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MAGAZINE



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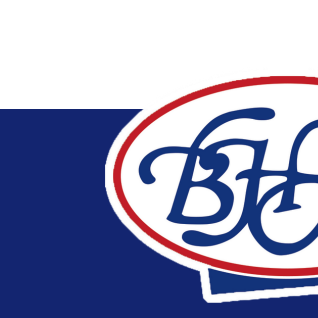
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PRESIDENT'S THOUGHTS

FROM THE DESK OF
JIM BALDONADO

Greetings,

Important things first! What do you think of the cover? After 12 years and six fantastic grandsons, Grandpa got what he had been waiting for...a beautiful baby granddaughter. Penelope Lee Bellamy was born on July 4th, weighing 6 lbs. 12 oz., and was 19 inches long. Grandpa has been hoping for a healthy baby first, but secondly, I wanted a girl so bad. In fact, back in January when we were in Mexico, I bought her the cutest little dress I could find. Now I can't wait to see her wear it. Mom and Dad are doing good, and the boys are loving their little sister. Being a grandpa is the best, but now it got even better. Is that even possible?

Back to business. If you recall the May issue, I was talking about the crazy markets and where they were heading. I even made a reference to revenue. Prices can only go up to twice the base price which is where I thought wheat may have been heading. Boy, look at where we are today. What a turnaround. The month of June was just nuts and while I'm writing this article on the 5th of July, who knows where these markets will be when you read this. I sure hope they make a turnaround really soon.

If you've been listening to my radio spots over the last 3 to 4 months, I've been talking about insuring to value. It doesn't matter what you are insuring, insure it to value. You never know how good your insurance is until you have a loss, but you do not want to wait to have a major loss and find out you did not insure to value and then have a penalty for not doing so. You will not be happy. If you are not insured with us on your farm, outbuildings, and pivots, give us a call and insure to value to avoid being upset at loss time.

Let's hope and pray these markets turn around and the bad storms are over with. We can look forward to a great harvest (where we have not already had bad hail). Stay safe!

A handwritten signature in cursive script, appearing to read "Jim".

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CROP INSURANCE UPDATE

CINDY DAVIS

I am thankful that this article doesn't have to start out talking about natural disasters or the new Covid-19 directives like the past articles written for the August issue did. Even though we had a few June storms roll through already, the planting season turned out to be pretty typical. And we will take that! This past spring was workable compared to some of the last few years. There were definitely some concerns prior to planting, mainly with the drought situation in the south and west. Some producers waited for timely rains, while others to the east were waiting for fields to dry out – a very common planting season for the Midwest! I hope this issue of the magazine finds you and yours doing well.

2022 Wheat Harvest

We have had several producers opt to have their wheat released via claims, and also a few that chose to short rate their wheat back in March. For those of you who took your wheat to harvest, we hope it went well and was an abundant crop. The harvest prices (for Revenue Protection plans) for 2022 winter wheat should be set by the time this article reaches you. The base prices and tracking dates are listed in the chart to the right. If you haven't turned your production into your agent, now is the time to do that. It is important that your agent has your information in a timely manner, in order to double-check for losses and update your databases. The next crop year is right around the corner, and in order for your agent to get you the most accurate information for the 2023 wheat crop, they will need to update your databases with your 2022 wheat production.

2022 Row Crop Harvest

Row crop harvest will be just around the corner. The fields and farmsteads will be buzzing with activity, and the days will get longer. We wish you all a safe and plentiful harvest. Below are a few reminders to keep in mind before harvest starts. Many of these could save you time and frustration at claim time.

- If you still have last year's grain stored in bins, it is very important to call your agent and get an adjuster out to measure the old crop. New crop grain should not be stored in the same location until this is done.
- Never destroy a crop until you have called your agent and an adjuster has given consent to do so. This could not only jeopardize a loss but could also have a very negative impact on your approved production history – APH.
- The same holds true if you will be chopping silage. Let your agent know as soon as possible to give the adjuster time to

2022 Winter Wheat Prices and Harvest Tracking Dates

State	Projected Price Set - Yield Protection and Revenue Protection	Harvest Price Tracking Dates - Revenue Protection (RP)
NE, CO	\$7.10	Sept. KCBOT July 1 - July 31
KS	\$7.08	July KCBOT June 1 - June 30
IA	\$7.16	Sept. CBOT July 1 - July 31

- contact you and get the acres appraised, if necessary.
- Keep your production separate by unit, even if you have elected Enterprise Units (EU) on the crop. Native Sod and new break production should also be kept separate from the rest of the unit. Commingling grain could be very detrimental and even take you completely out of a loss.
 - Mark your scale tickets by unit number or farm name, and keep track of any grain that is being fed. This will make for a quicker claim and/or audit process.
 - **Production Hail** policies with losses on them cannot be finalized until production is turned in. It is very important, if you have a production hail policy, to keep your production separate by field or pivot, also.
 - Be sure to get your losses turned in timely. Don't wait until the end of harvest to report a loss to your agent. The policy provisions are very clear about loss reporting. The provisions state that in the event of damage or loss, it is the insured's duty to notify us within 72 hours of the initial discovery of the damage but no later than 15 days after the end of the insurance period. For most crops, the end of the insurance period is the earlier of 1) harvest of the crop, 2) destruction of the crop, or 3) the calendar date for the end of insurance as listed in the Crop Provisions. Don't wait until the end of harvest to turn losses in.
 - Report your production to your agent as soon as possible, after harvest is complete.

The Projected Prices for the 2022 row crops were set back in February for the Yield Protection (YP) and Revenue Protection (RP) plans. They are shown in the chart below, along with the tracking dates for the Harvest Prices for the Revenue Protection plan.

2022 Row Crop Prices and Harvest Price Tracking Dates

Crop (Conventional Practice)	States	Projected Price Set - Yield Protection and Revenue Protection	Harvest Price Tracking Dates - Revenue Protection (RP)
Corn	NE, KS, IA, CO	\$5.90	Dec. Corn CBOT Oct. 1 - Oct. 31
Grain Sorghum	NE, KS, IA, CO	\$5.88	*Dec. Corn CBOT Oct. 1 - Oct. 31
Soybeans	NE, KS, IA, CO	\$14.33	Nov. SBean CBOT Oct. 1 - Oct. 31
* Multiplied by the price percentage relationship between grain sorghum and corn as determined by RMA.			

2023 Winter Wheat

Our next crop insurance deadline will be September 30, 2022. This is the deadline to add, change or remove coverage for the 2023 Winter Wheat. Give your agent a call, or make an appointment prior to this date to review your policy. Not only will they review your current policy information with you, but they will go over your quotes and coverage options with you as well. The crop insurance industry seems to be ever-changing, and your policy is too important to your farming operation to omit any imperative options or endorsements! Let your agent help take the chaos out of the coverage, and give them a call soon to visit about the risk management tool you have available through crop insurance. Below are a few more reminders to keep in mind when you are reviewing your 2023 coverage:

- Do you have a policy for all counties you will plant and insure wheat in?
- Have you reviewed all plans, coverage levels, and options for your crop(s)?
- Verify all social security numbers and EINs on your policy, as well as the entity type shown. (Make sure the entity has not changed....was there a new trust or corporation formed? Has anyone listed on the policy passed away?) RMA is still data-mining on this information and finding deceased persons still listed on the policy. In some cases, the crop companies will have no choice but to cancel the policy if not corrected timely. ****Tenants, if you have POA for landlords, double-check this same information with them. ****
- If you have high-risk land in your operation, there are several options available for coverage – these need to be elected by the Sales Closing Deadline.
- Will you be breaking out any ground? In some cases, this would require an approved written agreement for coverage – these agreements are due by September 30th as well. New conservation compliance rules have been in effect for Native Sod – including decreased coverage and subsidies in some cases for certain states. Check with your agent before the Sales Closing Deadline for the rules on Native Sod.

- If you will be insuring for a landlord or tenant, these arrangements must be made prior to September 30th and must be documented on your policy.
- Are you a POA for a landlord? Your agent will need a copy of this document.
- Sales Closing is also time to visit with your agent about coverage for hay land and/or pasture. PRF (Pasture, Rangeland, and Forage) policies are available in many counties/states.

Have a Safe Harvest!!

To Those That Work in Acres, Not Hours...We Thank You!



EVOLUTION OF LRP: THE SEQUEL TO LRP

ARLYN RIEKER

It wasn't but about a year and a half ago that I shared changes the Risk Management Agency (RMA) was making to the LRP policy, which included: increasing the subsidy levels to 35-55% range, allowing the premium to be paid at the end of the insurance period and increasing the allowance of selling the cattle prior to the end date up from 30 to 60 days. They also allowed increased head limits to:

- Feeder Cattle – 6,000 head per endorsement/12,000 head annually
- Fed Cattle – 6,000 head per endorsement/12,000 head annually
- Swine – 40,000 head per endorsement/150,000 head annually

All of these were positive changes, but I kept wondering... how would the government prove ownership, which the producer has to have, to purchase LRP? I'll share more on this later. Below are some of the additional revisions and changes that went into effect July 1, 2022 for the 2023 crop year.

Feeder cattle were and still are categorized in 2 weight ranges as Weight 1 and Weight 2. The category of Weight 1 used to be <599# insured weight, it has now been revised to 100-599#. For the Weight 2 cattle, weights have been revised from 600-900# to 600-1,000# insured weight. I really like the Weight 2 revision, as we will now be able to insure the gap we had in the past on the 900-1,000# cattle. I have had many producers who wanted to insure their 950# cattle and could only go up to 900#. As for the Fed cattle revision, the weight range has increased from 1,000-1,400# to 1,000-1,600#. This is a good change for producers with larger framed cattle, to be able to insure the extra weight to allow the calves to grade select or higher with a yield grade of 1-3 upon slaughter, or for the lots that consistently finish the cattle above 1,400#. Below are the new head limits for the livestock categories.

- Feeder Cattle – 12,000 head per endorsement/25,000 head annually
- Fed Cattle – 12,000 head per endorsement/25,000 head annually
- Swine – 70,000 head per endorsement/750,000 head annually

Another change is in the definition of unborn livestock. It is now livestock not born on the effective date but expected to be marketable before the end date. If insuring the unborn category, you will now be required to provide documentation verifying the number of pregnant cattle capable of producing the number of unborn cattle insured.

All these changes are great for the program and I'm glad they were made. They have definitely made LRP a more attractive and viable option for livestock producers. Now, to address that change I mentioned earlier.

Proving Ownership: When RMA increased the premium subsidy, it made the LRP policy very competitive with a "put". A person doesn't have to have ownership of the animal to purchase a "put," however the producer does have to have ownership to purchase an LRP policy. My main concern was -- how would the government regulate proof of ownership of the cattle being insured under the LRP policy? These most recent changes address this, which I feel is good, and will provide integrity for the LRP policy. The policy now states: to receive an indemnity, you must provide documents verifying ownership of your share of the livestock insured. Required documentation will be more than in the past, but I feel this is a positive change to the policy. From July 1st, 2022 moving forward, if you write coverage on your livestock, we will be visiting with you about providing this documentation.

As a reminder, Livestock Risk Protection is an insurance policy to protect against one thing: A decline in market price below the insured's selected coverage price.

Here are some of the coverages we have had expire recently.

Insured weight	Cost per head	Loss payment per head
700# Steers	\$38.18	\$95.06
800# Steers	\$32.67	\$145.60
850# Steers	\$25.41	\$154.70
900# Steers	\$30.79	\$149.85

If you have any questions or are interested in LRP please contact one of our agencies listed on the back of this magazine.



Photos

from



You!



- 
1. Jeri Schultheiss
 - 2, 3, 4. Ben Rand
 5. Diane O'Donnell

Want to have your photos shared with our customers, friends, and family? Send them to jedson@thehomeagency.com

REGIONAL NEWS

Hear from our
agents in your area!

Dave Meyer

Ruskin, NE

This has certainly started out to be a challenging growing season in south-central Nebraska. Extreme drought was followed by some much needed rain which unfortunately came with a lot of hail and strong winds. In our area, there are hundreds and hundreds of pivots turned over and thousands of acres of replanted crops. With supply shortages and labor issues, it looks like it will be a long time until some of the pivots are operational again. Hopefully, for the dryland crops and the pivot problems, we will have above normal rainfall for the rest of the summer.

Andrew Bellamy

Ansley, NE

Well, Mother Nature has come through with moisture in certain spots, but, unfortunately, she overdid it in several others. My thoughts and prayers are with everyone dealing with the aftereffects of storm damage, whether it is crops or property damage. Hopefully, at the time of reading this in August, the crops look great, both original and replanted, and we are only one or two rains away from having some great yields.

By the time you are reading this we will have at least a one-month-old and two older brothers that will probably still be coming to terms with sharing Megan and I's attention with a little sibling. Both boys are doing great and have enjoyed making it out to the lake. Maverick has been mastering his new kayak, and Lincoln can jump off the dock almost as fast as most people blink. Megan is keeping up a furious pace with her freelance stenography business, and I think is hoping people take a couple of months off from committing crimes or suing anyone until she comes back from maternity leave.

The last new addition to our blessed life came a month ago when we decided to get back to having a dog. "Rudy Rue" as the boys call him is a Bernedoodle puppy and has been a lot of fun to get to know, even if my slippers keep getting relocated to the front yard.

I hope everyone has had a great summer so far. With harvest approaching before the next article, I just want to wish everyone a safe and prosperous harvest. Thanks again to all my insureds for allowing us to help you with your risk-management decision for the 2022 crop year. Please don't hesitate to call if there is anything else we can do for you in the future.

Enos & Jill Grauerholz

Beloit, KS

Here we are towards the end of July in the 100-degree weather. We've been suffering a lot of heat stress and rain is on its way.

Recent volatility in the market reiterates that we still need a marketing plan. Revenue products and guaranteed bushels help you to be able to do this and also give you peace of mind. You should have your schedule of insurance by now. Each unit has total guaranteed bushels. If your share is less than 100% you'll need to take that number times your share.

We are having a great time with our grandson Trace. He is 6 months old which is so much fun. Sitting up, trying to crawl, and really interacting. He is such a blessing. We hope you are receiving rain and enjoying your summer as well.

Rhonda Jones

Kirwin, KS

It's the middle of June and the wheat harvest will be starting soon. Most of the area has seen some moisture so far this month, but much more is needed!!

Spring planting is starting to wind down. The crops are looking good. Hopefully, rain will continue to bless us through the summer.

I wanted to share a couple of new events happening in the area this summer...

Phillips County held its first Farmers Market in June. The market includes local farm-raised food along with prepared food and craft vendors. This family event includes a "Kids Corner" with various activities, a food truck for families to enjoy supper on the square, and entertainment. This event will be held monthly through October. Check out Phillips County Farmer's Market on Facebook to see when the next one will be!

Phillipsburg is home to the Kansas Biggest Rodeo in August and will also be hosting on September 24th the Richard Schleicher Memorial Bull Riding. All proceeds will be donated to the Justin Cowboy Crisis Fund in Richard's name. Gates Open at 5 p.m. and Bulls Buck at 6:00 pm.

By the time you read this we will have wrapped up acreage and wheat production reporting and will be looking forward to fall harvest time. Hope you all have a safe and bountiful fall.

Clark Redding, Larned, KS

As I write this we have traded the cold, windy, crappy spring weather we were having for some scorching, hot, windy crappy summer weather. Definitely a land of extremes. In most of the areas I travel in, the wheat harvest was just pushed forward a week or two.

In Colorado, even if they get rain it most likely will not help the yields at all. It has just been too dry for too long and the wheat is terribly stressed.

Kansas is looking a little better, but Kansas has also had rain. Not a lot, but they got it when they needed it. The wheat looks pretty good in Pawnee Co. and good means 40, maybe a little better. It would be great if we could have a decent weather year along with these great prices, but I guess that's not how it works.

Corn is all in, beans and milo as well. Still working on some Millet in Colorado. Dryland corn will be a challenge. Some of the stands in Eastern Colo. Look pretty spindly. Going to definitely have to have some rain pretty soon. Western Kansas is in about the same shape.

As hot as it is and will be in the near future, the chances for extreme weather events are more than likely. We've had some nasty hail in our area. Colorado has had some but not nearly as much as is usual this time of year. But, you know, if it won't rain it sure won't hail. Good for the irrigators, but not so much for the dryland farmer.

Kevin & Sara Ross McClelland, IA

Summer is here in SW Iowa! I hope everyone's planting/replanting/re-replanting has gone well (oof). It seems like 2022 has started out with plenty of issues early on from hail, dry or wet weather for some, late frost, and residue issues in many spots. Not to mention some of the cover crop struggles that we are still trying to figure out as well. Here at home, it was the residue that seems to have really caused the emergence issues in our area for soybeans. The winter was dry enough that the stalks just didn't have the opportunity to break down like they usually do. The places where cattle grazed seem to certainly be a little better, at least on our ground. The high winds caused bunching of trash in places and if you farm out here that means terraces caught a lot of it and made those areas difficult to get that seed down where it was supposed to be. Overall, we have been fairly fortunate so far, but the rain patterns are a bit concerning. Prices seem to be hanging in there and as long as these energy prices stay elevated with tight supplies, I don't think we have a ton of downside risk. It seems like fertilizer prices may be coming down a little, but the inflationary cycle doesn't seem like it will leave agriculture alone either. Obviously, we would rather see big yields, but at least with the better spring prices farmers' bottom line is covered better than we have seen in years! Good luck for the rest of the season, enjoy what's left of summer, and pray for rain. I have been already thinking about fall and each day is closer to the first kickoff of the season for Cyclone Football! Sara doesn't seem to be as excited about that as the boys and I. Less than a couple of months before we can all cheer for our favorite teams!

Ben Rand Benkelman, NE

Hot and dry is the story of the tri-state area. The SW NE/NW KS/E CO area is in need of precipitation. As I write this I'm making weekly trips back and forth to the Benkelman office and getting acreage reports done. Crops are certainly showing the stress at this point and the wheat crop was less than ideal. As always, hail remains a major concern through the growing season as does the abnormally high wind conditions. I've talked with you all about wind and hail, so that is taken care of but if you feel the need to book it, please give me a call as it only has a 2-hour binding window and is still available. Remember our wind policy runs through the end of October. On a personal note, I did secure an elk tag for the emergency depredation season in western NE for the month of July. To date, I've just been too busy to get out and harvest one, but am still looking forward to the opportunity should it arise. I am not however looking forward to dressing one in 100-degree heat!

I will continue to be in the Benkelman office on Wednesdays through acreage reporting and production reporting for wheat. Feel free to call or stop in.



PIVOT INSURANCE: REPLACEMENT COST VS ACTUAL CASH VALUE

CORBETT HAHN

As I'm writing this, it's the middle of June and it's going to be over 100 degrees today. I've already had as many pivot claims as I did in all of 2021. We do a pretty good job of promoting replacement cost coverage for pivots. You've no doubt heard Jim Baldonado on KRVN for years talking about stand-alone pivot coverage. There is a good reason we do that. It comes down to how losses are settled. The stand-alone pivot coverage we write is on a replacement cost basis rather than actual cash value. So, what does that mean, and what's the difference between the two? We are going to break down the differences and clarify what replacement cost really means.

What is the difference between actual cash value (ACV) coverage and replacement cost (RC) coverage? Actual cash value essentially means "What is its value now". Since we are talking pivots, it's the current market value of the pivot. Let's say your neighbor has a 30-year-old 7-tower pivot they want to sell. A new 7-tower pivot might cost \$110,000. So maybe you figure the 30-year-old machine is worth less than half what a new one is, say \$50,000. \$50,000 is the actual cash value of that pivot. When you insure that pivot you decide you don't want to insure it for more than what you paid. You add it to your farm or pivot policy for \$50,000 on an ACV loss basis. Spring comes and two towers on the pivot blow over. The amount to repair them with new parts is \$25,000. How much will the insurance company pay me? Because you have ACV coverage instead of RC coverage, the insurance company is going to look at the age of the machine and the age of the damaged parts being replaced. Let's assume they decide that the damaged parts are 50% depreciated. They are going to apply that figure times the full cost of the repairs.

Ex. 1 - Actual Cash Value Settlement

\$25,000 x 50% depreciation = \$12,500

\$12,500 - \$1000 deductible = \$11,500

Claim Payment = \$11,500.

Replacement cost coverage is very different. **When you have replacement cost coverage, the insurance company will not take depreciation and they will pay the cost to repair the pivot up to the policy limit.** Let's look at the last

example and assume that the pivot was insured with replacement cost of \$110,000 instead of the \$50,000 ACV amount. Since the pivot is insured at \$110,000 and replacement cost coverage was requested, the claim would be handled without a deduction for depreciation.

Ex. 2- Replacement Cost Settlement

\$25,000 repair cost - \$1,000 deduct. = \$24,000

Claim Payment = \$24,000

You may have noticed in the last section that there was a statement in bold print. **"When you have replacement cost coverage, the insurance company will not take depreciation and they will pay the cost to repair the pivot up to the policy limit"**

Replacement cost coverage does not mean that the insurance company will pay to replace your pivot regardless of what you insure it at. In the event of a total loss, the most they can pay is the limit that is shown on the policy. This is the reason that we need to try to keep your pivots insured to value. That has been very difficult with the current economic climate. Let's look at an example of a claim on a pivot that is a total loss and slightly under insured. We'll use the same pivot insured at \$110,000. At the time of the loss, the estimate for a replacement system is \$115,000. How will this claim be paid?

Ex.3- Replacement Cost Settlement- Total Loss

New Pivot \$115,000 - \$1,000 deduct. = \$114,000

Policy Limit = \$110,000

Claim Payment = \$110,000

Since the loss amount minus deductible is more than the policy limit, the claim payment will equal the policy limit.

Hopefully, these examples show the value of having replacement cost loss settlement coverage as well as insuring your pivots to value. Take a look at your values and talk to your dealer. You'll be surprised at what a new pivot is currently costing. As always, give us a call if you would like to increase your coverage or talk to us about moving your ACV pivots to a policy with replacement cost coverage. We can insure most pivots, regardless of age for replacement cost.

2022 WEATHER OUTLOOK & NEW WIND & HAIL PROTECTION

BRIAN O'HEARNE

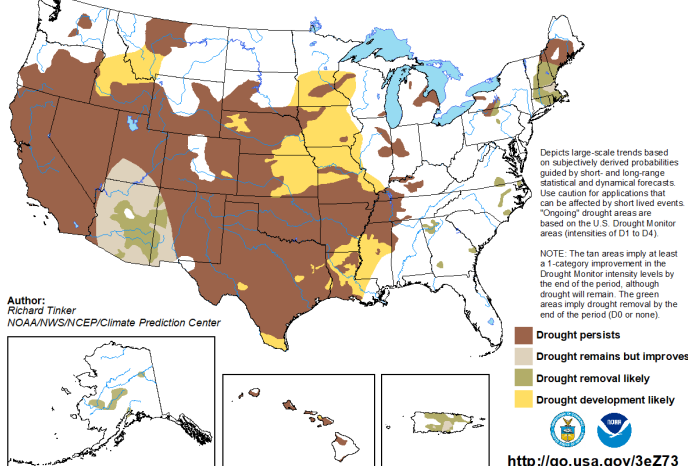
2021 and 2022 has been very dry for a good part of the Corn Belt and almost everywhere west of the Mississippi. For the start of summer, heavy rainfall boosted soil moisture and brought drought relief to portions of Kansas, Oklahoma, and Arkansas, portions of the southeast and the eastern Corn Belt. In contrast, drier conditions and periods of extreme heat over-spread eastern Texas, the Mississippi Valley, and the central Corn Belt, rapidly reducing the available soil moisture.

The Seasonal Drought Outlook issued the morning of this article through the end of October shows drought persistence in most of Nebraska, and western Kansas and development in parts of Iowa and the Central Corn Belt. The Seasonal Precipitation Outlook shows much below normal rain in the Rockies and below normal in all of Nebraska, and Kansas and points into the central Corn Belt and to the south.

The Home Agency is an expert in minimizing risk for your crops as well as livestock. Rainfall guarantees to complement your PRF as well as to help your winter wheat get established are recommended with this forecast. Extreme drought conditions increased the risk of severe storms and associated wind and hail. Advances in weather data and local hail and wind sensors now allow for localized hail and wind programs whether tornado or derecho/straight-line winds that you can get detail from The Home Agency team. Using a weather hedge, whether excess heat, drought, or the new hail/wind programs to offset your risk is a great way to keep your overall return on investment protected and help you market your crops when prices are at their highest.

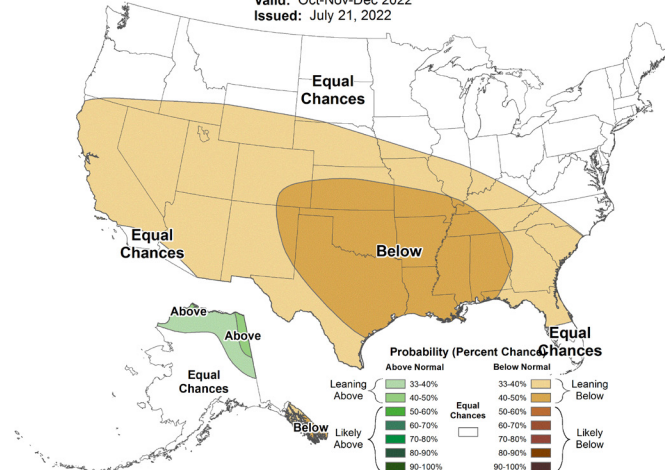
U.S. Seasonal Drought Outlook Drought Tendency During the Valid Period

Valid for July 21 - October 31, 2022
Released July 21



Seasonal Precipitation Outlook

Valid: Oct-Nov-Dec 2022
Issued: July 21, 2022



The Home Agency programs are simple and objective

- Choose the acres, pick your coverage period and elect your dollars of coverage
- Get paid when the weather event happens-no proof of loss, no claims process, and timely payments

Contact your agent at The Home Agency for more information and a quote for any weather risk you are concerned with.

SILVER LININGS

AL KUZMA

It is June 16th as I write this. One of the highlights of my year is right around the corner-the College World Series. By the time you read this you will be saying...oh yes, I remember that.

So far, 2022 has been a wild ride from a financial point of view. The S&P 500 is off 23% for the year and pundits are now declaring we are dangerously close to recession. I am a glass-half-full guy, it can't be all doom and gloom. Here are a couple of positive things that have come out of the turbulent stock market news:

1) Roth Conversions are on Sale- In 2017, the Tax Cuts and Jobs Act amended the Internal Revenue Code of 1986. Major elements of changes were reducing tax rates and for businesses and individuals, increasing the standard deduction and family tax credits. This legislation is due to "sunset" on December 31, 2025. Why is this important? Because if you have any dollars in IRA's, 401 k, 403 b, or any other pretax account you may want to act quickly to save tax dollars. If your IRA or 401 k is invested in the stock market as many of them are-this is an opportunity to potentially save thousands on converting to a Roth IRA. To clarify, any pretax dollars will be taxed. If the taxes on those dollars are paid prior to January 1, 2026, they are taxed at the now current lower tax rates. If you convert after January 1, 2026, those income tax rates will probably be higher than today's rate. In addition, with values being down, the tax savings are magnified. Here is an example of what I mean.

Scenario 1- Married couple filing jointly with earned income of \$85,000 in 2022. After the Federal Deduction from the Adjusted Gross Income, federal taxable income is \$59,100 with a federal tax due of \$6,679 and Nebraska State Income Tax due of \$2,985 for a total tax bill of \$9,764.

Scenario 2- Same married couple with earned income of \$85,000 in 2022. They decide to convert their \$100,000 to a Roth IRA in 2022. Here are taxes due after Federal Deduction: \$26,236 and they owe Nebraska \$8,030 for a total of \$34,266. Bottom line to convert their IRA to a Roth with current tax rates it will generate an additional \$24,502.

Scenario 3-Same married couple with earned income of \$85,000 in 2022. They decide to convert their IRA which has lost value to \$77,000 to a Roth IRA. Here are taxes due after Federal Deduction: \$21,176 and they owe Nebraska \$6,457 for a total of \$27,633. The stock market correction in their IRA saved them \$6,633 in combined income taxes!

Now let us say that Old Man Procrastination comes to visit, and this couple does not convert their Traditional IRA to a Roth and now it's 2026, and tax rates went back to 2017 levels.

Scenario 4-Same married couple with earned income of \$85,000 in 2026. Assuming income tax rates have reverted to 2017 rates and their IRA has recovered to \$100,000. They now decide it is time to convert to a Roth IRA. Here is the tax bill: Federal taxes due of \$31,421 and Nebraska taxes due of \$8,030 for a total income bill of \$39, 451.

Procrastination, a stock market rebound, and 2017 income tax rates have cost this couple \$11,818.

Strike while the iron is hot!

2) Fixed interest rate products- With the Fed raising interest rates, I am seeing increased fixed annuity rates. A fixed annuity is an insurance company's version of a CD. You receive a guaranteed fixed rate of interest for a specified period of time. Here are current rates for a \$10,000 deposit. The best 2-year rate I could find was 2.80%; the best 3-year rate is 3.85% and the best 5-year rate is 4.06%. Please do your due diligence. Annuities have limited liquidity and surrender charges for excess withdrawals. This is certainly good news for those of you who want to avoid the volatility of the stock market.

If you have any questions, please contact the good folks at The Home Agency or feel free to reach out to me at 402-438-4200.

Next time we will explore taxation of mutual funds held outside a retirement account and tax saving strategies.

Until then, God Bless.



*Alan E. Kuzma, CLU ChFC,
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BALDONADO PERSONALS

On July 4th, 2022 we were all blessed with our first beautiful granddaughter after 6 fantastic grandsons.

Penelope Lee Bellamy weighed 6 pounds, 12 ounces and was 19 inches long. To welcome her home is her big brothers Maverick and Lincoln as well as both sets of grandparents. Don't think for a minute that Penny won't be spoiled.

Finally, a little girl!

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