# Trust Company of Vermont Quarterly Update

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Brattleboro ■ Burlington ■ Rutland ■ Manchester ■ Keene, NH

Employee-owned & Vermont-based tcvermont.com

Chris Cassidy
CEO

BENJAMIN FRANKLIN HAS a lot of great quotes. One of those is: "By failing to prepare, you are preparing to fail." This rings particularly true in the world of finance.

Recent survey data from Northwestern Mutual suggests that the typical American worker believes they need $1.46 million to retire comfortably. Despite this sentiment, a recent report from the National Institute on Retirement Security found that the average American worker has less than $1,000 saved for retirement. Clearly there is a need for financial planning and financial education.

According to Savology's *State of Household Finances Report,* people with a financial plan are more than twice as likely to adequately save for retirement. Despite these numbers, only about one in three Americans has a detailed financial plan in place.

Although financial planning can be daunting, working with a professional firm, such as Trust Company of Vermont, can make the process easy and painless. We use eMoney financial planning software that allows us to construct financial plans using inputs such as assets, income, and expenses. According to the Journal of Financial Planning, individuals who used a professional planner generated more than 50% greater savings than individuals who did not.

As with most things, the earlier you begin the planning process the better. Keagan Bradley was playing golf almost every day by the time he was six years old. This partly explains why he gets to walk on the fairways in PGA Tournaments and the Ryder Cup. In contrast, I started playing golf later in life. This partly explains why I walk around the woods and near water hazards trying to find my golf ball.

Working professionals often want to know how much they should be saving and when they can safely retire. eMoney allows our financial planners to run various scenarios to answer these important questions. While financial planning is valuable for those still in the workforce, it is also a powerful tool for those already retired. Financial plans can help answer questions around gifting to children and grandchildren, projecting estate values and taxes under various scenarios and ascertaining the potential benefits of Roth IRA conversions.

Jill Dolan, one of our financial planners, has written an article this month focusing on the importance of financial literacy and the types of questions that we should be asking. As for me, my wife and daughter both like to ride horses, so the answers to my financial questions are not hard for me to find. *How much should I be saving for retirement?* A lot. *When can I safely retire?* Never. I'll need a financial plan to fill in the details. ■

# How to invest during a debt crisis

I SHOULD BEGIN with an important disclaimer: despite the title, we have absolutely no idea whether a U.S. debt crisis will happen tomorrow, 10 years from now, or at all. However, given recent headlines, we've had numerous clients wisely asking about this scenario. In fact, concerns about America's debt date back to the founding of our nation. Thomas Jefferson described the national debt as "a monstrous fraud on posterity." Nevertheless, 250 years later, we find ourselves with 40 trillion dollars owed to our creditors, a figure worth considering.

Conventional wisdom for years was that governments would run budget surpluses during good economic times, allowing deficit spending during recessions to soften economic downturns. Today, the US federal budget has not been balanced in quarter century, and despite solid GDP growth, we've continued to spend significantly more than we bring in. This has led to increasing concern, as reflected in the 30-year treasury yield recently hitting 20-year highs.

While we can't know whether a debt crisis will emerge, it doesn't mean we don't consider it when investing, and we have contemplated this issue for some time. Before the 2024 election, we wrote that regardless of which party won, the odds of returning to a balanced budget appeared very low. In practice, we have a multipronged approach to positioning for the problems excessive debt might create.

Our first line of defense is avoiding investments that use significant debt. Private Equity, particularly the leveraged buyout segment, relies on large amounts of debt to enhance returns. Additionally, Private Credit has become a popular asset class, but its business is financing debt-heavy transactions. We have avoided both asset classes, to the benefit of recent returns. Through June of 2026, the S&P 500 3-year average annual return was 20.61% vs. 6.68% for the Cambridge US Private Equity Index.

Were a U.S. debt problem to emerge, a likely result would be domestic inflation and a weaker dollar. In this scenario, owning stocks of global businesses has a benefit. Multinational companies generate revenue in numerous countries and currencies. If the dollar declines, foreign earnings become more valuable when converted back into dollars.

### U.S. 30 Year Treasury Yield


Within the fixed income portion of portfolios, we continue to emphasize short-term, high quality investments. Our average bond maturities extend just a few years, compared with 7+ years for broad bond market indexes. Shorter maturity bonds are less sensitive to rising interest rates and inflationary pressures, allowing us to reinvest sooner if our nation's creditors demand higher rates of interest.

Chris Lafayette
CFA

When it comes to individual stocks, we have always looked for companies with strong balance sheets and manageable debt levels. Companies with less debt generally have more flexibility during periods of economic stress and are less impacted when borrowing costs increase.

Finally, when considering portfolio allocations, we are aware that stocks have historically been among the better long-term hedges against inflation. Businesses can adjust prices for their products as costs rise and can bill customers in whatever currency they choose. If a company wants to charge in dollars, euros, or even something like bitcoin, they have the power to do so, so long as customers demand their product. This reinforces our focus on differentiated business models, with true pricing power.

History suggests it might take a crisis for fiscal policy to change in the United States. For example, Italy went through a debt crisis and was finally forced to cut spending in 2011. However, it's worth noting that Italian eyewear powerhouse Luxottica, maker of Ray-Ban and Oakley, saw only a muted impact during this time. It benefited from global distribution and a strong balance sheet, resulting in its stock hitting new highs even as the country struggled with slow economic growth.

Importantly, positioning for a potential debt crisis does not require us to deviate from our historic investment approach. There is inherent protection in the way Trust Company of Vermont has always favored a diversified portfolio of high-quality stocks and bonds. So, until we get a crystal ball that works, we will continue to prioritize resilient portfolios, and if there is a financial boogie man keeping you awake at night, ask us. We have very likely considered the risk and a good night's sleep is a pillar of long-term health. ■

# Helping families build financial confidence

THERE ARE MANY THINGS I value about my job at TCV, but at the very top of that list are the long-term relationships we build with our wonderful clients. It is especially rewarding when those relationships become multigenerational, and we get to know and work with the children and grandchildren of many valued clients. This gives us the opportunity to see the benefits of financial education and support over generations.

We typically advise most of our clients to involve their adult children in conversations about their estate planning over time. We find this communication and transparency makes future estate and trust administration less stressful, and it can be a nice segue to making sure children and other beneficiaries put their own estate plans in place. Many of our clients do take this advice, and we assist in talking to their kids about estate planning.

Another suggestion we often make is that clients talk with their families about their own savings and financial planning, but I find that most people are less likely to have these conversations. Financial topics can feel uncomfortable or even taboo to discuss with friends and relatives, and access to other financial education such as personal finance classes in high school or college can be limited. The result is that by the time most people reach adulthood, they have not had adequate opportunities to build the financial literacy needed to make good choices regarding debt, savings, and long-term planning.

Jill Dolan

Our goal is to educate and empower our clients at all life stages, but for a young person the benefits of working with a financial professional can be especially significant. Building strong financial literacy early in life can lead to higher savings, better tax efficiency and less debt. Most importantly, it can help to build the confidence to make financial decisions as a young person's life grows more complex over time. To illustrate that complexity, here is a list of financial planning questions we get from clients throughout their financial life and education.

## The Questions:

**1.** How much should I have in an emergency fund and where should I keep it?

**2.** My workplace has a 401(k) and it has a ton of options. How should I set that up?

**3.** How much of my paycheck should I save in my retirement accounts? When should I increase my savings?

**4.** What investment option is best for me in my retirement account? Should I use a target date fund or something else? Should I invest in stocks or bonds?

**5.** How should I approach a larger financial goal, such as buying a house? Is it okay to decrease retirement savings for a period to prioritize saving for a down payment?

**6.** My employer is giving me stock options. I don't know what this means or how to manage this asset.

**7.** I own my own business, and do not have a 401(k). What is the best way for me to maximize my savings?

**8.** Should I save more in my retirement accounts, or should I make extra payments on my mortgage instead?

**9.** I want to save money for my new child—what vehicle should I use for this?

**10.** Should I maximize my own retirement savings before saving for my child's college education?

**11.** Should I take a HELOC to finance a home renovation?

**12.** I'm thinking of buying a second property—what is a budget that would appropriate for this?

**13.** Am I targeting savings goals that would let me retire early? At my current savings rate, when can I expect to retire?

**14.** How much will I be able to spend in retirement?

**15.** If I need long-term skilled nursing care, will my savings support it?

**16.** Is my current asset allocation still prudent given my upcoming retirement?

**17.** What is the most efficient way to manage my various retirement accounts and required minimum distributions?

**18.** I want to make gifts to charities and family members. How should I structure them?


We are always happy to sit down with you and your family members—whether that be a teenager with a first job and wanting to talk about savings (let's open a Roth IRA!), a young adult with questions about a workplace plan, or parents navigating high daycare costs and the daunting task of saving for college. As Chris Cassidy mentioned in his article, the earlier you begin preparing for financial success, the better. ■

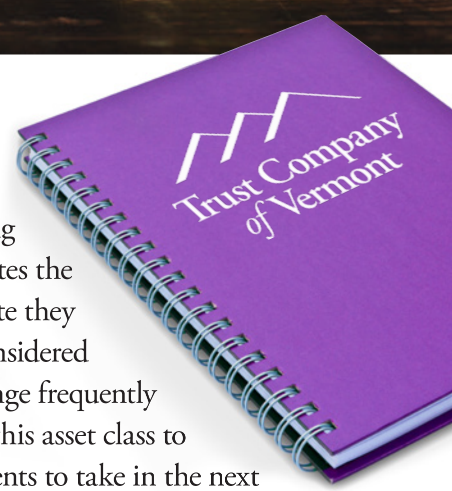
Tanner Freeman

# Investment Management 101

AT TRUST COMPANY OF VERMONT, we pride ourselves on serving multiple generations. From time to time, a family member newly added to the TCV fold will request a "Back to Basics" explanation of just what it is we do. We are always happy to launch into a talk about the wide range of our services and expand on everything from bill paying to estate settlement, but sometimes, the new family member wants to dig deeper into just one of those services: investment management. Perhaps you, our clients, have heard this question at home, and perhaps you've thought that you, too, could use a refresher. So, here it is: investment management at TCV in a nutshell.

TCV invests in three main asset classes: money market funds (cash), fixed income securities, and equity securities. All have different functions and risks.

**MONEY MARKET FUNDS** are considered cash-like. Money invested in this vehicle earns interest that gets paid out monthly. The yield (or rate of return) that you will earn is based on short-term funding rates set by the Federal Reserve. If you ever hear in the news that the Federal Reserve held a meeting and raised, lowered or kept rates the same, know that this is the rate they are setting. These rates are considered "floating," meaning they change frequently and are not set rates. We use this asset class to keep funds that we expect clients to take in the next 6-12 months. There is almost no fluctuation in value and the money market is considered very safe.




**FIXED INCOME SECURITIES** are loans. An entity (bank, corporation, country) needs money. It issues bonds, you buy those bonds (give the entity cash) and in return, you receive a (usually) fixed interest rate for a period of time. When that period has passed, the issuing entity returns the original amount of money you paid. We are frequent purchasers of U.S. Government debt as it has long been considered the risk-free rate of return. The U.S. has never defaulted (or in layperson's terms, it has never failed to repay someone who purchased one of its bonds). These bonds are like money market funds in that they pay you interest. The difference is that the interest rate is fixed and cannot be changed over the course of that bond's life. These are low-risk assets; however, they are not completely free of risk. Once the bond is issued, until the maturity date, the bond's price can fluctuate with interest rate changes. This is because you can sell bonds to other people. Unlike CDs from banks, bonds can be sold to another investor if you need your cash back before the maturity date. The price of the bond will go up and down, depending on interest rates, in an inverse (or opposite) relationship. If interest rates go up, the price of the bond goes down and vice versa. At Trust Company of Vermont, we buy short maturing bonds (maturing within the next 10 years, although usually we buy 5 years or less). This is mainly because the farther away the maturity date, the more sensitive a bond's price is to moves in interest rates. If you buy a 1-year bond and a 30-year bond, and interest rates go from 4% to 5%, the 1-year bond's price is not going to go down very much. The 30-year bond's price will go down much more. We typically use bonds for clients who know they are going to spend money in the next 1-4 years. This time frame is important as we discuss investing in the stock market.

**EQUITY SECURITIES,** or stocks, are a claim on future earnings of a publicly traded company. Long-term stock market returns have averaged 9-11%, although in the last 10 years, this figure has been closer to 15%. We use stocks for long-term investing; they have much better returns than bonds but can be more volatile. Even though the long-term returns are higher, you can have a year like 2022, when the stock market went down 20%. Where people usually go wrong financially is not when they select stocks that went up 7% while other stocks went up 10%; it is when people sell stocks at bad times. Once you sell stocks when they are down, it is very difficult to know when is a good time to buy. People who did sell during market downturns tend to buy only once the market goes back up, and thus miss out on those gains. When we buy stocks, we want to hold them for a long time knowing there will be ups and downs as time goes by.

The most important thing about investing is figuring out what amount of money is appropriate to place in each asset class. The reason we like to keep 1-4 years of what a client

typically spends in fixed income is that we don't always know when the market is going to be good or bad. This way, we don't have to constantly be right about the stock market, knowing that if we go through a bad period, we have the money in fixed income. It is effectively insurance for your portfolio. If you are still working and don't require a lot of funds from your assets, you can take more risk (said in another way, you can have more of your assets in the stock market). Typically, the younger you are the higher percentage of your assets are in stocks. As we get older or are in retirement and start to draw from our savings, we should have a smaller percentage of stock. However, everybody's situation is different. Two people both in retirement can have very different stock percentages depending on the amount of assets they have, how much they spend from their assets, their overall risk tolerance, and other factors.

I hope this provides a good starting point for future discussion of investment management and how we can fine-tune a client's portfolio as we get to know the person (and the family) behind the account. If you or your family members have more questions, we are always happy to have a phone call to discuss these topics in more detail. ■

## Belinda Krukar

Trust Company of Vermont welcomes BELINDA KRUKAR to our fiduciary tax team. Belinda will be supporting TCV by ensuring tax documents are sent to clients timely and will be completing fiduciary income tax returns. Belinda is a CPA, licensed in New Hampshire and Connecticut, with eighteen years of experience in public accounting and private practice.

Although TCV does not prepare individual tax returns, Belinda will be another resource clients can use for tax advice. She specializes in tax compliance and consulting for high-net-worth individuals, trusts, and estates. Belinda holds a Bachelor of Science in Accounting and Finance from Post University and a Master of Science in Accounting and Taxation, with a tax focus, from the University of Hartford. She is a member of the AICPA, NH Society of CPAs, and CT Society of CPAs. In her free time, she enjoys gardening and cooking.


## Nick Cozzolino

NICK COZZOLINO has spent more than 20 years working in technology, information security, and technology leadership. His career has included hands-on technology management, cybersecurity leadership, and advisory work with organizations looking to make better and more effective use of technology.

Nick's experience spans IT strategy and operations, cybersecurity, risk management, compliance, vendor management, business continuity, cloud technology, and more recently, helping organizations understand how artificial intelligence can be used safely and effectively. A common theme throughout his career has been helping connect technology with the needs of the business through making technology easier to understand and ensuring it helps people do their jobs better.

Outside of work, Nick is a lifelong upstate New Yorker, is married, and has four amazing kids. He enjoys spending time with his family, being outdoors, and volunteering in his community. We are excited for Nick to join TCV as a Technology Officer and look forward to him helping shape how technology can support our employees and clients in the years ahead.