



Brockett's Ag Advice

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INSURANCE
Insurance can be a beneficial estate planning tool or a drag on an already short money supply. If you have an insurance agent who knows his or her product and is

genuinely concerned about your personal and business goals, you could have a good program. The insurance industry has changed dramatically in the last few years. Many agents have finally come to

grips with the needs of the modern farm business. Gone is the feeling that only whole life insurance is any good.

The main questions a farm manager now has are:

1. How much insurance should we have?
2. What kind of insurance would best meet our goals?
3. What are our overall goals?
4. Who should be the insured, beneficiary and owner of the policy?
5. What is its cost?

How To Buy

It is easy to buy insurance, but it is difficult to decide on a sound insurance based package. A sound

insurance based package should first determine what you can afford to spend on insurance. Then what do you want it to do for you or your family. Then decide is it a temporary thing or do I want it for as long as I live. Finally how does it fit in with your total business plan? A good insurance professional can help you line this up, but you should make all major decisions. Do not give up if the first time around the available money is not enough to buy the amount needed to cover your personal and business goals. Look at it the same way you do for other challenges. If it doesn't fit let's take it apart and start over. Perhaps you don't need all of the insurance proposed all of your life. Size of debts change, number and needs of dependents change, the business itself changes, and you change.

Suggestions

Buy For Needs - buy some insurance for temporary needs such as term insurance to cover a critical time period. Buy other insurance for longer term - perhaps level term or one of the insurance plus investment packages such as Universal Life.

Tax Consequences

If you are the insured and owner of a policy, it will be part of your taxable estate. However this will be of small consequence if your spouse is the beneficiary and lives longer than you. It could cause tax problems upon the death of the spouse. Buy insurance with you as owner and spouse as beneficiary while the family is young and farm has lots of debt. Then you can decide later whether to continue as is, gift policy to spouse, or make a child or a trust the beneficiary.

Secondary Beneficiary - always have a secondary beneficiary for your policy. They would only collect if the primary beneficiary

died before you. It would save a 6 or 15 percent Pennsylvania inheritance tax.

Ask Questions - a competent insurance agent should be willing and able to answer your questions in a way that you can understand. Some of the questions you might ask are:

1. What is the annual premium cost? Is there an initial fee? If so how much? How much of the premium goes to the sales charge?
2. What are the historic dividends (don't be fooled by projected or oral dividends or returns)? What is the interest rate paid on accumulated dividends?
3. What cash value does the policy acquire? Can it be withdrawn? How? At what cost? Where is this in writing?
4. Is the company rated by A.M. Best? (if so you can probably look it up at the local library). Some companies receive a lot of fancy publicity in popular magazines or newspapers. The founder or president may be an acquaintance of the reporter or writer. Publicity in the "popular press" is usually worth very little.

What are the advantages and disadvantages of the many types of insurance the agent sells? (term, whole life, term + investment, etc). If the agent sells one type perhaps you should look further.

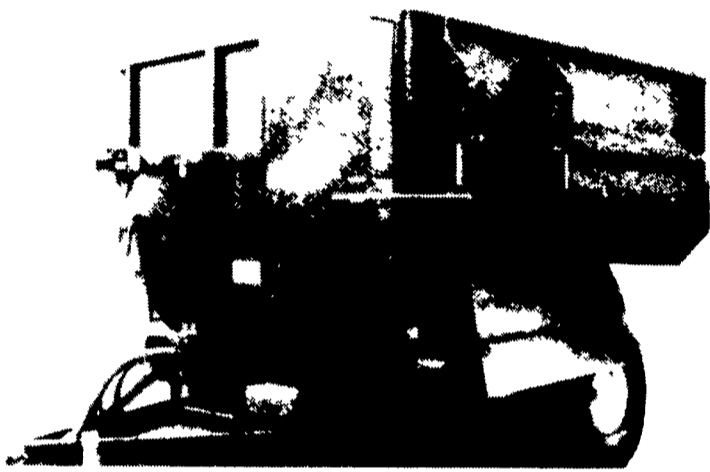
6. How is the agent paid - by salary or commission? What are the agents credentials? How much training and experience has the agent had?

Shop Around - you don't usually shop at one store so feel free to talk to several insurance agents. Don't be afraid to show one agent the proposal from another one. Rival agents may help to pick out the weaknesses of a policy including their own better than anyone else.

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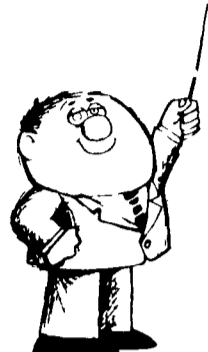
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Saturday 10 a.m. to 6 p.m.

Sunday Noon to 6 p.m.

Admission: \$2.00 for adults - \$.25 for children (Special rates for groups and senior citizens)

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Activities on Saturday include horse plowing contest, tread power, corn grinding, ring power, road grading and log loading. Sunday's activities include horse pulling events, plowing with 8 horse hitch, and a covered wagon 6 to 20 mule hitch.

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- Added Attraction -

Saturday Evening, 6 until?

Road Grading, Log Jumping, Plowing and Covered Wagons.