and using portability of unused federal exemption for a deceased spouse.

Estate plans should also be reviewed periodically, especially with any significant change in tax laws, family composition or significant accession of wealth. While First Mid Wealth Management Company does not offer tax or legal advice, our specialists can review your estate plan with you prior to meeting with your estate planning advisor to discuss planning strategies.

Contact Kenneth Baker at kebaker@firstmid.com or 309-687-6015. MF

Inside: First Mid Customers Find Value in Diverse Services Available

First Mid Ag Services

First Mid Real Estate Services Help Family Trust Sale Go Smoothly

When Roberta Stengler was looking for assistance in selling the family farm, it was an Internet search that led her to call First Mid Ag Services. And she is glad she did.

"I knew we would need a new appraisal on the value of the farm. My first attempts in trying to locate an appraiser led to a number of dead ends because I wasn't part of a farming bank group," says Stengler. "After contacting First Mid, I received an immediate response from Eric Schumacher in the company's Mattoon office, and the rest is history."

The corn and soybean farm located east of Effingham near Montrose was sold through live auction this summer. As the oldest of seven farm heirs, Roberta was designated by the family trust as the authority to represent the family during the sales process. The trust was established in 2017. Roberta's grandparents, Sarah and Frederick Ringer, gave their daughter and Roberta's mother, Winifred King, life estate in the farm with Winifred's children designated owners. After Winifred's passing last December, the siblings decided to sell.

"No one had the knowledge or interest in running the farm," says Roberta. "Doing a family trust was the best decision we ever made. Family members shared their questions and concerns with me, and I relayed them to our lawyer and to Eric Schumacher. Eric and the First Mid staff worked seamlessly with our lawyer to successfully complete the sale."

Roberta says anyone considering selling farm property, should call First Mid.



United Soybean Board

To learn more about how to sell family farmland in a trust, contact First Mid Ag Services via one of the contacts listed on the back page.

"I highly recommend First Mid to assist through the process. I am eternally grateful for the staff in Mattoon who made the process of selling our family farm a comfortable process," she says. "All our questions were answered professionally and promptly. Their advertising and live auction services were top notch. My family and I wholeheartedly recommend them." MF

Long-Time Decatur Office Farm Manager Retires After 46+ Years

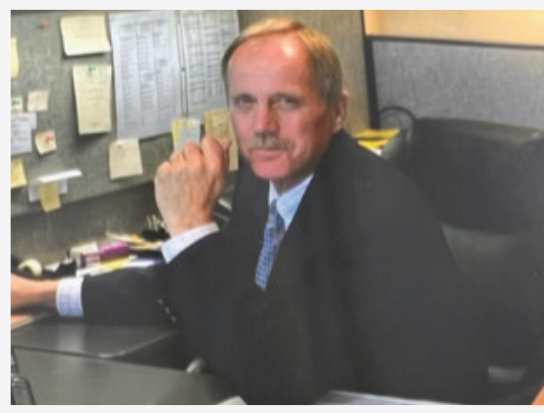
For all of those who have had the privilege to work with Dan Moehring – farm managers, administrative assistants, owners, farm operators and others – know how difficult it was for him to leave a job that he was dedicated to for more than 46 years.

During that time, Moehring was part of many company acquisitions. He was hired by Jean H. Brooks in February of 1976, starting his career at Citizens National Bank Ag Services. He successfully transitioned subsequent bank acquisitions over the years to end his career at First Mid Ag Services, documenting major changes in farming with the price of grain and cost of farmland most recently hitting record highs. Moehring says he was eager to learn new technology with farming and found the perfect blend of old school with new computers and programs.

Moehring graduated from Western Illinois

University in 1976 with a Bachelor of Science in Farm Business Management. He earned the titles of Accredited Farm Manager and Illinois Real Estate Broker. He lived in Decatur before buying his own farmland in Logan County.

"Working as a farm manager for generational farm owners, Dan's career speaks well of the dedication he had for his work and clients," says Brian Thompson, First Mid Ag Services president. "The old adage 'you reap what you sow' has good meaning for Dan. He has planted many seeds throughout his career that have grown into valuable friendships and memories. It is time for him to enjoy the blessings and adventures this chapter offers. We wish him the best."



Dan Moehring

Moehring plans to spend retirement with his wife of 44 years, three daughters and sons-in-law and five grandchildren. He also will continue farming with his father and his twin brother. MF

First Mid Ag Services

Hayley Daniels Joins Decatur Office Farm Management Staff

First Mid Ag Service's Decatur office has hired Hayley Daniels to join the farm manager team as an assistant vice president with the recent retirement of Dan Moehring.

Daniels is a 2012 graduate of the University of Illinois and holds a Bachelor of Science degree in Crop Sciences. She then received her Master of Science in Agronomy from the University of Wisconsin-Madison in 2014. She also is a Certified Crop Adviser.

Prior to joining First Mid Ag Services, Daniels worked for an area ag retailer focusing on agronomy and seed sales. She has also served as an agronomist for a major seed company. The family grain farm near Decatur where Daniels grew up is currently farmed by her husband, brother and father. She resides down the road from the farm with her husband and daughter.

Daniels is currently working to acquire her real estate broker license and is excited for this opportunity to join the First Mid Ag Services team to work with clients and tenants.

Daniels can be reached at 217-421-9617 or hdaniels@firstmid.com. MF



Hayley Daniels

Couple Finds First Mid Ag Services' Variety of Services Invaluable

Carolyn and Gary Buckman appreciate the variety of services they use through First Mid Ag Services. Carolyn became a client many years ago and has worked with several staff members over the years utilizing farm management and real estate services. Gary is a more recent customer and is just beginning to take advantage of the same services.

"The diverse range of services that my current farm manager, Michael Bernhard, offers is why I like working with him," says Carolyn. Bernhard is based in First Mid's Kankakee office. "He is always learning new things to make my farm better. He is an excellent manager and is always timely with addressing my requests."

When husband, Gary, was looking for farmland last year, he also worked with Michael. Since he was using a Section 1031 exchange, he needed to find a farm quickly. He purchased the farm property identified for him through an auction last fall. Gary also signed up his new farm for management with First Mid Ag Services with Michael as the manager.

"Michael started identifying properties immediately for me. When one deal fell apart, he found one that worked out even better," says Gary. "Both of us agree First Mid is the best choice for farmland management and real estate. We enjoy the drone photos in our reports. Everyone is professional and great to work with."

For more information on services available through the Kankakee office, contact Michael Bernhard at 815-936-8978 or mbernhard@firstmid.com. MF

Watch for Detailed Cover Crops Information in Future *Midwest Farmowner*

With fall harvest well under way across the Midwest, farmers and landowners are starting to make plans for next year. Besides combines, grain carts and trucks, some fields will see grain drills or planters crossing them. Wheat will be seeded, and more farmers will plant cover crops.

Cover crops are crops planted in the fall and not harvested in the spring. Instead, they provide erosion control, nutrient sequestration and improved soil health. Many different species of grasses, legumes and brassicas are planted depending on the goals of the landowner.

Watch for editions of *Midwest Farmowner* in 2023 to learn more about cover crops. MF



Cereal rye planted as a cover crop in cornstalks in the fall ahead of spring soybeans is a popular choice in Illinois to maintain and improve soil health.



Midwest Farmowner

Inside This Issue...

- Conditions Right for Estate Tax and Succession Planning
- Decatur Office Sees Retirement and New Farm Manager Named
- First Mid Real Estate Service Assists Family Farm Trust Sale



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