FIRST CITIZENS WEALTH MANAGEMENT

A Team You Can TRUST.

SPRING 2024

IMPORTANT DATES

MAR 29
MARKET CLOSED
Friday, March 29
Observing Good Friday

APR 15
FEDERAL INCOME TAX RETURNS DUE
Monday, April 15

APR 30
IOWA STATE INCOME TAX RETURNS DUE
Tuesday, April 30

MAY 27
OFFICE & MARKET CLOSED
Monday, May 27
Observing Memorial Day

JUNE 19
OFFICE & MARKET CLOSED
Wednesday, June 19
Observing Juneteenth

CELEBRATIONS

Happy Retirement Carol!

- END OF MARCH -

Seasons come and go, but your legacy is forever. We **THANK YOU** and wish you all the best.

Carol Juhl
Wealth Assistant

THE FARMER'S NEW HORSE

The Paradox of Change says that the only constant in life is change. Here in Wealth Management change is no stranger. Recently, our most evident changes have come in the form of people. Whether it be saying goodbye to long-standing team members or introducing new team members, we have experienced it all in the past few months. It can be easy to feel uncertain when change is at hand. We want the familiar. We fear the unknown. A team with new faces can be disorienting, not only to our team, but to our valued clients. At the same time, it brings opportunities for growth by inviting new ideas and perspectives.

As we embrace this season, I am reminded of the story of the farmer and his new horse. If you are not familiar with the story, I'll summarize. A farmer gets a new horse. His friends and neighbors celebrate his good fortune. He simply nods and says "Bad luck. Good luck. Who knows?". His young son falls off the horse and breaks his leg. Again, the people come, and this time note his bad fortune. Again, the farmer responds "Bad luck. Good luck. Who knows?". Months later a war breaks out and able-bodied men go to serve. His son is not able to go because of his broken leg. Again, everyone comments on his good fortune. Again, the farmer calmly reiterates "Bad luck. Good luck. Who knows?".

Just like in the story, something that seems like good news now might bring challenges down the road. And something that appears to be bad news now can bring opportunities in the future. You can likely find examples in your own life. In working with our clients we see them all of the time. Changing markets, family dynamics, health, laws, taxes, the list goes on and on. We can choose to fear these changes or we can choose to plan for them, embracing the idea that nothing is ever fully good or fully bad, and no one can know all the outcomes. The next change for you may appear as one thing and turn into another but either way, we are here to help you navigate the good and the bad. So, embrace the change. We hope you welcome the opportunity to work with the great people on our team, new and seasoned alike, because "Who knows?".

Sincerely,

Welcome to Your Family Office

Chelsea Frederick, CTFA
AVP, Trust Officer

The financial affairs of the wealthiest American families are often handled by “family offices,” staffed by teams of attorneys, accountants, investment, and tax specialists. According to The Wall Street Journal, a family office operation costs $1 million annually or more. Accordingly, until family wealth exceeds $100 million (probably by a lot), a less costly alternative is likely appropriate.

As a trust department of a bank, First Citizens Wealth Management provides an alternative. We are Corporate Fiduciaries. That means that we are permitted, under the law, to serve as Trustee and administer investment programs for individuals, families, businesses, and nonprofits. While we offer many of the same services and expertise of a family office, we can spread that cost among many more clients. For most families with any level of wealth, determining how wealth will be managed during your lifetime and then protected and distributed when you’re gone requires thoughtful consideration and careful planning. We offer experienced estate planning advice and administration — as well as customized trust management for individuals and institutions, families, foundations, and endowments. With access to the resources across our team, we provide a real alternative to the family office concept for a much broader range of people.

The Magnificent 7

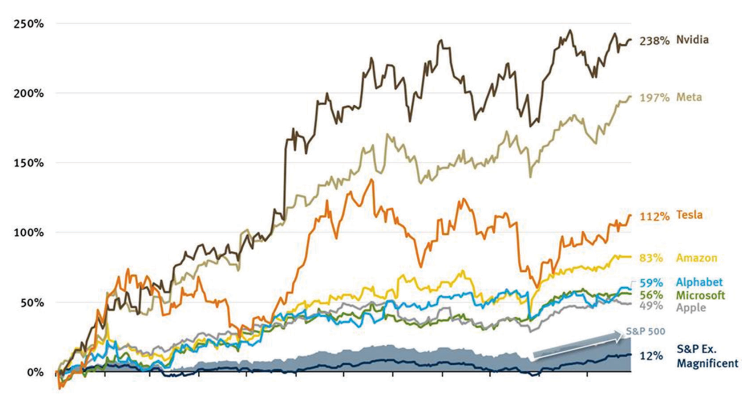
Brad Dummett, CFA®
VP, Senior
Investment Officer

The equity market continues to be led by a small group of big tech companies known as the Magnificent 7. The Magnificent 7 (Apple, Amazon, Google, Meta, Nvidia, Tesla, and Microsoft) continue to outpace the rest of the market, up 7.9% year to date compared to 2.6% for the broader market. This is a repeat of the 2023 outperformance of 62%, with the Magnificent 7 returning 76% compared to the remaining 493 S&P listed companies return of 14%.

This outperformance has pushed relative valuations and market concentrations to elevated levels. Currently the Magnificent 7 are trading at a P/E* multiple of 30x, a 1.7x premium to the median S&P 500 stock. While not the highest level on record, this is well above the long-term average. Additionally, market concentration has hit its highest level since 1972, with 28% of the S&P 500 market cap made up of just seven companies.

Some have begun comparing the current run up in technology companies to the tech bubble of the late 1990s/early 2000s. While there are some similarities, these are not the same earningless tech companies which led to the bursting of the tech bubble. Much of the increase in valuation can be justified by elevated sales and margin being generated by the Magnificent 7. In the fourth quarter of 2023 the Magnificent 7 generated 14% sales growth with 23% margins, compared to 2% sales growth and 9% margins for the remainder of the S&P 500. Looking at a longer time horizon, since 2019 the Magnificent 7 has generated an average return of 28%, with 21% attributable to sales growth, 6% from margin expansion, and only 1% the result of multiple expansion.

While we are not expecting a large contraction in the Magnificent 7, we do anticipate a broadening out of performance in 2024, as seen in Q4 of 2023. Given the elevated valuations and heighted earnings expectation, the Magnificent 7 has a lot to live up to. While there is plenty of positives to the story, caution is warranted in the near term.



*Price-to-Earnings ratio, or P/E, is a way to value a company by comparing the price of a stock to its earnings.

Catch-Up Contributions

Paige VanDusseldorp
Associate Wealth Advisor

We all recall those years when we prioritized something other than our retirement accounts. Perhaps it was staying home to raise children or putting extra money towards debt. For most of us, it is a natural progression of life that your early years aren't entirely focused on saving for retirement. The IRS know this and for this reason, those age 50 or older have a chance to make up for those years.

What is a Catch-Up Contribution? A Catch-Up Contribution is the chance to add even more to your retirement account (IRAs, Employer Sponsored Plans, and Simple IRAs) if you are age 50 or older and have earned income.

- IRAs base limit for 2024 is $7,000 and has a Catch-Up Contribution limit of $1,000 (2024) meaning those who are eligible could put away a total of $8,000 in their IRAs in 2024.
- Workplace Retirement Plans base limit for 2024 is $23,000, with a Catch-Up Contribution limit of $7,500 (plus an additional $3,000 if the plan is a 403(b) and you have 15+ years of service).
- Simple IRAs base limit for 2024 is $16,000 ($17,600, if eligible for the 10% increase), with a $3,500 Catch-Up ($3,850, if eligible for the 10% increase).

Catch-Up Contributions are your chance to make up for lost time and secure a brighter financial future

We know that understanding retirement account rules and eligibility can be confusing. If you have not done so, we invite you to work with our team to take advantage of planning opportunities to secure a successful retirement.

As always, consult your CPA for specific tax advice.

OPERATIONS UPDATE

Avoiding Tax Scams

Amanda Berding, ATOP
AVP, Trust Operations Officer

With the growing number of tax scams, it is important for you to separate legitimate IRS contacts from a scam. Here are some ways to protect yourself from fraudulent IRS communications:

1. **Text Messages:** The IRS does not send text messages to individuals with links. Scammers will frequently send a text message that includes a bogus link. If you receive an unexpected text from someone identifying themselves from the IRS, you should NOT click on links or open attachments. If you do receive a suspicious text message, you should email a screenshot of it as an attachment to phishing@irs.gov.

2. **E-mail:** The IRS does not ask for personal or financial information with initial contact by e-mail. The standard IRS contact will be through several letters by regular mail. The suspicious e-mail should also be forwarded to phishing@irs.gov. There is a "Report Phishing and Online Scams" page at https://www.irs.gov/privacy-disclosure/report-phishing

Scan to
Visit Website

3. **Individuals Who Owe Tax:** If you owe tax to the IRS, you can expect to receive several letters. The IRS may follow up the letters with a phone call if you have an overdue tax bill, a delinquent tax return, or have failed to make an unemployment tax deposit. The IRS will never demand immediate payment with a debit, gift, or credit card, threaten you with arrest by the local police, or demand tax payments without giving you an opportunity to appeal the claim. Such strategies all indicate that you are receiving communications from a fraudster and not the IRS.

4. **In-Person Visits:** Generally, IRS officers visit in person only after you have received several notices by mail. An IRS agent may visit for the purpose of education, investigation, and/or appropriate enforcement steps. IRS auditors may mail an initial appointment letter and will generally call to confirm the date prior to a scheduled audit appointment. If you have an in-person visit with an IRS representative, you should always ask for his or her credentials and HSPD-12 card, which is a standard government form of identification.

GRANT/SCHOLARSHIP

OPPORTUNITY

FOR THE NURSING FIELD

Laverna M. Smedley Foundation Trust

SUBMIT ONLINE APPLICATIONS FEBRUARY 1 - APRIL 30

The Laverna M. Smedley Foundation Trust was created under the Will of Laverna M. Smedley and was funded from her Estate in 2021.

The Foundation was created to benefit:

- Non-profit agencies, programs, or organizations which offer respite care to caretakers of the seriously ill, disabled or homebound within the meaning of IRS code 501(c)(3) or IRS Code 170(c)(1)
- Financially needy students who have obtained at least a "C" average in an accredited nursing program; providing nursing education as a registered nurse, licensed nurse practitioner, med assistant, nurses' assistant, advanced registered nurse practitioner, or physicians' assistant within 60 miles of Mason City, IA

Preference will be given to the North Iowa area which shall be roughly defined as that portion of Iowa within 60 miles of Mason City, Iowa, but in no event shall any grants be granted outside of the state of Iowa.

Contact Chelsea at 641-422-1600 with any questions.

Chelsea Frederick, CTFA
AVP, Trust Officer

FIRST CITIZENS WEALTH MANAGEMENT

CONTACT US

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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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