

BankNotes



4TH Quarter 2012

Welcome to Commerce National Bank's BankNotes newsletter! We think you will find BankNotes to be a useful tool for you and others in your company, and we encourage you to share our newsletter with staff and colleagues. Questions or comments about BankNotes? Contact Donna Garrett at (614) 583-2085.

Highlights In This Issue:

- Jenn's Corner — To Give is to Receive
- Contact Info
- Consumer Corner
- The Fiscal Cliff and Its Many Paths To Perdition
- Providing for Your Children — With Strings Attached
- Positive Pay It's Your Money.... Protect It!
- Great People First Step in Success
- Spreading Holiday Cheer
- Community Corner

JENN'S CORNER

To Give is to Receive

by Jennifer Griffith, President and CEO



If you read *Bank Notes* regularly, you've probably realized that I enjoy learning lessons from my kids and my family. Well, my daughter Morgan has inspired another moment that

illustrates the importance of sharing great service stories with others.

We live within walking distance of a specialty grocery store owned by Tim Huffman, Huffman's Market. With almost embarrassing frequency, my kids stop in at Huffman's for drinks or ice cream. They love the staff of friends and family that make shopping at Huffman's a complete joy. Morgan and Cole know everyone on the staff, and they are always welcomed by hugs and smiles.

As part of a school project, Morgan had to write about a recent trip or vacation memory. Instead, she wrote a letter to Tim Huffman describing her "trips" to his market. She shared glowing stories of each staff member, complimented the goodies and encouraged others to also shop at Huffman's. Tim posted the letter and received a little bit of positive buzz for his incredible staff. Big smiles!

All too often, consumers share the negative experiences that cause

frustration and impede progress. Stories about great service can (with much disappointment) get overlooked. When was the last time you shared a remarkable service story? Have you ever blogged about notable service? Have you ever submitted compliments to the BBB or Angie's List? Do you encourage referrals for your customers and vendors?

It's in everyone's nature to talk. Listen to yourself this week. Are you and your staff prone to sharing stories full of greatness? Or do you catch yourself griping about things gone wrong?

Word-of-mouth advertising carries immense value. I'm certain you are aware of just how powerful it can be for your business. Please don't forget that to give is to receive.



Save the Date!
CNB Holiday Open House
Wednesday,
December 12, 2012

Contact Info

You may call (614) 583-2200 and ask to be transferred to the appropriate individual.

Our Customer Call Center at **888-716-1514** is available extended hours:
Monday–Friday 7:00am–7:00pm
Saturday 9:00am–1:00pm

Fax
614-583-2201

Account Inquiries & Research ACH

ATM & Debit Card

Online Banking

Customer Call Center,
888-716-1514

Courier Pickup
614-583-2150

Credit Cards & Merchant Services

Alicia Murphy

Customer Suggestions
Cathy Dieckman

Deposits, Loan Accounts, Inquiries, Stop Payments

Patty Davis
Jan Patton

Loan Payoff Requests

Darlene Willens
Tina Smith

Lockbox
614-583-2155

Security Concerns

David Benjamin

Telephone Banking

614-583-2155

Wires

Mindy Beck

Wires Fax Line

614-583-2157



Consumer Corner

Did you know that Commerce National Bank offers personal checking and savings accounts for you and your employees? We also have loans for all seasons and any reason; great rates on vehicle, mortgage, personal, and home equity loans.

Call Suzan Orban at 614-583-2188 to find out about our low interest Home Equity Line of Credit Loans.

PUT YOURSELF IN THE DRIVER'S SEAT.



First Merchants Bank gets you on the road with hassle-free financing.

- Rates are at historic lows!
Lower rates = lower payments
- We're your local bank with local lenders
- Fast, easy process – leave with your check today!

Not in the market for an auto loan? Contact us for great rates on all of your financing needs.

(800) 205-3464
FIRSTMERCHANTS.COM

RATES AS LOW AS

2.99%

3.18% APR

WELL-QUALIFIED
BUYERS WITH
AUTO-DEDUCT
PAYMENTS



**First Merchants
Bank**

THE STRENGTH OF BIG.  THE SERVICE OF SMALL.

Not all customers qualify for this rate.

 **FDIC**

The Fiscal Cliff and Its Many Paths To Perdition

by James E. Newton, CNB Chief Economic Advisor



Good news! According to the latest utterances from the Federal Reserve in September of this year, their newest “central tendency” forecast for the U.S. economy during 2013 has

improved. Next year should see the nation’s total output of goods and services (real GDP) expand within the range of 2.5 percent to 3.0 percent after a disappointing 2012, which the Fed crystal-ballers expect to come in at about a 1.7 percent to 2.0 percent GDP advance. And with that rate of economic growth in 2013 the Fed believes that the nation’s unemployment rate will drop a bit; to somewhere within the range of 7.6 percent to 7.9 percent. All-in-all, not a bad outlook.

The bad news? A month earlier the Congressional Budget Office released their projections regarding the 2013 economic outlook for the nation and there was a modest difference. According to the CBO projections, the U.S. economy would experience a recession in 2013, with GDP falling by nearly 3 percent in the year’s first half before registering a modest pickup in the second half. For the overall year (from fourth quarter, 2012 through fourth quarter, 2013), real GDP would drop by 0.5 percent and the unemployment rate would average 9.1 percent during the final three months of next year.

So what gives? How can there be such a monstrous difference in the forecasts of two government institutions that are supposed to be well informed, and give people and businesses some reasonable idea as to what kind of economic environment to expect – and plan for – as a new year unfolds?

In one case – the Federal Reserve projections – the impact of the so-called “fiscal cliff” seems to be ignored, while in the other case – the CBO outlook – we are given a peak into the consequences of government paralysis should politicians allow the nation to tumble over the fiscal cliff.

While many of us have been hearing about the economic apocalypse that occurs at year’s end, it may be important to understand all of its elements. In doing so, perhaps business people can at least make

a best guess as to what a lame-duck session of Congress may do. Perhaps some aspects of the fiscal cliff will be “fixed” while others may well be allowed to automatically take place and thus put downward pressure on the economy. The number of possible policy alternatives seems nearly limitless and makes planning for 2013 extremely difficult at this time.

Included among the major components of policy changes that automatically take place on January 1st of next year without Congressional/Presidential approval are the following:

- All Bush-era income tax rate reductions enacted in 2001 will come to an end and tax rates for the vast majority of those paying federal income taxes will rise significantly.
- The highest dividend tax rate will skyrocket from 15 percent this year to 43.4 percent next year since they are taxed as ordinary income. This includes the initiation of the new 3.8 percent investment tax rate mandated under the Affordable Care Act (Obamacare).
- The highest capital gains tax rate (including the above-mentioned 3.8 percent) will jump from 15 percent to 23.8 percent.
- The maximum estate tax rate will rise from 35 percent to 55 percent.
- Some high income groups will lose (in part or in full) some deductions or exemptions in determining federal income tax obligations.
- The child care tax credit will fall to \$500 per child from \$1000.
- The American Opportunity Tax Credit (one path to use when financing a college education) will expire.
- The expansion for eligibility for some individuals currently obtaining funds through the Earned Income Tax Credit will end.
- A temporary marriage tax penalty relief program will expire.
- The present Alternative Minimum Tax patch will expire for tax year 2013 and potentially increase income tax liabilities for up to 30 million American taxpayers.

- The payroll tax holiday which reduced the Social Security tax rate paid by individuals from 6.2 percent to 4.2 percent over the past two years will expire. As such, next year working Americans paying into the Social Security System will see an immediate reduction in their net earnings of 2 percentage points; amounting to about \$120 billion in aggregate for the year.
- All federal extended unemployment benefits will come to an end and the maximum number of weeks a person can obtain benefits will drop to 26 weeks throughout the nation, regardless of the “tier” structure that individual states now experience.
- The Medicare “doc fix” for primary care physicians will end and reimbursement rates provided by the federal government via Medicare will drop by an estimated 27.4 percent.
- The exemption for mortgage debt forgiveness will end for impacted individuals as they calculate 2013 federal income tax obligations.

Taken together the above automatic changes will amount to a nearly \$500 billion hit to Americans, or approximately 3 percent of total nominal GDP. Is it any wonder that the CBO outlook for 2013, which assumes all aspects of the fiscal cliff are implemented, is so much more depressing than the Federal Reserve outlook, which seems to ignore all of the above.

But the cliff goes even further. Under provisions of the Budget Control Act of 2011, some \$1.2 trillion in automatic spending cuts must take place over the ten year period between 2012 and 2021 (inclusive). Of course, in an effort to put the pain off until after the 2012 elections, politicians put the cuts at zero for 2012; with 2013 being the first year for a bite out of federal spending. As such, total automatic expenditure reductions will be about \$110 billion next year, with half from impacted defense budgets and half from impacted non-defense budgets (which excludes some entitlement programs).

So there you have it. Take your best guess as to what may happen. After all, there truly are many paths to economic perdition.

Dr. Newton's views do not necessarily reflect the opinion of Commerce National Bank or First Merchants Corporation.

Providing for Your Children — *With Strings Attached*

by Jim Keene, Vice President, Personal Trust Officer



Last quarter I wrote about the unique opportunity to make large gifts without incurring a gift tax. Because this window closes at the end of this year, you

should consult your estate planning attorney now if you are interested. Attorneys will most likely be very busy from now until the end of the year. A likely recipient of your lifetime gift or a testamentary bequest might be your children.

As a parent, you may have concerns about your children's ability to handle the assets they receive from you. Perhaps you feel that your children lack the financial maturity to manage and protect a sizable inheritance or gift. Or, maybe you're worried that sudden wealth could have a negative impact on them in terms of retaining values and a good work ethic.

One popular solution to this concern is the use of an incentive trust. This type of trust sets standards of conduct or achievement that must be fulfilled before distributions are made to beneficiaries. A trust structured this way can also help to control estate taxes and provide professional asset management.

Reinforce Values

You can use incentive trusts to reward a wide range of behaviors (or discourage certain behavior) on your beneficiary's

part. When you create such a trust, you simply set up guidelines that you believe your children (or other beneficiaries) should follow. Since you create those conditions within a legally binding trust agreement, you can be certain that distributions will be made only if your terms are met.



Establish Conditions

You can set a variety of conditions on your children's receipt of distributions. Here are some common types

of provisions included in incentive trusts.

- **Education** — You may require your children to finish a certain level of education or maintain a certain grade point average to qualify to receive trust funds.
- **Family Business/Employment** — You could reward a beneficiary who takes over a family business. Or, you could encourage gainful employment by matching a percentage of the income that your children earn.
- **Charitable Causes** — To promote philanthropy, you might set up a trust that will match your child's charitable donations or provide incentives for the performance of volunteer work.
- **Healthy Lifestyle** — You could restrict the distribution of trust funds to your children if they engage in destructive or illegal activities, such as the abuse of drugs or alcohol.

When placing conditions on an inheritance, it is important to build in flexibility so that the trust provisions do not prove counterproductive. Be sure to explain the incentives clearly in your trust agreement. Think carefully about what you're trying to accomplish and try to make the incentives simple and achievable.

Proceed with Caution

When used in a sensitive, thoughtful manner, an incentive trust can encourage positive behavior by trust beneficiaries. If the conditions are overly restrictive, however, the result may be resentment or even considerable unhappiness on the part of your children. For example, a child may feel that you are trying to rule "from the grave."

To prevent unwanted results, keep the lines of communication open. By discussing the incentives and/or restrictions with your children in advance, you can help clarify goals and avoid future problems. What's more, an open dialogue can help your children better plan their financial futures.

Keep in mind that an incentive trust is not a cure-all for your estate plan — or for family problems. In fact, it may be unnecessary in many cases where a child doesn't need any incentive to act responsibly. For some families, however, it is a planning option that may produce favorable results.

For more information, please feel free to contact Jim Keene at 765-962-7696. ☎

Positive Pay It's Your Money...Protect It!

by Jennifer Wehrly, Vice President, Cash Management Officer

Have you recently experienced check fraud?

According to the 2012 AFP Payments Fraud Survey, checks remain the payment type most vulnerable to fraud attacks. 14% of businesses that were victims of at least one attempt of check fraud during 2011 suffered a financial loss. One suggestion to consider is utilizing Positive Pay.

Positive Pay is a fraud deterrence tool that assists with the identification of unauthorized checks before they are drawn against your checking account. Examples of unauthorized checks include counterfeit or altered checks.

The benefits of positive pay are:

- Reduces your company's exposure

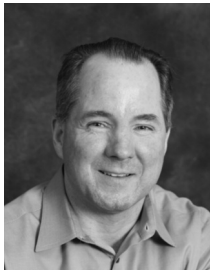
to check fraud

- Easily integrates with account reconciliation services
- Internet based image delivery to your desktop streamlines the pay/no pay decision process

For more information, please contact Jennifer Wehrly at 614-583-2121.

Great People – First Step in Success

by Martin Brady, Senior Vice President and Chief Sales Officer



The third quarter of 2012 is behind us. The Bank has had a great start to 2012 and is looking forward to a great 4th quarter to finish up the year.

Our success this year is attributable to several factors. These factors include a better economy, exploring new opportunities for business, being in the right partnerships with great customers and prospects, and our people.


I saved our people for last, but this is a critical mission for our company and all companies. Hiring and retaining great people is essential for any team to be successful.

I was recently interviewing a person for a potential job opening at the Bank and I

came away incredibly impressed with this person's philosophy and thoughts on employment. She told me a story about running cross country in high school. She could never understand why some schools had terrible cross country teams and others had great programs. One day she asked her sister, who ran with her on the team, the cause of this and her sister responded: great runners breed other great runners. Teams almost never have just one great runner. The runners below the faster runner try and become better and the runners at the bottom try to bring themselves up from their current level. The moral of the story — make sure you have a team with some fast runners on it. She ended our time together with her thoughts on working for the Bank or anywhere; my job is to make myself indispensable to you. I have interviewed a lot of people and I have not had this



thought often, but I wanted to hire this person right on the spot.

People remain our primary asset. As we approach the end of 2012 and the beginning of 2013, make sure you have a team that is making itself faster and better, and employees that are making themselves indispensable. 

Spreading Holiday Cheer

This holiday season, Commerce will be partnering with The Sam Bish Foundation to provide a little holiday cheer to children receiving cancer treatment at Nationwide Children's Hospital, as well as to their families.

In the summer of 2009, Commerce's Debbie Russ told us of a little boy from her church who had just been diagnosed with bone cancer.




That little boy was Sam Bish. Sam was a typical 8-year-old boy from Reynoldsburg, getting ready to start third grade. Prior to school starting, Sam began to experience pain in his right knee and in August, was diagnosed with bone cancer. Sam received treatment at Children's Hospital and was even able to enjoy a trip to Disney World with his family in July of 2010. Sadly, Sam lost his battle on August 20, 2010.

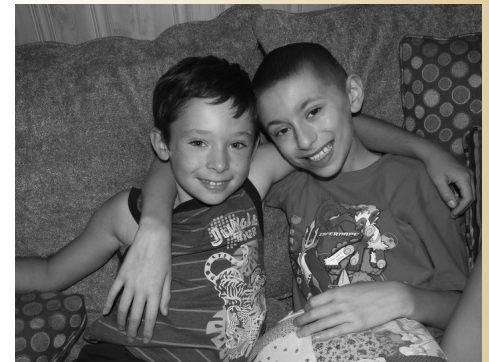
Sam's parents, Michael and Cindy Bish, created The Sam Bish Foundation to provide hope, support, and smiles to

families and children in active treatment for pediatric cancer, as well as to raise awareness and money for pediatric cancer research.

Between November 23 and December 14, Commerce will be collecting gift cards for food, gas,

and groceries, as well as DVDs (G-rated), coloring books, crayons and markers. The Bish family will be distributing these gifts to families the following week. If you would like to help us in our efforts, feel free to stop by the bank with contributions or send items back to the bank with our couriers.

Sam's story can be found at caringbridge.org/visit/sambish. You can also find it on Facebook by searching for "The Sam Bish Foundation." 






Commerce National Bank

The Bank for BusinessSM

Suite 100
3650 Olentangy River Road
Columbus, Ohio 43214
(614) 583-2200
Fax (614) 583-2201
www.commercenationalbank.com



 Banknotes is printed on
50% recycled paper.



Community Corner

Commerce Earns Award of Excellence from Mid-Ohio Foodbank



(Left to Right) Greg Winslow, VP of Development, Mid-Ohio Foodbank, Cathy Dieckman, Debbie Russ, Barb Atherton, Zo Sellers, Matt Habash, President and CEO, Mid-Ohio Foodbank

We are pleased to announce that this year Commerce National Bank's Operation Feed campaign earned the *Award of Excellence* from the Mid-Ohio Foodbank. This award is given to companies that meet two of the three following criteria: 40% growth in meals gathered over the prior year, at least 50 meals per capita, or a 25,000 meal increase over the prior year. Commerce achieved the first two criteria with 118% growth over our 2011 campaign result and 137 meals per capita – an absolutely awesome team effort by all of our bankers!

The leaders of the CNB Hunger Heroes team, along with our fearless Operation Feed event organizer Zo Sellers, attended the 2012 Operation Feed Finale Face-Off to celebrate the companies that campaigned to achieve the goal that, "...no one should go hungry."

In addition, Commerce was also one of 86 organizations recognized as a *Benchmark Level Contributor*, which is a company that has successfully reached the goal established by the Mid-Ohio Foodbank staff, based on the average Operation Feed campaign meals raised per capita.