



BankNotes

SUMMER/FALL 2019

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**Trust. Respect.
Integrity.
Commitment.**

By Jennifer Griffith

These are the guiding principles of First Merchants Bank and likely words you and your network connect with as well. They are not unique or fresh or even unexpected. They are, however, powerful guides to help teams navigate any and all opportunities.

Opportunities present themselves in many ways. Sometimes with great clarity, sometimes with murky waters, and sometimes with seemingly conflicting paths of progress. Pausing to reflect on the guidance offered by our guiding principles helps us confidently commence our work to take advantage of the opportunities in front of us.



Back in 2017, my BankNotes article touched on the financial impact trust offers when great trust replaces expensive costs. In short, increasing trust will decrease costs. Stephen Covey defines trust as the sum of character, competence and judgement (people and business). Trust propels our teams to get out of the gates quickly and get to work on an opportunity. We trust each other with a zero tolerance policy to deviate from that principle. Trust will propel us. It will not slow us down.

Respect is our foundation. It's core to all of us. ALL people will be treated with significance. I

believe that we don't meet people by accident, but that we meet people to serve. Relationships need curiosity to grow, and without it they'll stall. Treat everyone with kindness because you are kind. Ask for nothing in return. Do not judge. Ever. Knowing that respect is core to our project teams paves the pathway to progress without unnecessary distractions. One of our CEO's favorite quotes is that Actions + Behaviors – DISTRACTIONS = Outcomes. Respect everyone. Every day.

Integrity must be demonstrated. Promoting integrity requires the demonstration of acting with courage to do the right thing, even if there is pressure to do otherwise. Our leaders that act with integrity will call out disrespect or false trust. We will balance growth against limiters, we will take the high road, and we will be patient when necessary, and quick when clear. Integrity requires that we will do the "right" thing and we will honor our guiding principles without dilution.

Commitment is our final principle and key to keeping the team together. Commitment means we can count on each other to show up in good times and in bad. It is a reciprocal relationship between all players. Sometimes we call it our "It Factor." No one expects rainbows and sunshine every day. Commitment is the grit that holds us together through the complexities we are certain to face. I recently celebrated 23 years with the bank. It's an incredible team. It begins with trust and endures with commitment. 🏡

Jennifer Griffith is the Ohio Regional President of First Merchants Bank. If you would like to reach out to Jennifer please feel free to contact her by calling 614.583.2050 or by emailing her at jgriffith@firstmerchants.com.



Slow Growth Edges the Nation Closer to a Recession

By Michael J. Hicks

The first half of 2019 saw a significant slowdown in economic performance. Labor markets cooled significantly, and actual and expected GDP growth slumped from a soaring 3.1 percent to under 1.3 percent in the Atlanta GDP forecast. Many forecasters predicted this slowdown in the economy. My 2019 estimates had GDP growth dropping from 2.8 percent in Q1 to 2.4 percent in Q2. Increasingly, this looks optimistic.

The Business Cycle Dating Committee of the National Bureau of Economic Research makes the formal definition of a recession. They examine employment, industrial production, retail sales and real personal income.

As of this writing, industrial production has slowed for two months, but both retail sales and real personal income remain growing, albeit at a modest pace. Employment growth is continuing, though it is a lagging indicator, often continuing to rise for two to three months after a recession begins. Occasional bad economic data is common. Published reports are often based on preliminary data, and small increases or decreases can be attributed to random events, like weather or a random stock market event; however, we are in a time when nearly all economic indicators have turned uni-directional. The only good news I have seen in weeks is that the bad news is not as bad as I'd expected.

Evidently, this concern is shared by many in the Federal Reserve, as they have eliminated discussion of further rate increases, shifting expectations

toward a rate decrease in 2019. This is a remarkable turnaround from just 9 months ago when the Fed was signaling three likely rate increases in 2019.

It is also useful to examine other formal and informal measures of economic performance. The yield curve is a reliable indicator of bond market expectations of future economic growth. Typically, long-term interest rates will have to be higher than short-term rates to induce buyers to sacrifice liquidity. When that changes, it is because bond buyers expect declining interest rates. There are many different yield curves, which have steadily, since late 2018, turned negative. This has been a



very accurate indicator of a coming recession. My favorite anecdotal data also signal a looming downturn. The sale of recreational vehicles dipped modestly in 2018 from a very strong 2017. The annual decline was 4 percent, which is not too worrisome; however, in 2019, sales are off 22 percent from the same time last year. We've had three consecutive two-year declines in RV sales, occurring in each of the past three recessions.

In other areas, the news is not good. Though job growth has slowed a bit, the composition of jobs looks like firms are shifting employment into areas that are easier to shed in a downturn. Most star-

ting is the huge dip in international trade. Among the steadiest indicators of a healthy economy is international trade. With volumes of trade now slipping into the negative range from 2018, global economic weakness is clearly influencing businesses and consumers across the world.

I do not believe the US is in a recession, but the probability that we will move into a recession in the coming months is substantially higher than even three months ago. Optimally, the signals of a recession would prompt some Federal Reserve action, and automatic stabilizers that would dampen the effects of a downturn. Neither of these are likely to be as effective as in the most recent two recessions. The growing trade war may be sufficient to undo any fiscal policy, placing much more robust demands on monetary policy as it is at its weakest pre-recession point in history.

At mid-2019, the US economy is unmistakably slowing, with little evidence that this is either a short-term phenomenon, or the result of a transient set of economic conditions. The world slows, and the very best we can hope to see is slow growth that keeps us out of a global downturn. 🏠

Michael J. Hicks, PhD, is the Director at the Center for Business and Economic Research at Ball State University. Dr. Hicks' views do not necessarily reflect the opinion of First Merchants Bank and First Merchants Corporation.



Mid Year Check-Up: Where Do You Stand?

By Justin Baker

As I am writing this, the days of June are dwindling down and July is fast approaching. It's hard to believe that the year is half over, but it's also a good time to reflect on the progress of the goals

you have set for the year for your practice. While each practice is different and can have a variety of monthly, quarterly and annual goals, we will focus on just three such goals: Annual Collections, New Patients and Practice Staffing.

Annual Collections

Given the recent success in the US Economy over the last several years, most of our practices are showing consistent positive growth. If you are not seeing this positive growth trend in your practice, it may be time to review your systems, marketing programs and potentially, a review of the insurance programs the practice is accepting. A review of these may give your practice the boost it needs to meet your annual collection goal over the next six months.

New Patients

New patients are vital to any dental practice, regardless of the size or specialty of the practice. In order to achieve a steady flow of new patients, a practice needs to have a marketing program that consists of multiple strategies. One important strategy every practice should be implementing is a strong internal referral program through existing patients and staff. This type of program is often less expensive than external marketing campaigns, and is often a better return on your investment dollars. If you're not receiving the number of new patients you desire, strengthening your internal referral program is a good place to start.

Practice Staffing

Outside of the clinical side of your practice, the next area that typically takes up the most time is management of staff. There are many dimensions to this, including when to hire a new staff member, when to let someone go, as well as staff

development and training. Oftentimes, I hear from clients that one of their biggest stressors in the practice is dealing with their staff. In order to accomplish the goal of having a great practice, sometimes adding or letting go a staff member is necessary. I have often heard one of the hardest things is letting go of a good staff member; however, in order to go from good to great, this might be necessary.

Running a successful and profitable dental office comes with its own set of unique challenges and rewards. Setting monthly, quarterly and annual goals for your practice is one way to track and monitor trends to ensure your practice's continued success. In setting those goals it's often helpful to use the S.M.A.R.T. development method. This method ensures your goals are Specific, Measurable, Attainable, Relevant and Time Bound. 🏠

Justin Baker is a Practice Finance Relationship Manager for First Merchants Bank. If you would like to reach out to Justin, please feel free to contact him by calling 614.583.2182 or by emailing him at jrbaker@firstmerchants.com.



Family Business Succession

By Marigene Dolven

I recently attended a women's peer group meeting regularly hosted by Bea Wolper of The Conway Center for Family Business. For those not familiar with The Conway Center for Family Business, it is a fabulous resource for family-owned businesses, connecting individuals involved in family-owned businesses, and providing an opportunity to seek advice and learn from others who are willing to share their experiences and knowledge. It was interesting to find that although the individuals in attendance represented a wide variety of businesses, many shared similar struggles and experiences. The meeting focused on communication within the family business, and following that meeting, I did a lot of thinking about family business succession. Succession planning involves decisive and crucial conversations, and when faced with difficult conversations and decisions, we have choices. We can avoid them, face them and handle them poorly, or face them and handle them well.

Regrettably, for whatever reason, many business owners do not have a succession plan. Some business owners are reluctant to give up control of their company or make management and ownership decisions they can't change later. Some simply want to avoid family conflict, while others sit back and wait to see if family members are ready or willing to take on management responsibility. And then there are those entrepreneurs who are so busy with the daily management of their business that they haven't made succession planning a priority, even though they consider it to be important.



**SOME CALL US FANATICS.
WE SAY WE'RE COMMITTED.**

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Softball. Basketball. Bankers. We're all part of some team. And First Merchants has the lineup for your needs. With checking and savings accounts, lending, debit cards, online banking and more, we have the tools to help you reach your financial goals. No matter what your needs are, we're game. For more information go to firstmerchants.com.

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The absence of a plan can cause problems later though, and when facing unexpected or unfortunate circumstances, a business owner may be rushed to sell or be forced to sell on less desirable terms, or at a less than optimal price. Consider, too, that the absence of a timetable and specific strategies to create value may also prevent the owner's exit when the owner wants. Even worse, in the event of the owner's sudden or unexpected passing, the continuity of the business could be in jeopardy, and may leave unprepared successors to navigate a mess. Another consequence of not having an exit strategy is uncertainty, which can lead to anxiety and exits from valued employees. With regard to personal wealth, the lack of family wealth transfer planning can result in higher income taxes on a sale and crushing estate taxes, which can devastate family—a critical component to a strong family business. Not planning can result in a lifetime of hard work disintegrating.

What are some exit strategy options for the owner of a privately held company? Liquidation and bankruptcy are real options, but obviously unappealing ones. The transfer of ownership to employees, partners or management is another option, and more appealing. Other appealing options are to transfer ownership to family members or to sell to a qualified buyer. For many family business owners, transferring ownership within the family is their preferred plan. Entre-

preneurs are usually more focused on the people and culture of their companies, and they know that keeping the company in the family may be the best way to maintain income for family members. Many would rather pass on their legacy to family members that share their passion and pride of ownership.

Transferring a business to family members has its challenges. If selling to more than one family member, they must choose who will ultimately be the decision-maker. Questions of leadership and control can put family members at odds, and family dynamics at the forefront. Should succession be based on birth order, gender, interest or experience? These decisions are further complicated by family members who work in the business, but don't have ownership, family members who aren't involved in the business at all, and those family members who are owners, but don't work in the business.

An owner can't always count on his or her children to be their exit plan, but if it's an option, consider exposing the children to the business at an early age. Share your goals regarding the business regularly with the family, and think about including all interested family members in decisions and negotiations. Getting a third-party expert involved and/or having a board with a majority of non-family members can be helpful in constructing the plan, and with family dynamics.

Touching on the topic, you can understand why succession planning is so important, and why selling a family business is complex and can take time. Is it time for you to consider or revisit your succession plan? Planning can sometimes be difficult and time-consuming, but face it, and handle

it well. It's the best tool we have, and the earlier it is started, the greater the likelihood for a favorable outcome. Gathering your advisory team, including your banker, accountant, and attorney, may be a good place to start! 🏠

Marigene Dolven is a Relationship Manager for First Merchants Bank. If you would like to reach out to Marigene, please feel free to contact her by calling 614.583.2123 or by emailing her at mdolven@firstmerchants.com.



A Financial Advisor's Role in Business Transition Planning

By Dan Schwegman

Every year, businesses go to market with the intent to sell and, more often than not, the sale doesn't occur. The disconnect between the buyer and seller could be attributed to a multitude of factors, including a differentiation in business valuation, lack of understanding regarding

available options in which to sell, and transferrable value concerns. A common factor in each of these situations often relates to a lack of business transition planning.

Business transition planning is extremely important for a number of reasons, including:

- Transitioning out of a business can be the most important financial transaction of an owner's life;
- Other parties such as family, key management, employees, lenders, suppliers, customers, and the community may depend on the owner and the business;
- With no transition plan in place, an owner will likely leave money on the table and potentially fail to achieve his or her value-based goals.

In general, there are three primary goals to an owner-centric business transition plan:

1. **Financial:** How much after-tax money is needed to maintain the owner's standard of living throughout the remainder of his/her life?

2. **Departure Date:** When does the owner want to sell the business?

3. **Successor:** To whom does the owner want to sell the business; e.g., family, co-owner/key employees, third party, or Employee Stock Ownership Plan (ESOP)?

Identifying the three primary goals serve as a foundation and starting point to engage with an owner's team of financial professionals (financial advisor, attorney, and accountant) who can assist in the development of a comprehensive and coordinated plan. Given the scale of business transition planning, the intent of this article is to focus attention on the first primary goal of the business transition plan.

Understandably, the transition of selling a business can be intimidating for many business owners. One day they are running a business, earning a wage, and are comfortable with the risk associated with that business. The idea of then selling that business, having a lump sum of money in which there is uncertainty surrounding the measurement of risk and how it will generate income, can be overwhelming for some. If this is you, don't be discouraged!

As a financial advisor, our role is to provide clarity and direction throughout the transition process. We accomplish this by gaining an understanding

of your situation and goals and transpose it into a sustainable financial plan and investment strategy. In general, we utilize the following resources to help in this process:

- **Financial Planning:**

First Merchants Private Wealth Advisors utilizes a number of hypothetical software programs to help project the probability of creating a successful financial plan. The software allows us to determine the approximate capital needed from the sale of the business to cover your expenses while also factoring in variables such as inflation, tax, market returns, and debt reduction.

- **Investment Management:**

Throughout the financial planning process, it's also important to create an investment strategy. By determining the required capital needed to cover your living expenses, the plan enables us to measure the amount of risk required in the investment portfolio to sustain financial stability over the long term. Once we confirm the amount of equity exposure (risk asset) in the investment portfolio, we employ an active management approach to investing. This gives us the ability to be tactical in clients' portfolios and either capture more appreciation in market value or create downside protection based on the current market and economic environment.

In summary, creating a business transition plan doesn't happen overnight. Much like our approach to providing wealth services for our clients, the business transition plan is a process and it must be comprehensive, coordinated, and evolve based on situational changes.

At First Merchants Private Wealth Advisors, we partner with high net worth individuals, families,

and organizations to provide comprehensive solutions and personal service in the pursuit of a secure financial future. Let us know how we can help assist in your transition plan today! 🏠

Dan Schwegman is a Wealth Advisor for First Merchants Bank. If you would like to reach out to Dan, please feel free to contact him by calling 614.583.2048 or by emailing him at dschwegman@firstmerchants.com.



WELCOME



Katie Wolfe

Katie Wolfe is our new Investment Consultant at First Merchants Bank. She is located at our Tremont Office in Upper Arlington. Katie has 12 years of experience in financial services and is available to help with all your investment needs and wealth and retirement planning. You may contact Katie at 614-459-5014.

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SUPPORTING THE COMMUNITY

First Merchants Bank volunteers at The UA Commission on Aging

On July 9, First Merchants Bank had a Community Day at The UA Commission on Aging. We helped residents of Upper Arlington with yard work. This was our second year partnering with this organization. The Upper Arlington Commission on Aging serves as the informed voice to empower, educate and enrich the lives of older adults in Upper Arlington. 🏠



From Left to Right: Nick Perry, Joanna McWilliams, Carly Jones and Savannah Norris- Jenkins

First Merchants Bank Participates in Community Day at Free Fixari Dental Day

First Merchants Bank participated in a Community Day at Free Fixari Dental Day on Friday, May 3rd. Our employees helped escort patients to their dental appointments. Free Fixari Dental Day provides to patients free dental care who could otherwise not afford it. 🏠



From Left to Right: Mike Lord, Ligaya Thomas, Gabrielle Dent, Alicia Murphy, Jacqueline Walls, Martin Brady and Justin Baker



First Merchants Bank volunteers at The Driven Foundation

Seven First Merchants Bank employees volunteered at The Driven Foundation on Tuesday, August 20. The Driven Foundation was hosting its annual Bank to School event and our group helped unpack all the school supplies and set up for the event. This event provides free school supplies and clothes to families in need.



Pictured from left: Tiffany Banks, Jennifer Chung, Jon Meister, Kris Evans, Jody Shonk, Jacqueline Walls and Sally Schwab.

The Driven Foundation is a non-profit organization founded by former NFL and OSU teammates Roy Hall and Antonio Smith. They solve community challenges through needs-based programs and services. 🏠



Bottom row from left: Scott McAnaul, Katelyn Condo, Alishma Chaulagain, Marina Smith, and Renee Stabile. Back row from left: Mike Kramer, Chris Turner, David Abood, and Bob Main

Habitat for Humanity

First Merchants Bank had a volunteer day with Habitat for Humanity on February 22. This house was a remodel in Columbus, Ohio and our group helped with the interior and exterior of the house. Our group painted and drilled floors. 🏠

Save the Dates

NOVEMBER 6TH

First Merchants Bank Fall Seminar: 8:30am to 10:00am.
“Veteran Ready vs Veteran Friendly”

DECEMBER 12TH

Holiday Open House- Scioto Country Club:
4:30pm to 7:30pm



Visit One of Our Convenient Locations

Clintonville: 3245 N. High Street – 614.408.0470

Graceland: 5090 N. High Street – 614.408.0480

Grandview: 1460 Grandview Avenue – 614.486.0700

Karl Road: 1616 E. Dublin–Granville Road – 614.408.0410

Olentangy: 3650 Olentangy River Road – 614.583.2200

Reed Road: 4621 Reed Road – 614.486.9600

Reynoldsburg: 6950 E. Main Street – 614.408.0375

Sawmill: 5811 Sawmill Road – 614.408.0274

Tremont Center: 2130 Tremont Center – 614.486.9000