



IMPORTANT DATES

MAY
29

CLOSED
Monday, May 29
Observing Memorial Day

JUNE
19

CLOSED
Monday, June 19
Observing Juneteenth

JULY
4

CLOSED
Tuesday, July 4
Observing Independence Day

AS WE SAY FAREWELL...

It's bittersweet, as we say a grateful farewell to two of our leaders here in Wealth Management, Jim Anderson and Roberta Cornelius. We congratulate them on their upcoming retirements after decades of caring for our clients. I know I speak for all of us when I say we will truly miss them. I, personally, am grateful to have had them by my side these past five years and although they will be retiring, I am confident we will continue to build upon the solid foundation they helped create here. Jim's last day with us is March 31st. While Roberta is retiring later in the year, the two of them have worked so closely together over the years it only seemed right to celebrate them together.

If you'd like to have an opportunity to wish them farewell, please join us for a retirement celebration on Thursday, March 30th from 4pm to 6pm in the FCB Room at our Mason City office.

Sincerely,
Nicole Olson

26 years

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



24 years

Jim Anderson, AFIM
SVP, Trust Investment Officer



NEW TEAM MEMBERS



Nate Lovik, CFP®, AIF®, ChSNC®
Wealth Advisor

Nate Lovik joined our Wealth Advisory team in February as a Wealth Advisor. Nate has 15+ years' experience in the financial industry and holds the Certified Financial Planner®, Accredited Investment Fiduciary® and Chartered Special Needs Consultant® designations. In his role, he will provide comprehensive financial planning to our clients. He recently relocated to Mason City from the Rochester area with his wife and two sons.



Emily Strusz
Trust Officer

Emily Strusz joined our Fiduciary team in January as a Trust Officer I. Emily comes to us with experience working in the Clerk of Court's office and a B.A. in Psychology. In her role on the Fiduciary team she will administer trusts, estates and conservatorship accounts. Emily will also serve on the Trust Administration Committee. Emily lives in Mason City with her husband and daughter.

IMPORTANT NUMBERS

2023 Estate Planning Numbers: In 2023, the lifetime exemption equivalent from the federal estate and gift tax rises to \$12.9 million. Married couples have the potential to shelter \$25.8 million from estate tax if both spouses die this year. If one spouse dies this year with an estate below the taxable threshold, the surviving spouse will be able to take advantage of the Deceased Spousal Unused Exclusion Amount in his or her own estate planning. The annual gift tax exclusion moved to \$17,000 per donee.

"Price is what you pay. Value is what you get."

- Warren Buffett



Why name a Corporate Fiduciary?

Many families turn to trust-based solutions for family legacy planning. However, a trust plan is only as good as its trustee. Too often, the decision to name a Trustee is not given a lot of thought. It makes sense as the whole idea of estate planning is overwhelming. Also, most people have not had to serve as an Executor or Trustee and don't fully appreciate the responsibilities. Fortunately, our Fiduciary team routinely serves in these roles and can help provide a little more insight for you to consider in making this important decision.

Let's start with a job description. An Executor or Trustee is a fiduciary. What does a fiduciary do?

- Follow the terms of your will or Trust and the law governing fiduciary practices.
- Communicate with beneficiaries.
- Provide record-keeping and an accounting to beneficiaries and/or the Court.
- Invest assets.
- Accurate and timely tax management.
- Make distribution decisions.
- Preserve your legacy.

Who can you identify to fill these responsibilities? Well, either a trusted individual (often a family member) or a Corporate fiduciary, a trust company or bank trust department (like us).

To thoughtfully answer the question of who to name you should ask yourself:

- If you have children, do they communicate regularly? What are the family dynamics? Often, the honor of being named as a fiduciary is more of a target than a badge.
- How would one child respond to another having decision-making responsibility and compensation for serving in the role?
- Are your children treated equally in your estate plan? While we are firm believers that fair is not always equal, the impact of that decision should be considered.
- What is the longevity of the Trust? Will the individual be able to see it through?
- Do they understand the nature of your assets and the responsibilities of a Trustee. Often, people assume there will be less cost in naming an individual. In reality, most individuals must rely on outside professionals to administer a Trust, ultimately incurring similar or even greater costs than a Corporate fiduciary.

Corporate fiduciaries (such as us) bring experience, expertise, professionalism, and objectivity to the jobs of trusteeship and estate settlement. They are impartial in carrying out your wishes. They provide continuity. While a trust department may experience retirements or turnover, the organization itself doesn't take vacations,

get sick or move out of state. They are regulated by third-parties (for us, the Iowa Division of Banking and Federal Reserve) and conduct regular audits to ensure compliance with rules and regulations. Internal governance and oversight ensure fiduciary duties are followed, individual Officers have appropriate training and on-going education in fiduciary principles, and assets are managed appropriately. Of course, there are many questions to ask a Corporate fiduciary as not all are the same:

- How long has your organization offered these services? For us, we have been offering trust services for several decades allowing us to have a depth of experience in administering many different types of trusts.
- What is your organizational structure? Our team is comprised of four primary teams: the fiduciary team (handling administration), the investment team (managing the assets), the operations and compliance team (ensuring accurate reporting) and the wealth advisory team (offering financial planning). We currently have over twenty team members across the Department, overseen by a robust internal Committee structure and ultimately the Bank Board of Directors.
- What record-keeping is available? At no additional cost, we offer a professional trust accounting system offering online account access, detailed performance and tax reporting.
- What expertise do you have on the team? We pride ourselves on bringing together a diverse group of professionals committed to on-going education. We have individuals with legal, investment, accounting and financial planning backgrounds with designations such as Juris Doctor (JD), Certified Public Accountant (CPA), Chartered Financial Analyst (CFA®), Certified Financial Planner (CFP®), Accredited Trust Operations Professional (ATOP®), Certified Trust and Financial Advisor (CTFA®), and Chartered Special Needs Consultant (ChSNC®).
- Are distribution requests handled by an individual, or by a committee? Our policies dictate distribution decisions are reviewed and approved by the Trust Administration Committee.
- Will you serve as a Co-Fiduciary? For those who can't make up their minds, it may be possible to have multiple fiduciaries, a sort of "best of both worlds." However, someone needs to be in charge, and that should be made plain in the estate plan.
- What are your fees? Our fees are established and reviewed by the Directors Trust Committee regularly to ensure they remain fair, reasonable and consistent with the marketplace for our services. Fees for asset management (including real estate and investments) is included in the cost of our services.

Ultimately, the choice is yours. We invite you to learn more about how we can help you plan, grow and protect your legacy across generations. You may designate us to serve as an Executor, Trustee, Conservator or Agent under a Power of Attorney. We also can serve as a Co-fiduciary in any of these roles. If you are an individual named to serve and have questions, we can also help as agent for a fiduciary. Call on us to discuss the possibilities.



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

INVESTMENT UPDATE

Fixed income markets experienced unusual levels of volatility in 2022 due to unexpected inflation. Inflation as measured by the consumer price index (CPI) accelerated rapidly, peaking at 9.1% in June and averaged 8% for the year. As a result, the Federal Reserve (FED) reacted by increasing interest rates at a rapid pace, with a year end fed-funds rate of 4.50%. Inflation has begun to weaken, currently at 6.4%, but the path toward the FED's 2% target will likely get harder from here.

The rapid rise in rates led to widespread declines in all fixed income assets, with the overall fixed income market as measured by the Barclay's Aggregate Bond Index recording its worst return in 47 years at -13%.

While this is never a desired result, the cause of the decline (rising rates) has put the income back into fixed income. Starting yields have increased significantly in all segments of the fixed income markets, which strongly correlates with

improved total returns going forward. In addition to the improved expected future returns from higher starting yields, resilience to potential future rate increases have improved as well. Breakeven rates (rate increase needed to generate a negative total return) have increased materially with the largest increases seen in the short end of the curve. Rates would need to increase approximately 2.77% on a 1-3 year corporate bond and .74% on the aggregate bond index to generate a negative return compared to just .37% and .23% respectively at the start of 2022.

Given the higher starting yields, improved breakeven rates, and the end of the FEDs hiking cycle in sight, fixed income looks to once again provide a stable source of returns in the years to come.



Brad Dummett, CFA®
VP, Senior
Investment Officer

WEALTH ADVISORY UPDATE

Hopefully by the time everyone is receiving this, we are starting to see signs of the changing of the seasons. Just like the seasons inevitably change each year, so too is there an inevitability that the laws and rules that we follow with respect to taxes and retirement planning will change as well. But, while we know that winter is predictably followed by spring (quickly, please), there is oftentimes little predictability with respect to how the rules that affect our client's change. Last December, the SECURE 2.0 Act was passed by Congress and signed into law by the President. This was a follow-on bill to the original SECURE Act that took effect in January of 2020. While this bill had been discussed and debated for quite some time, there are always new wrinkles and surprises that show up once the final bill is in place.

One of the more significant changes to be brought forth by SECURE 2.0 was another change to the age at which Required Minimum Distributions (RMD's) are needed from various retirement accounts like Traditional IRA's, 401(k)'s, and 403(b) accounts. For many years this age was 70.5 years old, was then changed by the original SECURE Act to age 72, and now is again changed to either age 73 or 75 depending on your year of birth. This has now created 4 different potential ages that retirees could need to take these minimum distributions and is something that we will be reviewing with each individual client this year to make sure that everyone understands where they fall in this.

There have also been changes made to contribution limits to various retirement plans and new Roth contribution options to plans that have previously not had this option. As always, please feel free to reach out to anyone on our team here to discuss your specific situation and the changes that have occurred.

After a soft roll out last year with a few clients, we are excited to provide some additional service and information around tax returns. While I'm sure most of you enjoy looking through your Form 1040 line by line to get a good understanding of your tax situation, wouldn't it be great if there was a more "friendly" way to review the information on your tax return? We thought there should be, and are making available tax return reports that easily and simply summarize things like your tax bracket and effective tax rate, capital gains and losses realized, deductions and credits that you were eligible for, as well as a host of other good information. We will be using this report as another tool to help us evaluate your current situation, model potential changes to how you are handling your tax situation going forward, and give you a good understanding of how taxes affect your overall financial planning situation. As you complete your 2022 tax return, please talk with one of our Wealth Advisors about how we can provide this report and information to you.



Mike Castle, CFP®
VP, Senior Wealth
Advisor

As always, consult your CPA for specific tax advice.

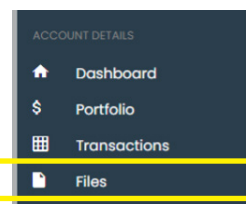
OPERATIONS UPDATE

Attention Clients: Did you know if you have Accunet access, you can access your tax forms electronically?

Here is how:

1. Login to Accunet
2. On left-hand side, under Account Details, go to the Files tab.
3. Statements & Tax forms will be listed here.

Note - may need to adjust the date parameters, this can be customized.



Amanda Berding, ATOP
AVP, Trust Operations Officer

Jim Anderson & Roberta Cornelius

ARE RETIRING!

MARCH
30

Save the Date

MARCH 30 • 4:00 - 6:00 PM

FIRST CITIZENS BANK • FCB ROOM

2601 4th St SW • Mason City IA 50401



Happy Retirement



Jim and Roberta!



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

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