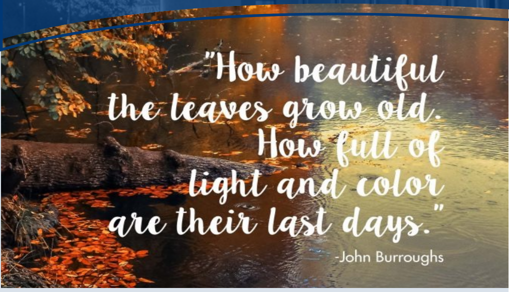
FIRST CITIZENS WEALTH MANAGEMENT

A Team You Can TRUST.

FALL 2023



IMPORTANT DATES

SEPT 4
CLOSED
Monday, September 4
Observing Labor Day

SEPT 11
SHRED DAY - CLARION
Monday, September 11
9:30 - 10:30AM
315 Central Ave E • Clarion

SEPT 13
SHRED DAY - MASON CITY
Wednesday, September 13
9:00 - 10:30AM
551 S Taft Ave • Columbia Club

SEPT 14
BENEFITS & BREWS EVENT
Thursday, September 14
4:00 - 6:00PM • Mason City

OCT 9
CLOSED
Monday, October 9
Observing Columbus Day

NOV 11
CLOSED
Saturday, November 11
Observing Veterans' Day

NOV 23
CLOSED
Thursday, November 23
Observing Thanksgiving Day

As the leaves begin to change and the crisp air of fall settles in, we welcome you to enjoy the latest edition of our newsletter. In this issue, we provide a market update, questions to consider when updating your beneficiary designations, insights into college savings and updates on our team.

This time of year, the autumn sun casts its warm glow over the fields and farmers begin reaping the rewards of a season's hard work. Farmers know that timing is everything when it comes to harvesting their crop. Harvesting too early could leave potential growth on the table, while waiting too long might risk spoilage. Similarly, investors face this challenge in timing their portfolio actions to maximize returns. In the world of investments, tax loss harvesting is a deliberate strategy we use to offset capital gains and reduce taxable income by selling under-performing assets in a portfolio. These assets, which may have experienced temporary setbacks due to market fluctuations, industry trends, or other factors, can be sold at a loss. The capital losses generated from these sales can then be used to offset capital gains from profitable investments. The IRS has specific rules governing the recognition of losses for tax purposes. The wash-sale rule, for instance, prevents investors from recognizing a loss if they buy substantially identical securities within 30 days before or after the sale that generated the loss. This rule is akin to a farmer allowing a field to lie fallow for a season to restore its nutrients before planting a similar crop. By understanding and adhering to these regulations, investors can ensure they are making effective use of tax loss harvesting while staying compliant with tax laws. Strategically harvesting tax losses can lead to improved tax efficiency and potentially higher overall returns. It is important to remember, like farming, investing carries risk. For this reason, we encourage you to work with our team to develop a solid plan to reap a bountiful harvest of financial rewards.

As always, we appreciate introductions to those you know and care about. Our team is honored by the trust you place in us and always interested in hearing from you if there is anything we can do to better serve you.

Sincerely, Nicole Olson

TEAM CELEBRATIONS

Chelsea Frederick, CTFA
Trust Officer

We are pleased to announce Chelsea Frederick, Trust Officer has fulfilled the requirements to attain the Certified Trust & Fiduciary Advisor (CTFA) from the American Bankers Association. The CTFA certification is awarded to individuals who demonstrate expertise in the areas of trust and fiduciary services. The CTFA certification signifies a high level of knowledge and proficiency in managing trusts, estates, and other fiduciary relationships. Trust and fiduciary advisors with this certification are well-equipped to provide comprehensive guidance and services in various aspects of wealth management and estate planning.

Congratulations!

RECOGNITIONS

OUR TEAM WORK ANNIVERSARIES

5 YEARS

SEPTEMBER

Mike Castle, CFP®
VP, Senior Wealth Advisor

Carol Juhl
Wealth Assistant

OCTOBER

Terry Bleile, CPA (inactive)
AVP, Wealth Advisor

FIDUCIARY UPDATE

2023 • WHAT ISSUES SHOULD I CONSIDER WHEN REVIEWING MY BENEFICIARIES?

Chelsea Frederick, CTFA
Trust Officer

BENEFICIARY ISSUES	YES	NO
Do you need to review your beneficiaries to ensure they are up to date? If so, consider whether your beneficiary designations accurately reflect your overall estate wishes, and be cognizant of different factors that may affect your heirs' outcomes (e.g., illiquidity, lack of marketability, taxable vs. non-taxable accounts, differing investments, etc.).	☐	☐
Are your named beneficiaries different from what your will or trust dictates should happen? If so, consider whether your account will transfer in the way you desire. Remember that beneficiaries take precedence over a trust or will.	☐	☐
If you are charitably inclined, do you need to review the investments you intend to leave to charity? If so, consider assets that are better suited for charitable giving, such as assets that do not receive a step-up in basis (e.g., non-qualified annuities) and/or assets that are taxed as ordinary income (e.g., pre-tax qualified accounts).	☐	☐
Do you need to review the planned proportions of qualified and non-qualified accounts being left to your heirs? If so, consider the tax implications of non-qualified accounts (which generally receive a step-up in basis) and qualified accounts (which are fully taxed as ordinary income, with the exception of Roth accounts) on your heirs. Be cognizant of how you divide these assets, as some heirs may be left with unequal after-tax amounts.	☐	☐
Do you have your "estate" listed as the beneficiary? If so, remember that assets left to your estate will be subject to probate. Consider updating your beneficiary if this does not accurately reflect your wishes.	☐	☐
Do any of your accounts have a trust listed as the beneficiary? If so, consider reviewing the trust provisions to ensure the trust is still up to date and relevant to your situation/wishes. If the account is an annuity, consider any potential challenges and limitations (e.g., potential loss of preferential tax treatment, potential forced liquidation over the 5-Year Rule, etc.) that may affect your situation.	☐	☐
Are you concerned about your heirs being subject to unfavorable RMD rules from an inherited IRA? If so, consider strategies that may mitigate the impact of RMDs on your heirs.	☐	☐
Are you concerned about an estate tax liability? If so, consider ways you might remove assets from your estate (or freeze them). Review your existing beneficiaries, and determine whether you can mitigate any potential estate tax issues.	☐	☐

WEALTH ADVISORY UPDATE

The end of summer brings a few things to mind for me. First, the football season is almost upon us and my anticipation for Saturday's spent watching college football grows by the day. Secondly, it is "back to school" time. I'd like to focus on what that means for those families with children heading to (or back to) college this fall.

For family's that have used 529 college savings plans as part of their planning, this is the time that many start to inquire about how exactly to withdraw that money that they've saved, and if those distributions will be federally tax free. Generally speaking, to qualify as a federally tax free distribution, it must be used for tuition and fees, room and board up to limits set by each school, books and supplies, or certain types of apprenticeship programs. Always consult with your tax advisor and the school's financial office to determine exactly how your distributions will be handled.

Back to school time also brings some opportunities to examine what changes may need to be made from a planning perspective as children reach an age of independence. Some questions that should be considered include:

1. Do you have access to your child's important records (health, financial, academic, etc.) after they turn 18? You may consider getting medical and financial power of attorney documents put in place.
2. Is your child still able to be on your health insurance (generally they are if under the age of 26)? If so, do they have their own insurance card and understand how to access health care if they are moving to a new location?

Mike Castle, CFP®
VP, Senior Wealth Advisor

3. Have you had a conversation with your child regarding credit cards and responsible use of credit? This can be a great time to teach responsible credit usage and help your young adult child start to build good money habits and a solid credit score.

The final thing many families discuss at this time of the year can be the effect that this "back to school" time can have on the overall family budget. Will you be assisting your child with expenses that haven't previously been saved for? Will there be cost savings from not having a child full time at home now? As with all times of transition, this can be a great time to evaluate both short and long term financial goals and planning. Please reach out to our team here if you'd like to discuss your situation and circumstances.

OPERATIONS UPDATE

At First Citizens Bank, your security and privacy are of utmost importance to us. With the growing complexity of online transactions and financial activities, we believe it's essential to provide you with information and tips to help you stay protected against fraud and unauthorized activities. Here are some helpful tips:

1. Regularly Monitor Your Accounts: We recommend that you review your account statements, transactions, and balances regularly. This will allow you to quickly identify any suspicious or unauthorized activity. If you notice any discrepancies, please contact us immediately.
2. Use Strong Passwords: Ensure your online accounts, including your account, have strong, unique passwords. Use a combination of upper- and lower-case letters, numbers, and symbols. Avoid using easily guessable information such as birthdays or names.
3. Enable Two-Factor Authentication (2FA): Whenever possible, enable two-factor authentication for your accounts.
4. Beware of Phishing Attempts: Be cautious of emails, messages, or calls requesting personal information, account details, or passwords. Always verify the authenticity of the request before sharing any sensitive information.

Amanda Berding, ATOP
AVP, Trust Operations Officer

5. Secure Your Devices: Keep your devices, including computers, smartphones, and tablets, up to date with the latest security patches and updates. Install reputable anti-virus and anti-malware software to protect against malicious software.
6. Shop Safely Online: Only make online purchases from reputable websites and ensure the website is using secure payment methods. Look for "https://" in the URL and a padlock icon in the address bar when entering sensitive information.

We are committed to ensuring a safe and secure experience for all our customers. By following these guidelines, you can greatly reduce the risk of falling victim to fraud or unauthorized access. If you have any questions or concerns, please don't hesitate to reach out to us.

The women of First Citizens Wealth Management hosted a Women, Wealth, and Wine tasting event in August. We appreciate all those who attended and look forward to hosting future events.

women wealth and wine

FIRST CITIZENS WEALTH MANAGEMENT

CONTACT US

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INVESTMENT UPDATE

2023 continues to be a good year for markets with the S&P up 18.4% and NASDAQ up 42.9% driven by out-sized gains from seven companies (Amazon, Apple, Google, Meta, Microsoft, NVIDIA, and Tesla) with an average return of 91.5%. The remainder of the S&P 500 has generated an average return of 8.06% with 138 companies outperforming the index. The performance so far has driven valuations to elevated levels as earnings have not kept pace with price appreciation. The focus going forward remains on interest rates and second quarter earnings.

The general consensus is we are nearing the end of the interest rate hiking cycle, with one final hike coming at the July FOMC meeting before an extended pause in rate activity. This consensus is based on improving inflation data, with both core and headline CPI and PPI numbers coming in at level not seen since 2021. While this improvement is welcomed, the battle with inflation is not done and will likely still influence markets in the months to come. Second quarter earnings season is underway with a focus on companies continued ability to pass through increasing costs to the end consumer. Earnings estimates have declined as the cumulative effects of rate increases are felt by the economy. Within our portfolios we maintain our view that the fight with inflation is not over and given the economic uncertainty, inverted yield curves, stretched valuations, and limited breadth, a defensive positioning is warranted. Within US equities we continue to favor large cap due to its resiliency in potentially challenging economic times later this year and into 2024. With the end of the Fed's rate hiking cycle likely in sight, we favor US equities over international and emerging equities who face further challenges from inflation, rate increases, and lower anticipated economic growth. On the fixed income side, we are staying up in quality, favoring treasuries and investment grade debt to lower rated parts of the market. While high yield rates may look attractive sitting above 8%, they are not fully pricing in the challenging economic times which may arrive in the coming quarters.

Brad Dummett, CFA®
VP, Senior
Investment Officer

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

We want your feedback - Email us at wealth@myfcb.bank with comments/questions/suggestions about this newsletter.

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