Farmland Seasons

Spring 2013

MGW Martin, Goodrich & Waddell, Inc.
Real Estate Services

We plant profitable investment ideas in every season

Deep in the Art of Taxes

Page 2

In this Issue:

Deep in the Art of Taxes: Landowners Affected by

As lilies, daffodils and tulips poke up out of the bare ground and rain replaces snow as a welcome form of precipitation, we look forward to a new planting season. Unfortunately, March and April also mean tax season. As you wrap up your taxes for 2012, it's also time to look ahead and see what tax planning you should begin now to help ease your future tax burden.

Generally, agriculture is an industry that federal and state governments want to promote. And because agriculture depends on long-term, capital-intensive investments, is high-risk (dependent on weather), and because farm families often pass their farm to the next generation by inheritance, many tax laws tend to encourage agricultural investments.

Let's take a look at some of the current tax laws that directly affect your farmland investment.

2013 Federal Income Tax brackets

Rate	Single Filers	Married Joint Filers
10%	>$0	>$0
15%	>$8,925	>$17,850
25%	>$36,250	>$72,500
28%	>$87,850	>$146,400
33%	>$183,250	>$223,050
35%	>$398,350	>$398,350
39.6%	>$400,000+	>$450,000+

Congress Eases Federal Estate Tax

Many landowners rushed to find ways to lower their estate values toward the end of 2012 when it appeared the estate and gift tax law was going to drop from a $5 million exemption in 2012 to a $1 million exemption after December 31. While most tax experts expected Congress to act to avoid that precipitous plunge, Congress can't always be counted on to act responsibly.

Surprisingly, and with great relief to estate planners, Congress did act responsibly earlier this year when it came to addressing the estate tax issue. The American Taxpayer Relief Act of 2012, passed on January 3, 2013, implemented several key factors:

1. The federal estate tax exemption is permanent at $5 million, indexed for inflation. IRS announced in January that for 2013, that amount will be $5.25 million which can be excluded from federal estate taxes. That means a couple with a total estate valued up to $10.5 million would not have to pay federal estate taxes.

Making the exemption and estate tax rates permanent was important to estate tax planners. They have been frustrated in the past five years not knowing what Congress would do with the estate tax exemption and rates.

Back in 2001, revisions to the estate tax law were written with a 10-year timeframe (mainly for budget reasons). Estate planners figured Congress would have plenty of time to make the provisions permanent ahead of the 2010 sunset deadline, but they were wrong. After the deadline passed, Congress implemented another new estate tax law, but this time it was scheduled to sunset at the end of 2012. Then, rates and exemptions were scheduled to revert back to 1997 levels. Clearer heads prevailed this time in writing the estate tax provisions (with no legislative sunset provision). Now advisors have something more permanent on which to base their advice for a 20-30 year estate plan.

2. Portability of the estate tax exemption will continue. Before 2010, if one spouse died and their estate couldn't use the entire estate tax credit allowed, the unused equivalent exemption amount was forfeited. Beginning in 2010, and made permanent in the 2013 legislation, couples can now use the remaining unused equivalent exemption amount from the first-to-die spouse and apply it to the estate of the second-to-die.

For example, let's say a couple has a total estate of $9.25 million, with the wife owning $3.25 million in her name and the husband owning $6 million of assets in his name. If the wife dies in 2013, her $3.25 million estate owes no federal estate tax and the unused $2 million exempted amount (from the $5.25 million available) can be applied to the husband's estate when he dies.

This makes planning easier, so you don't have to keep trying to balance the estates between spouses to remain eligible for the entire exemption amount available to couples.

3. The estate/gift tax rate maximum is 40%. While this is higher than the 35% estate tax rate in 2012, it is below the 55% rate that it was going to revert to without a new law. The tax rate goes up incrementally before hitting the maximum 40%. For transfers over $1 million above the exemption, the tax is $345,800 plus 40% of the excess over $1 million.

A few states, such as Illinois, also have a state estate tax. In Illinois, the amount exempt from the state estate tax is $4 million with a maximum rate of 16%. Unlike the federal law, the state exemption is not portable between spouses. Each spouse has a maximum exemption of $4 million and they can't use any unused portion of the exemption from the first spouse to die.

Gifting is Key to Lowering Estate Values

When talking about estate planning and

2013 Tax Changes

estate taxes, gifting is a key component to reducing the value of your estate to lower taxes for your heirs. For clients with large estates, most tax planners recommend forming an entity such as a family limited partnership to use as a vehicle to transfer ownership to your heirs ahead of your death to reduce the value of your assets subject to estate tax.

In forming a separate entity such as a limited partnership or limited liability company (LLC), it makes it easier to gift shares or partnership interests, than to divide and gift the underlying asset. For example, it is a lot easier to gift $14,000 in partnership interests to each of your children every year, than to transfer the title of $14,000 in farmland each year to each child.

Another advantage of using a family limited partnership or limited liability company is you can discount the value of the shares that you gift. Since the shares cannot be easily sold, they have limited marketability which reduces their value. And since they are minority interests, they offer limited control over the business and that also reduces their value in the marketplace.

A third advantage of gifting entity shares is you can still maintain control over the underlying assets by dividing the shares into voting and non-voting shares. You retain the voting shares and gift the non-voting shares. Competent legal and tax advice is crucial in setting up a plan that works for you.

"An advantage of using a family limited partnership or limited liability company is you can discount the value of the shares that you gift."

How Much Can You Gift?

The annual gift exclusion amount for 2013 is $14,000. A married couple could gift up to $28,000 in one year to as many individuals as they chose.

Because of the limited marketability and control in family-controlled entities, the underlying value could even be higher than the $14,000 market value. For example, shares in a family LLC worth $20,000 in assets, may have a "market value" of $14,000, after discounting. So, you could gift the shares valued in the LLC at $20,000 but still stay under the tax-free $14,000 annual gift tax exclusion because of the discounting.

Annual gifting has proven to be an extremely valuable estate planning tool, especially for landowners. Because farmland has greatly appreciated in the past ten years, many landowners are worried about bumping up against the estate tax exemption. They are also concerned that future land appreciation will inflate their estates to trigger the 40% estate tax. But well-designed gifting programs set up through your tax and legal advisors can transfer future appreciating assets to your heirs now and thus minimize your estate subject to estate taxes.

For example, if you have three married children, you and your spouse could gift $28,000 to each of your children and their spouses. If you gift discounted shares, you could reduce your estate by $240,000 in just one year. (That is, a $28,000 market-value gift from you and your spouse representing $40,000 in face-value limited partnership shares gifted to six recipients.)

There is a lot of flexibility, depending on how you own the shares. The gifting can reduce the husband's estate or the wife's or any combination. In this example, the total (husband and wife together) assets owned by estates would be reduced by $240,000.

If that's not enough, you can also tap into your estate/gift unified credit amount while you are alive and transfer large amounts of property gift-tax free. As we noted earlier, that amount is up to $5.25 million in 2013. However, the amount you use for the gift tax exemption (the annual exclusion amount is not included) while you are alive will be subtracted from the amount that's available for your estate tax exemption.

For instance, you want to transfer $3 million in assets to your children while you are still living. Your estate would then have only $2.5 million remaining (plus any inflation-indexed amount) to exempt from federal estate taxes at your death.

Here are some other gifting opportunities that can reduce your estate without triggering the gift tax:

Meat exports sluggish. U.S. Pork exports are running below last year's record levels by about 8% so far this year. Over-abundance of domestic pork in South Korea and China's aggressive efforts to build its domestic pork industry appear to be bearing fruit as its need for pork imports declines.

However, for the year, USDA is forecasting U.S. red meat exports to be about equal to last year's record levels.

Crop insurance helps rural Main Street, too. A study by Farm Credit Services of America shows crop insurance indemnity payments in 2012 not only helped farm operators but also saved 20,000 ag-related jobs in the four states surveyed (Nebraska, Iowa, South Dakota and Wyoming).

Bright spot in US economy.
U.S. manufacturing activity rose in February, giving some underlying support to the economy. The U.S. Institute for Supply Management's manufacturing index rose to 54.2 in February, its highest level in 20 months.

- ***Charitable gifts.*** There is a new twist to charitable deductions this year for high income earners. Beginning in 2013, some taxpayers may see their charitable gift deduction reduced. For individuals with an adjusted gross income of $250,000 and for married couples making $300,000, their itemized deduction will be reduced by 3 cents for every $1 they are over the threshold. For example, if you and your spouse make $400,000, that's $100,000 over the threshold. So, your itemized deductions will be reduced by $3,000. If you had $50,000 in itemized deductions, you could only claim $47,000 in deductions.
- ***Gifts of educational expense.*** This is unlimited but applies to tuition only and must be paid directly to the educational institution. If you paid your grandchild's college tuition directly, it would not affect the $14,000 annual exclusion you could also gift to your grandchild.
- ***Gifts of medical expenses.*** This is also unlimited as long as it is paid directly to the medical facility.

Gifting isn't the perfect answer for reducing taxes. The drawback to gifting assets is your tax basis for the asset is carried over with the gift. Gifting cash is not a problem but gifting highly appreciated assets could be dis-advantageous for your heirs. For example, let's say you inherited farmland in 1973 with a tax basis of $1,000 per acre. It is now worth $10,000 per acre. If you gift that land to your children, their tax basis on that land would continue to be only $1,000 per acre. If they wanted to sell it, they would have to pay income tax on a capital gain of $9,000 per acre (the difference between the sale price and the tax basis). At 23.8% effective rate, that's $2,142 per acre in capital gains tax.

That's a pretty sharp tax bite that could be avoided by more careful planning with that particular piece of ground. If you had kept ownership of that land until you died and bequeathed it to them, at your death the property gets a "step-up in basis." That means the tax basis would be the fair market value when you die. And if your heirs sell it at that fair market price, they would have NO taxable gain.

So, it's very important to work with your estate tax expert in deciding how you set up your entities for gifting and what assets go into those entities and which assets you want to own until you die.

Capital Gains Tax Changes Affect Landowners

The big income tax change for 2013 is adding another top bracket for capital gains taxes. For married couples filing jointly with over $450,000 in taxable income ($400,000 for individuals), they will owe a 20% tax on long-term capital gains. For taxpayers below that amount, the 15% bracket remains.

In another wrinkle on capital gains, also beginning in 2013, there is a new 3.8% Medicare Surtax on "net investment income." This is paid not only on capital gain income, but also interest, dividends, retirement

Major U.S. Tax Provisions, 2001-2013

Tax Category	2000	2001	2002	2003	2004-2005	2006-2007	2008-2009	2010-2012	2013*
Income Tax Brackets	— 15% 28% 31% 36% 39.6%	10% 15% 27.5% 30.5% 35.5% 39.1%	10% 15% 27% 30% 35% 38.6%	10% 15% 25% 28% 33% 35%	10% 15% 25% 28% 33% 35%	10% 15% 25% 28% 33% 35%	10% 15% 25% 28% 33% 35%	10% 15% 25% 28% 33% 35%	10% 15% 25% 28% 33% 35% 39.6**
Capital Gains Tax (max)	20%	20%	20%	16.7%	15%	15%	15%	15%	23.8%***
Dividend Tax (max)	39.6%	39.1%	38.6%	15%	15%	15%	15%	15%	23.8%***
Child Tax Credit	$500	$600	$600	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000

Under fiscal cliff tax deal passed by the Senate on January 1, 2013.

***Applies to taxable income over $400,000 (single), $425,000 (head of household), and $450,000 (joint filers)*

****Capital gains tax and dividends tax will be 23.8 percent for taxpayers in the 39.6 percent tax bracket. This includes the 20 percent top tax rate and the new (for 2013) 3.8 percent health care tax on investment income on adjusted gross income over $200,000 (single) and $250,000 (joint filers). For lower income levels, the tax will be 0 percent, 15 percent, or 18.8 percent.*

SOURCE: TAX FOUNDATION

income, income from partnerships, cash rent and other "unearned income." This new 3.8% tax applies only to individuals with an adjusted gross income above $200,000 or married couples filing jointly with an adjusted gross income above $250,000.

The Medicare Surtax was added to help pay for the Health Care and Education Reconciliation Act of 2010, also known as Obamacare.

Illinois taxpayers can tack on another 5% for state income tax that applies to short or long-term gains.

What Can be Done to Reduce Capital Gains Taxes?

Other than bequeathing the property to your heirs and having it get a "step-up" in basis when you die, the most popular way of deferring the capital gains tax is through Section 1031 tax-deferred exchanges. You have to exchange investment property for other investment property, making it "like-kind". As with gifting, the tax basis is carried over to your new property, so the gain is deferred, not eliminated. And there are some complicated rules about deadlines for finding replacement property.

We've worked with many clients using 1031 tax-deferred exchanges and can help you if you are considering selling land, and plan to re-invest in real estate and want to avoid capital gains taxes.

Land Improvements Can Reduce Income Taxes

Congress has extended several tax breaks for business investments through 2013. A faster write-off for depreciable equipment and buildings has helped drive a lot of farmland improvements including drainage tile, irrigation systems and grain bins since 2002.

For "single purpose" real estate improvements such as grain bins, field drainage tile, irrigation systems, fences, livestock confinement buildings and greenhouses, you can deduct 100% of the cost up to $500,000 in the year the property is purchased and placed in service.

This includes new or used equipment that is placed in service before January 1, 2014.

Also included in this "section 179" property category are breeding livestock and farm machinery.

"Taxpayers with large capital gains, high state and local taxes, interest deductions from second mortgages and incentive stock options may be faced with the Alternative Minimum Tax."

If your depreciable investment exceeds the $500,000 limit, you can use 50% bonus depreciation on the amount above $500,000.

For depreciable property that does not qualify as Section 179 property, such as barns or machine shops or other general purpose buildings, the 50% bonus depreciation (where you can deduct half the cost in the first year) is available in 2013.

Let's say you spend $650,000 in land improvements that qualify for Section 179 property and they are placed in service in 2013. Your tax deduction this year would be $500,000 plus $75,000 (50% bonus depreciation of the remaining $150,000 in property) plus $15,000 (20% regular annual depreciation for the remaining $75,000 of the 5-year useful life property). The total tax deduction of $590,000 could save a high-earner Illinois taxpayer $285,560 in taxes (39.6% federal income tax rate plus 3.8% Medicare Surtax plus 5% state income tax).

There is a limit, however. If you purchase more than $2 million worth of qualifying property, your $500,000 deduction is reduced dollar for dollar of the purchased amount over $2 million.

These business investment incentives, however, do have sunset provisions. The 179 property deduction is scheduled to be reduced to a mere $25,000 next year. The 50% bonus depreciation is scheduled to be eliminated after 2013.

That could change, however. These provisions were originally scheduled to expire at the end of 2010. It will all depend on how the economy looks at the end of this year and whether Congress thinks stimulating the economy is still more important than cutting the deficit.

Watch Out for the Stealth Tax: Alternative Minimum Tax

Taxpayers with large capital gains, high state and local taxes, interest deductions from second mortgages and incentive stock options may be faced with the Alternative Minimum Tax. Congress increased the exemptions for 2013 and indexed the rates for inflation, but Roger McEowen, ag economist with Iowa State University says AMT continues to be an issue.

"Joint filers have an exemption of roughly $80,000, and single filers an exemption of about $50,000, against this 26% to 28% flat tax," notes McEowen. The problem comes at higher income levels, when the exemption is reduced. "When a joint filer has over $153,900 in income, or a single filer over roughly $112,000, that AMT exemption begins to disappear. Starting at that income level, for each additional dollar of AMT income, the taxpayer loses 25% of the exemption.

So at those higher income levels, when you combine the exemption phase-out with the 28% AMT rate, the effective rate becomes 35% (28% + 25% times 28%) until the exemption is completely eliminated. "We consistently see tax returns in the $150,000 to $450,000 range exposed to this 35% marginal AMT rate rather than the published lower regular or AMT tax rates," says McEowen.

Farmland Continues to Build Wealth

In light of all the tax changes, farmland continues to be a good investment—increases in land values are generally taxed at the more favorable long-term capital gains rates. Highly appreciated land sales can defer capital gains taxes through 1031 like-kind exchanges, and land improvements qualify for generous tax breaks. With careful estate planning, estate taxes can be minimized. Farmland remains a solid investment that can help you build wealth into the next generation.

Martin, Goodrich & Waddell, Inc. provides this data for informational purposes only. Please consult your tax advisor before making any financial decisions.

Mommsen Awarded AARE Designation

Mark T. Mommsen, Managing Auctioneer and Broker for Martin, Goodrich & Waddell Inc., has received his designation as an Accredited Auctioneer Real Estate (AARE)—an honor earned by fewer than 350 people in the United States.

The National Auctioneers Association's (NAA) Education Institute issues the title, which requires successful completion of 42 hours of classroom training as well as a case study and ten recorded real estate auctions. The program offers expert training in residential, agricultural, commercial and industrial real estate marketing, including evaluating property, preparing important financial documents and preparing the property itself for auction. In order to maintain his AARE status, Mommsen will need to complete 24 hours of continuing education every three years.

"The AARE designation communicates to prospective clients and buyers that the auctioneer is committed to continuing education and can ethically and professionally execute a real estate auction," NAA officials say.

"The need for expertise in land sales is higher now than ever before," Mommsen says. "My pursuit of the designation stems from my desire to provide the best possible knowledge, service and results in every transaction. I am fortunate to be passionate about my work as a land broker and auctioneer, and I remain committed to performing at my best each day."

The NAA is the world's largest professional association dedicated to professional auctioneers, representing the interests of thousands of auctioneers in the United States, Canada and across the world.

Diedrich Awarded AFM Designation

Steve Diedrich, Farm and Property Manager for Martin, Goodrich & Waddell Inc., has been awarded the Accredited Farm Manager (AFM) designation by the American Society of Farm Managers and Rural Appraisers (ASFMRA).

Steve Diedrich, AFM

This designation demonstrates Diedrich has completed stringent education and experience requirements as well as rigorous oral and written examinations and has maintained the highest standards of integrity, professionalism, competence and ethics. He joins a select percentage of the ASFMRA membership who has received, and must maintain through continuing education, the accredited status.

"We are pleased with the commitment to professional excellence Steve Diedrich has shown," says Paul J. Joerger, AFM, national president of the ASFMRA. "By receiving this designation, his clients, associates and industry peers can easily recognize his personal investment and dedication to maintaining an exceptional degree of knowledge and skill."

"It is important for me to continually learn and grow to be a top farm manager for our owners," says Diedrich, who has been working toward his AFM for five years. "I want our clients to have the confidence of knowing that they are working with a professional who is qualified to represent them well."

The ASFMRA is the recognized leader as an international organization for professionals who provide management, consultation and valuation services on agricultural and rural assets.

Martin, Goodrich & Waddell Land Listings

All acreage and mileage figures listed here are approximate

Our Feature Farm
Dietzler Farms, $8,065/ac.
Walworth County, WI.

513 total acres, 439 tillable acres. Offered in 7 tracts or as a turnkey farming operation. Some parcels include cattle facilities and numerous outbuildings, as well as excellent recreational opportunities.

ILLINOIS PROPERTY

Boone County
- **108.3 acres. Belvidere Farm,** 1¼ mi. S of Belvidere. $7,250/ac. SOLD
- **141.1 acres. LJ Farm & Home,** 2½ mi. NE of Poplar Grove. $13,500/ac.
- **79.3 acres. Russellville Road Farm,** 2 mi. SE of Poplar Grove. $9,450/ac. Sale Pending
- **140 acres. Poplar Grove Road Farm,** contiguous to the village of Poplar Grove. $8,375/ac.

DeKalb County
- **192.2 acres. Boddy Farm,** contiguous to the city of Sycamore. $10,900/ac. SOLD
- **160 acres. Orchard Farm,** 5 mi. N of Somonauk. $10,200/ac. SOLD
- **86.9 acres. Williams Farm,** 2¾ mi. SW of Waterman. $8,750/ac. SOLD
- **211.7 acres. Cherry Valley Road Farm,** 2½ mi. N of Kirkland. $11,200/ac. SOLD
- **82.4 acres. Harkness Farm,** 6 mi. W of DeKalb. $11,900/ac.

Jo Daviess County
- **163 acres. Mary Zemon Farm,** 1¼ mi. NW of Blanding. $4,000/ac. SOLD
- **160 acres. Hepperly Farm,** 7 mi. SE of Scales Mound. $6,900/ac.

Kane County
- **203.6 acres. Campton Farm,** 2 mi. NE of Lily Lake. $12,000/ac. SOLD

LaSalle County
- **38.5 acres. Katz Farm,** contiguous to the city of Mendota. $24,500/ac.
- **79 acres. Ottawa Property,** ½ mi. E of Ottawa. $3,835,000
- **43.1 acres. Corcoran Farm,** 8¾ mi. E of Mendota. $11,450/ac.

Lee County
- **45 acres. Nefstead Farm,** 3 mi. S of Rochelle. $10,750/ac. SOLD
- **115 acres. Viola Farm,** 11 mi. S of Rochelle. $9,500/ac. SOLD
- **400 acres. Danekas Farm,** 3½ mi. S of Rochelle. $10,700/ac. SOLD

McHenry County
- **41 acres. Prairie Point Land Development Farm,** ¼ mi. N of Johnsburg. $11,500/ac. SOLD
- **117.5 acres. Fergen/Hart Farm,** 1½ mi. NE of Spring Grove. $10,900/ac. SOLD
- **199.1 acres. Sangiorgio Farm,** 2 mi. N of Union. $14,900/ac.
- **10.5 acres. DiSilvio Farm,** 5 mi. W of Huntley. $375,000.
- **25.4 acres. Benecke Farm,** 1 mi. W of Riley. $7,750/ac. Sale Pending

Ogle County
- **76.2 acres. Kishwaukee Road Farm,** ¾ mi. E of Byron. $7,350/ac. SOLD
- **68.6 acres. Grutter Farm,** 3 mi. NW of Rochelle. $12,275/ac. SOLD

Stephenson County
- **149.3 acres. Windmill Farm,** 1¼ mi. E of Freeport. $10,900/ac. SOLD

Will County
- **60.3 acres. Ironwood Farm,** 3½ mi. S of Frankfort. $12,000/ac. SOLD
- **78.5 acres. Smith Road Farm,** 2 mi. E of Manhattan. $22,900/ac.
- **76.8 acres. Zappia Farm,** 1¼ mi. SE of Monee. $14,900/ac.
- **212 acres. Beecher Farm,** 3¾ mi. NE of Beecher. $11,900/ac.
- **200 acres. Wehmhoefer Farm,** contiguous to the village of Beecher. $10,600/ac.
- **67 acres. Arsenal Road Farm,** 3 mi. NE of Elwood. $14,250/ac.
- **54.9 acres. Frankfort Farm,** within the village of Frankfort. $16,900/ac. *Sale Pending*

Winnebago County
- **160 acres. Campbell Road Farm,** 5½ mi. SE of Durand. $3,690/ac.
- **93.9 acres. Castle North Farm,** contiguous to the city of Rockford. $8,900/ac.
- **97.4 acres. Castle South Farm,** contiguous to the city of Rockford. $7,900/ac. SOLD
- **159.2 acres. Dickenson #2B Farm,** contiguous to the city of Rockford. $19,000/ac.
- **120 acres. Durand Farm,** 5½ mi. SE of Durand. $8,690/ac.
- **20.5 acres. Farm School Road Farm,** 5½ mi. SE of Durand. $5,900/ac.

INDIANA PROPERTY

Lake County
- **135.5 acres. Crown Point Farm,** Crown Point. $14,760/ac.
- **110 acres. Green Acres Farm,** 2 mi. NW of Hebron. $8,990/ac.
- **81 acres. Minder Farm,** 2 mi. E of Merrillville. $12,900/ac.

Newtown County
- **98 acres. Roselawn Farm,** contiguous to the city of Roselawn. $7,000/ac. SOLD
- **100 acres. Hummingbird Farms on Hummingbird Field,** 1½ mi SE of Lake Village. $8,500/ac.

MONTANA PROPERTY

Garfield County
- **1437 acres. Cohagen Farm,** 1¾ mi. NE of Cohagen. $790/ac.

WISCONSIN PROPERTY

Rock County
- **55.9 acres. Vineyard Farm,** 2¼ mi. S of Milton. $9,900/ac.
- **18.3 acres. Rotamer Ridge Farm,** within the city limits of Janesville. $12,900/ac.

Walworth County
- **125 acres. Dietzler-20 Farm,** 4 mi. W of East Troy. $7,200/ac.
- **35 acres. Dietzler-A Farm,** 4½ mi. NE of Elkhorn. $8,260/ac.
- **67 acres, Dietzler-ES Farm,** 5 mi. NE of Elkhorn. $7,420/ac.
- **35 acres, Dietzler-T Farm North,** 1¾ mi. E of La Grange. $7,880/ac.
- **59 acres, Dietzler-T Farm South,** 1¾ mi. E of La Grange. $8,135/ac.
- **48 acres, Dietzler-B Farm South,** 4 mi. NE of Elkhorn. $8,350/ac.
- **144 acres, Dietzler-B Farm North,** 4 mi. NE of Elkhorn. $8,990/ac.

AUCTIONS

- **116.3 acres. Beere Farm,** 2 mi. SE of Waterford, WI. June 7, 2013
- **262.3 acres. Seyller Farm,** 7 mi. NE of Annawan, IL. June 26, 2013
- **200 acres. DeKalb North Farm,** 13 mi. NW of DeKalb, IL. November 27, 2013
- **60.2 acres. Goblet Farm,** 3½ mi. S of Oregon, IL. SOLD
- **210.1 acres. Kishwaukee Road Farm #2,** 5 mi. SW of Rockford, IL. SOLD

For details on these properties, call Jeff Waddell, Josh Waddell or Mark Mommsen at 815-756-3606 or visit our website at www.mgw.us.com.

LESSONS FROM CYPRUS: BANK ON FARMLAND

The recent financial turmoil on the island of Cyprus is a reminder that there is no time like the present to review your investment portfolio. As we learned in the recent European banking crisis, what happens "over there" most certainly can affect what happens here in the United States — and what's happening in Cyprus offers another lesson on modern economics.

A shortsighted, one-time "stability levy" has been approved to help bail out the country's ailing economy. Under the terms of the agreement, anyone with more than roughly US $130,000 in the Popular Bank of Cyprus will pay a "deposit levy" of approximately 40 percent. Bondholders in the bank also will be hit. In addition, the deal will close the Popular Bank of Cyprus and restructure a second major bank. This will raise several billion euros but will cost hundreds of jobs while threatening one of the major forms of industry for the island — cash-stashing for wealthy foreigners and businesses. Cyprus' financial sector manages roughly eight times its yearly economic output, economists say, thanks to what have been sparse financial regulations and light corporate taxes.

This will likely trigger a bank run on the island, and financial analysts worry that if it isn't handled properly, a lack of confidence in the safety of bank deposits very possibly could spread into Italy, Spain, Portugal and other troubled EU countries. This could result in a global financial crisis — a scary prospect, especially since many Americans feel as though there's little we can do to protect ourselves from acts of government, here or abroad.

But a careful review of our portfolios is the best line of defense in such matters. There should be a balance of hard assets in everyone's portfolio, especially when you consider factors like inflation and as more and more banks become troubled. And while debt is something that most households and businesses carry, one must exercise caution for obvious reasons. Treasury bonds offer basically no yield, and equities can be high-risk. Instead, I would recommend investing in gold, silver and, our personal favorite, farmland.

Farmland investments are less volatile and consistently deliver positive returns. In the past century, farmland income and capital appreciation has only experienced a couple brief periods of negative returns (the 1930s and 1980s). And we all know about the demand explosion farmers are positioned to capitalize on as third world nations begin to support a middle class in the coming decades.

But don't take our word for it. Ask legendary Wall Street trader Jim Rogers, who co-founded the Quantum Fund in the 1970s — a fund which posted returns of more than 4,200 percent over 10 years, allowing him to "retire" at the ripe old age of 37. He tells anyone who will listen that agriculture will be one of the best sectors of the world economy for years and is personally invested in several farmland-rich funds.

"Farmland is a great way to preserve your wealth and increase your wealth," he has said.

But, as you know, that's not the entire story when it comes to owning land. It's also about the connection to the land itself. It's about the sense of responsibility and pride you feel when you're entrusted with a bit of this magnificent world for safekeeping. And in the same way that raising children teaches parents something about themselves, tending to land offers lessons on who we are as a people and what we want to leave to the next generation.

Land grows in value, true — but it also helps grow our values.

Jeff Waddell
President

2020 Aberdeen Court
Sycamore, IL 60178
www.mgw.us.com
info@mgw.us.com
(815) 756-3606