

# Leader

A Carolina Farm Credit Member Publication

Issue 2 | 2014

## President's Message



Vance C. Dalton, Jr.

Growing season is here and “growth” is always a focus for Carolina Farm Credit. We see continued growth in agriculture in this state and we want to grow to continue meeting your financial needs.

We recently offered

two opportunities to help our young, beginning and small farmers grow. In March, we held our 14th annual Ag Leadership Institute. Twenty-five participants from across our 54-county region attended an intense three-day institute designed to help participants meet the challenges of agriculture while maintaining a healthy balance between business and family. We also just completed our fifth session of AgBiz Planner with eight participants. This program teaches financial management and business planning through a college-level ten-module online course. It also included two face-to-face meetings. The participants are partnered with a Carolina Farm

Credit loan officer as a mentor for the process. Both of these programs are focused on positioning the participants to grow.

We recently held a conference for all of our support staff in conjunction with the other two Farm Credit associations in North Carolina. The conference featured speakers on communication, business-friendly writing, personal financial management, leadership and personal growth. We are very fortunate to have a dedicated and competent support staff in all of our offices that enables us to deliver a level of customer service that exceeds expectations.

As a result of this focus on growth in agriculture, growth of our customers, and growth within our employees, we have experienced about four percent growth in our loan volume year-to-date. Thank you for your continued business and support. Operating as a cooperative allows us all to grow together to secure our future and the future of generations to come. ■

*Vance C Dalton Jr*

## Director Election CALENDAR

Aug. 12 Annual Meeting Notice Mailed

Aug. 27 Board Meeting/Annual Meeting

Sept. 10 Ballots Mailed

Oct. 1 Polls Close

Oct. 2 Count Votes/Announce Results

## New Conover Branch Open



Carolina Farm Credit opened a new branch office in Conover, North Carolina to serve Catawba County. The Conover branch is replacing the Carolina Farm Credit office previously located at 222 West A. St. in Newton, North Carolina.

The new location is conveniently located at 1109 Conover Blvd., East, on Highway 70 across the street from the Conover YMCA, and opened on April 22, 2014. ■

## CAE Association-wide Door Prize Winner



Congratulations to Greg Hartsell and Tim Sloop of Patterson Farms, members of the Salisbury branch! They are the winners of the 2,000-watt Honda Generator given away as an association-wide door prize at the spring customer appreciation events. They are seen here with their loan officer, Libby Watson. ■

Don't Forget! Photo contest voting begins JULY 1 at [carolinafarmcredit.com](http://carolinafarmcredit.com)

The Association's Annual and Quarterly reports are available upon request free of charge on our website—[CarolinaFarmCredit.com](http://CarolinaFarmCredit.com)—or by calling 800-521-9952 or writing Christopher H. Scott, Chief Financial Officer; Carolina Farm Credit, ACA; P.O. Box 1827; Statesville, NC 28687. The Annual Report is available within 75 days after the end of the fiscal year and the Quarterly Report within 40 days after the end of each fiscal quarter, on our website.

BOARD OF DIRECTORS: Mark A. Bray, Chairman, Lawsonville | L. Kim Starnes, Vice-Chairman, Salisbury | John M. Barnard, Statesville | E. Bernard Beck, Seagrove | W. Rex Bell, Statesville | David M. Coltrane, Pleasant Garden | Susie J. Gambill, Sparta | Joseph A. Lail, Shelby | W. Steve Love, Graham | Bobby J. “Bud” Matthews, East Bend | Clark M. Newlin, Haw River | Thomas E. Porter, Jr., Concord | Tony L. Ragan, Sanford | D. Kaleb Rathbone, Waynesville | Lewis E. Smith, Lincolnton | Vickie N. Smitherman, East Bend | Dr. Alton Thompson, Summerfield.

# 14th Annual Ag Leadership Institute



Carolina Farm Credit recently hosted its 14th annual Agricultural Leadership Institute in Asheville, North Carolina. The institute, held at Omni Grove Park Inn in Asheville, N.C., brought together and celebrated young, beginning and small farmers. It was created to equip these farmers to meet the challenges of modern agriculture and encourages the sharing of ideas and networking within the industry. This year's 25 participants were couples or individuals from farms across Carolina Farm Credit's territory and were selected for their leadership and achievements.

The dynamic and interactive three-day seminar was led by Dr. David Kohl, professor emeritus at Virginia Tech and professional speaker, and Dr. Alex White, financial advisor and Virginia Tech professor in the Department of Agriculture and Applied Economics.

Other speakers for the Institute included Vance C. Dalton, Jr., CEO of Carolina Farm Credit; Dr. Ted Katsigianis, vice president of agriculture at the Biltmore Estate; Tom Haarmann, manager of financial services with Carolina Farm Credit; and Dr. Michael Hester, director of the Pastoral Counseling and Growth Center in Asheville. The group enjoyed a reception and dinner at the Omni Grove Park Inn Country Club on Friday evening that was attended by several

elected officials and Carolina Farm Credit Board members. A bluegrass band from the Asheville area including David Lee, Bryan Konsler, Randy Gardner and Bill Yarborough provided entertainment at the reception. The group took a tour of the Biltmore House and learned about their farms on Saturday.

At the conclusion of the workshop, the participants put together a list of take-aways including:

- Set personal and business goals
- Build working capital in your farm
- Need 10 times your income in life insurance
- Need good records that 'talk' to you – not just records for taxes
- Separate business from personal finances
- Know your credit score – above 700 is good
- Pay close attention to the global economy
- Live modestly
- Work life balance is important
- Long term planning is important and most don't do it
- Get efficient before getting bigger
- MEDS – mediate, exercise, diet, support (take care of yourself)
- Three factors to watch for rising interest rates – GDP, unemployment and inflation
- Use enterprise budgets for your farm
- Innovate or stagnate

The participants voted to send three outstanding couples/attendees to the North Carolina Cooperative Leadership Conference in Hiwassee, GA later this year. The three outstanding couples/participants are Jonas and Neelie Asbill, Asheboro; Jenaleigh Beatty, Sherrills Ford; Coy Beard and Brittany Watson, Lexington.

Attendees of the 2014 conference were Bryan Abramowski and Jason Roseman, Rockwell; Jonas and Neelie Asbill, Asheboro; Coy Beard and Brittany Watson, Lexington; Jenaleigh Beatty, Sherrills Ford; Casey and Ashley Collins, Siloam; Ryan and Beth Hargett, Peachland, Jamie and Ashley Lee, Shelby; Luke and Megan Mathis, Roaring River; Joe and Jessica Smith, Stony Point; Tommy Tran, Vanessa Tran, Henry Vu, and Kevin Vu, Mexia, T.X.; Tou Thai and Ginny Vang, Troy; Emily Williams and Julie Patton, Mocksville.

A committee of Carolina Farm Credit employees also attended the conference as hosts, including Kelly Adams, controller; Michael Almond, regional lending manager, Monroe; Ryan Bledsoe, loan officer, Yadkinville; Kelly Bumgarner, loan officer, Taylorsville; Ben Cabaniss, loan officer, Lincolnton; Andrew Carey, loan officer Trainee, Mocksville; Jay Cook, chief lending officer; Rob Crain, capital markets manager; Vance C. Dalton, Jr., CEO; Tom Haarmann, financial services manager; Maggie Hamm, chief marketing officer; Gary Hastings, regional lending manager, Shelby; Judy Hewitt, marketing administrative assistant; Kerie Hildreth, marketing specialist; Chad Puryear, chief credit officer; Matt Gutierrez, loan officer, Murphy; Melanie McLeod, loan officer, Ellerbe; Craig Pugh, regional lending manager, Statesville; Terry Peterson, loan officer, Burnsville; Jody Smith, loan officer, Monroe; and Danny Snider, principal appraiser. ■

## Spring Patronage



To see more photos from our events, visit [www.facebook.com/FarmCredit.Carolina](http://www.facebook.com/FarmCredit.Carolina)

In April, member-borrowers of Carolina Farm Credit received patronage refund checks for 2013.

The amount of patronage paid and revolved for future distribution for borrowers of Carolina Farm Credit totals \$18.1 million. Borrowers received a refund of 25 percent of the interest that accrued on their loans in 2013. A cash refund of \$5.4 million was paid, and the remainder was placed in allocated capital accounts for future revolvment.

This is the 26th consecutive year Carolina Farm Credit has paid a patronage refund. In

addition, the board of directors plans to continue to retire the allocated surplus according to their plan in the fall of 2014. Since 1988, Carolina Farm Credit has declared patronage totaling more than \$403 million paid to its member-borrowers through patronage refunds and retirements of allocated surplus. ■



# Business Succession Planning

When developing a succession plan for your business, you must make many decisions. Should you sell your business or give it away? Should you structure your plan to go into effect during your lifetime or at your death? Should you transfer your ownership interest to family members, co-owners, employees or an outside party? The key is to pick the best plan for your circumstances and objectives and to seek help from financial and legal advisors to carry out this plan.

## Selling your business

### *Selling your business outright*

You can sell your business outright, choosing the right time to sell—now, at your retirement, at your death, or anytime in between. The sale proceeds can be used to maintain your lifestyle, or to pay estate taxes and other final expenses. As long as the price is at least equal to the full fair market value of the business, the sale will not be subject to gift taxes. But, if the sale occurs before your death, it may result in capital gains tax.

### *Transferring your business with a buy-sell agreement*

A buy-sell is a legally binding contract that establishes when, to whom and at what price you can sell your interest in a business. A typical buy-sell allows the business itself or any co-owners the opportunity to purchase your interest in the business at a predetermined price. This can help avoid future adverse consequences, such as disruption of operations, entity dissolution, or business liquidation that might result in the event of your sudden incapacity or death. A buy-sell can also minimize the possibility that the business will fall into the hands of outsiders.

The ability to fix the purchase price as the taxable value of your business interest makes a buy-sell agreement especially useful in estate planning. Agreeing to a purchase price can minimize the possibility of unfair treatment to your heirs. And, if your death is the triggering event, the IRS' acceptance of this price as the taxable value can help minimize estate taxes.

Additionally, because funding for a buy-sell is typically arranged when the buy-sell is executed, you're able to ensure that funds will be available when needed, providing your estate with liquidity that may be needed for expenses and taxes.

## Private annuity

With a private annuity, you transfer your ownership interest in the business to family

members or another party (the buyer). The buyer in turn makes a promise to make periodic payments to you for the rest of your life (a single life annuity) or for your life and the life of a second person (a joint and survivor annuity). Again, because a private annuity is a sale and not a gift, it allows you to remove assets from your estate without incurring gift or estate taxes.

Until 2006, exchanging property for an unsecured private annuity allowed you to spread out any gain realized, deferring capital gains tax. IRS regulations proposed that year have effectively eliminated this benefit for most exchanges, however. If you're considering a private annuity, be sure to talk to a tax professional.

## Self-canceling installment note

A self-canceling installment note (SCIN) allows you to transfer your interest in the business to a buyer in exchange for a promissory note. The buyer must make a series of payments to you under that note, and a provision in the note states that at your death, the remaining payments will be canceled. Like private annuities, SCINs provide for a lifetime income stream and they avoid gift and estate taxes. But unlike private annuities, SCINs give you a security interest in the transferred business.

## Gifting your business

If you're like many business owners, you'd prefer to have your children inherit the result of all your years of hard work and success. Of course, you can bequeath your business in your will, but transferring your business during your lifetime has many additional personal and tax benefits. By gifting the business over time, you can hand over the reins gradually as your offspring become better able to control and manage the business on their own, and you can minimize gift and estate taxes.

Gifting your business interests can minimize gift and estate taxes because:

- It transfers the value of any future appreciation in the business out of your estate to your heirs. This can be especially valuable if business growth is expected.
- Gifts of \$14,000 per recipient are tax free under the annual gift tax exclusion.
- Aggregate gifts up to \$5,340,000 (2014 figure) are tax free under your lifetime exemption.
- Partial interest gifts, as with GRATs, GRUTs, and FLPs, may be valued at a discount for lack of marketability or restrictions on transferability.



## Gifting your business using trusts

You can make gifts outright or use a trust. You can even structure a trust so that you keep control of the business for as long as you want. You can establish a revocable trust, which will bypass probate and allow you to change your mind and end the trust, or an irrevocable trust, such as a grantor retained annuity trust (GRAT) or a grantor retained unitrust (GRUT) that can provide you with income for a specified period of time and move your business out of your estate at a discount.

## Gifting your business using a family limited partnership

You can transfer your business interest using another entity, such as a family limited partnership (FLP). An FLP is a limited partnership formed to manage and control a family business. You (and your spouse) can be the general partners, retaining control of the business itself and receiving income from the business, while your children can be limited partners. By transferring the business to an FLP, you may be able to use valuation discounts and substantially reduce the value of the business for tax purposes by making annual gifts to the limited partners. ■



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## Ag Biz Planner Participants Graduate

The participants of the 5th Annual Ag Biz Planner recently graduated from the program.

The program included a total of 30 participants from five Farm Credit associations throughout North Carolina, Virginia, West Virginia and Maryland. The participants from Carolina Farm Credit were Robert Stas of Burlington, Jillian and Ross Mickens of Cedar Grove, Johnny Smith of Denver, Crystal and Edward Marshall of Union Grove and Lynn and Chuck Weinberg of Belmont.

The Farm Credit University (FCU) Ag Biz Planner program was developed and led by Dr. David Kohl, a retired Virginia Tech agricultural finance and business management expert.

It teaches young, beginning and small farmers new business skills to successfully manage and grow their operations.

In addition to the online course, participants had a close mentoring relationship with a Carolina Farm Credit loan officer that served as coach and facilitator as they worked through the course, leading to the creation of a business plan for their farm. The mentors this year were Tonja Walker of the Graham branch, Tripp Smith of the Hillsborough branch, Ben Cabaniss of the Lincolnton branch, Brent Warren of the Statesville branch and Brian Hord of the Lincolnton branch.

The course recently concluded with a conference in Raleigh where the participants



shared their business plans and had a chance to meet and network with each other and Dr. Kohl. ■

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