



DECEMBER 2022

## IMPORTANT DATES

<b>DEC. 23</b>	<b>MARKETS CLOSE EARLY</b> AT 1:00 PM CST Friday, December 23
<b>DEC. 26</b>	<b>CLOSED</b> Monday, December 26 Observing Christmas Day
<b>DEC. 30</b>	<b>MARKETS CLOSE EARLY</b> AT 1:00 PM CST Friday, December 30
<b>JAN. 2</b>	<b>CLOSED</b> Monday, January 2, 2023 Observing New Year's Day
<b>JAN. 16</b>	<b>CLOSED</b> Monday, January 16, 2023 Observing Martin Luther King Jr. Day
<b>JAN. 31</b>	<b>TAX FORM MAILING BEGINS</b> Tuesday, January 31

## UPCOMING EVENTS

<b>DEC. 9</b>	<b>Holiday Open House</b> Come see us at our Mason City West office from 9am - 3pm
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**ONCE Upon A Christmas**  
Holiday Open House  
Friday, Dec. 9<sup>th</sup> - 9am - 3pm  
JOIN US FOR ENTERTAINMENT, REFRESHMENTS, and Holiday Cheer!

**We're collecting toys for Toys for Tots and children's books for our book drive!**

Feel free to bring in new, unwrapped toys and/or children's books for ages 0-18 to donate at our Holiday Open House.



## THIS YEAR WAS A TREAT!

Dear Friends,

Season's Greetings to you all as we embark on the winter season.

*"To appreciate the beauty of a snowflake, it is necessary to stand out in the cold." — Aristotle*

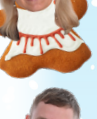
As the weather and markets in the past months certainly have supplied opportunities to stand out in the cold, let us take a moment to appreciate the beauty of the snowflakes of 2022...

2022 was a year of welcoming many new team members. We are so fortunate to find great people to help us serve our valued clients well. The energy and excitement in our team to work together to grow and improve our services is a thing of beauty. Our team is driven to inspire financial well-being for everyone. To that end, we focus on continuing education, research, and collaboration with other experts, and pursuing innovative technologies to grow our ability to provide solid advice and services. Two technologies added this year are a Bloomberg terminal and the ability for our clients to use compliant and secure text messaging to communicate with our team. The terminal offers a wealth of news and headlines, real-time quotes in numerous markets, tools for fundamental and technical analysis, economic research, and more, allowing us to continue to improve our portfolio management. Texting allows us to complement our other tried and true methods of communication; our personal favorite still is seeing you face to face.

We also welcomed many new clients this year. We can't tell you enough how much we appreciate the trust you place in our team. We love the work we do and the ability to help you plan, grow and protect your legacy for generations. We are also fortunate to continue so many long-standing relationships. Our client retention remains strong, despite a tenuous market environment. We see this as a testament to our commitment to be a trusted guide to our clients through all of life's challenges and opportunities. We continue to welcome new clients and always appreciate introductions to those you know and care about. As we review 2022 and how far we've come, we look forward to building upon that foundation and making 2023 spectacular. We thank you for your faith and continued support. We believe that we have the best clients and that you are vital to our successful navigation of this ever-changing world.

It is in this spirit of the holidays that we extend our warmest greetings and best wishes for the New Year. We hope that you are surrounded by love and warmth this holiday season and that the holidays bring you many reasons to smile and appreciate the beauty of the snowflakes this winter.

Happy Holidays,



## NEW TEAM MEMBERS



**Sawyer Dalluge**  
Associate Investment  
Officer



**Ashley Hagen**  
Trust Assistant



**Cally Peterson**  
Trust Assistant



**Farisa Seidel**  
Wealth Assistant



**Lindsey Swartwood**  
Trust Operations  
Specialist



**Paige Vandusseldorp**  
Associate Wealth  
Advisor

## CELEBRATIONS



**Brad Dummett, CFA®**  
VP, Trust Investment  
Officer

Brad has fulfilled the requirements to attain the Chartered Financial Analyst® (CFA®) designation.

The Chartered Financial Analyst® (CFA®) designation is one of the highest distinctions in the investment management profession.

.....  
*Congratulations to Paige V.  
on the birth of her daughter!*



*Eleanor James*

## YOUR ESTATE PLAN

If you are like many people, you do not have an estate plan. In fact, many studies reflect as many as 2/3rds of Americans do not have a plan. Of those that do have a plan in place, it may not necessarily be the right plan.

We recommend clients review their plan at least every 3-5 years. Additionally, if any of the following apply, it's time for a review:

- Family Changes: death, divorce, new additions, marriage/remarriage, mental/physical health issues.
- Financial Changes: new assets, change in employment status, sale of assets, creditor issues, inheritance.
- Law/Tax Changes: relocation to new state and estate/inheritance and tax law changes. Iowa residents take note, beginning in 2023, Iowa tax for most forms of retirement income, including retirement farmer rental income, will be included in the exemption for "retirement income." Iowa is also phasing out its inheritance tax by reducing its rates by an additional 20 percent each year (from the baseline rates) until 2025, when the tax will be fully eliminated. In the Tax Cuts and Jobs Act of 2017, the federal government raised the federal estate tax exclusion from \$5.49 million to \$11.2 million per person, though this provision expires December 31, 2025. The federal estate tax exemption for 2022 is \$12.06 million, increasing to \$12.92 million in 2023.

Wills and Trusts are generally designed with the expectation family and financial changes will occur. Unfortunately, even well-drafted plans cannot anticipate every life change and certainly not every tax and law change. If any of the above changes apply to you, we would be happy to schedule a time to walk through your existing plan and help coordinate with your counsel to update, if needed. It is also important to note that often the result is that the plan remains in good order and no updates are required. So, if you are not quite sure, we are here for you and walking through the review doesn't necessarily mean you will need to make any changes. As always, please consult your attorney for specific legal advice.



**Roberta Cornelius,**  
CTFA, CSA, ACP  
VP, Senior Trust Officer

## OPERATIONS UPDATES

As mentioned, we are in the beginning phases of rolling out text messaging to our clients. If you are interested in this feature, please email [wealth@myfcb.bank](mailto:wealth@myfcb.bank). An invitation to accept text messages from FCWM will be sent to you. Once accepted, our team will receive your messages and promptly respond. Please keep in mind, to ensure the safety and security of our clients, we cannot process transaction requests via text message. Just as with email, we will call you to verify before processing.

Also, a quick reminder as we approach year end, tax forms are mailed to clients beginning January 31st. We do file an extension annually allowing forms to be delivered on or before February 28th. We will process as quickly as possible to allow you ample time to prepare your tax returns.



**Amanda Berding, ATOP**  
AVP, Trust  
Operations Officer

## JOIN OUR TEAM!

Our team is growing, check out job opportunities at [myfcb.bank/about/careers](https://myfcb.bank/about/careers) or scan here

*First Citizens Bank is an Equal Opportunity Employer of women, minorities, protected veterans and individuals with disabilities.*



2022 has been an eventful year for the markets. We saw the S&P 500 decline 25.3% and the aggregate bond index decline 18.6%, creating one of the more difficult markets for a balanced portfolio in recent memory. These declines were largely a result of inflation reaching levels not seen in nearly 40 years with CPI\* hitting 9.1%. In response to the surge in inflation the federal reserve aggressively increased rates 3.75% with additional increases likely. The economy continues to be resilient with Q3 GDP increasing 2.6% after two consecutive negative prints. Likewise, the labor market has yet to show signs of stress with an unemployment rate 3.7%. With the stage set, where do we go from here?

- **Inflation:** With the October CPI reading coming in at 7.7% and PPI\*\* at 8%, inflation appears to have peaked. Inflation is widely anticipated to continue to decline in 2023, although it will be at least 2024 before the Fed's 2% target is reached.
- **Interest Rates:** The Fed continues to talk tough, stating they are not even close to stopping interest rate increases. Currently the market is pricing in 50 bps in December, 25 bps in February, and 25 bps in March before stopping at a fed funds rate of between 4.75-5.00%.

- **GDP/Labor Markets:** Forecasts are calling for between low single digit growth and low single digit decline in GDP for 2023 with a possible recession beginning in late 2023. Unemployment is expected to continue to move higher, likely reaching between 4.4%-4.8% in 2023.



**Brad Dummett, CFA®**  
VP, Trust Investment  
Officer

Looking at the longer term, 2022 has reset expectations. The most recent 10-15 year return projections from JPMorgan showed a significant increase in the expected annualized return on a balanced (60% equity/ 40% bond) portfolio to 7.2%, up from 4.2% in the 2022 projections. Broadly speaking, U.S large cap equities are expected to return 7.9% annually, an increase of 3.8% from the 2022 projection, over the next 10-15 years as valuations have contracted. Similarly, aggregate fixed income is projected to return 4.6% annually due to higher starting yields. While we do not have a crystal ball, the landscape shows promise going forward.

\* Consumer Price Index: measures the overall change in consumer prices based on a representative basket of goods and services over time.

\*\*Producer Price Index: measures the average change over time in the selling prices received by domestic producers for their output.

This information is intended for use by clients of FCWM. Factual materials obtained from sources believed to be reliable, but cannot be guaranteed.

## QUALIFIED CHARITABLE DISTRIBUTIONS (QCDs)

When planning your IRA withdrawal strategy, you may want to consider making charitable donations through a QCD. A QCD is a direct transfer of funds from your IRA custodian, payable to a qualified charity. QCDs can be counted toward satisfying your required minimum distributions (RMDs) for the year, as long as certain rules are met.

If you have assets saved in traditional (pre-tax) IRA's or employer sponsored retirement plans, upon reaching age 72, you will need to begin taking an RMD each year. This additional income will most likely directly increase your tax liability but may also indirectly impact your tax liability by increasing the adjusted gross income reported on your tax return. The increase in your adjusted gross income could also impact your tax liability by:

- Causing a portion or a larger portion of your social security income to be taxed.
- Increasing your Medicare premiums.
- Subjecting you to higher taxes on your net investment income.
- Phasing out deductions and tax credits.

If you make charitable contributions to your church, local museum, or other charities during the year, you expect that the contribution will not only benefit your community, but it will also result in tax savings. Unfortunately, many of us do not itemize our deductions on our tax return and are not maximizing tax savings for charitable contributions. For some, if you are already making charitable contributions, a QCD may be a good option.

As always, we recommend consulting with your CPA on all tax strategies.

When making a QCD, the distribution is not included in your income and your adjusted gross income is not increased. This allows you to realize the tax benefit even if you do not itemize deductions on your Federal Tax Return. Only individuals who are age 70 ½ or older are eligible to make QCDs.

You are not limited to the amount of your RMD as you can contribute up to \$100,000 per year to one or more charities. A married couple could contribute up to \$200,000 to charity.

A QCD can be a great way to maximize your charitable impact by minimizing your taxes; however, it may not be the best strategy for everyone. We can help determine if a QCD is a good strategy for you and assist with the transfer from your retirement account.

**Final Thought** – If you do make a Qualified Charitable Distribution - be sure to notify your tax preparer so they can properly match up the retirement plan distribution to the acknowledgement from the charity(ies) reflecting the charitable contribution. Also, for a QCD to count towards your current year's RMD, the funds must come out of your IRA by your RMD deadline, generally December 31. If we are processing this request, we ask clients to advise us no later than December 15th to allow sufficient processing time.

As always, consult your CPA for specific tax advice.



**Terry Bleile,**  
CPA (inactive)  
AVP, Wealth Advisor



**ACROSS**

- 4. We have a team of professionals experienced in comprehensive \_\_\_\_\_.
- 5. A person named in your will is a \_\_\_\_\_.
- 6. One of our favorite ways to serve our clients is by guiding them through \_\_\_\_\_ planning.
- 7. We believe in creating \_\_\_\_\_ for our clients.
- 8. We often serve as Executor of an \_\_\_\_\_.
- 10. One of our core values is to serve our \_\_\_\_\_.
- 11. We are a Team you can \_\_\_\_\_.
- 12. As Trustee, we ensure \_\_\_\_\_ are made to your named beneficiaries consistent with the terms of the Trust document.
- 14. We are dedicated to inspiring \_\_\_\_\_ well-being for everyone.

**DOWN**

- 1. We serve our clients as a \_\_\_\_\_, putting their interests before our own.
- 2. Qualified Charitable Distributions allow you to show your \_\_\_\_\_ while gaining tax efficiency.
- 3. We help clients who are incapacitated or unable to handle their financial affairs through \_\_\_\_\_ proceedings.
- 4. Assets in your name alone, without beneficiary designations, pass through \_\_\_\_\_.
- 9. We serve as \_\_\_\_\_ for many Trusts, allowing us to ensure your wishes are carried out in a professional manner.
- 13. We appreciate the trust you place in our \_\_\_\_\_.

Retirement  
 Planning  
 Trust  
 Team  
 Financial  
 Fiduciary  
 Community  
 Generosity  
 Conservatorship

Estate  
 Beneficiary  
 Probate

Trustee  
 Value  
 Distributions

*Happy Holidays!*



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We want your feedback - Email us at [wealth@myfcb.bank](mailto:wealth@myfcb.bank) with comments/questions/suggestions about this newsletter.

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