



# Trust Company of Vermont Quarterly Update

APRIL 2023

Brattleboro ■ Burlington ■ Rutland ■ Manchester

Employee-owned & Vermont-based

tcvermont.com



Chris  
Cassidy  
CEO

## Greetings

My first memorable experience with taxes came when I was 16 years old. I was working my first real job at a family-owned, local business in Brattleboro called Southern Vermont Sprinkler Company. When I got my first pay stub, I was unpleasantly surprised to see many line items, such as Social Security and Federal Withholding that had reduced the size of my paycheck. I quickly realized that it would take a few more pay periods to save up for that car I wanted.

Almost twenty years ago, in my maiden year as an independent tax filer, I did my first tax return using TurboTax. I was sitting in a green foldout lawn chair in my one-bedroom apartment in Burlington eating a TV dinner. I remember inputting W2 and 1099 information and crossing my fingers that I would get a large refund check to put towards the condominium I wanted.

When I started at Trust Company of Vermont as a portfolio manager, I quickly realized that taxes impact many investment decisions. Capital gains taxes must be considered when selling appreciated securities (see table). Loss harvesting can be an excellent strategy at year-end for the potential tax advantages. In taxable accounts, investing in state tax advantaged Treasury Bonds or double tax advantaged municipal bonds can be a good option for investors.

Trust administrators and our in-house attorneys also consider taxes when advising clients. Federal and state estate tax exemptions influence estate planning decisions, such as creating Spousal Limited Access Trusts (SLATs). Taxes must be considered when implementing strategies such as Roth IRA conversions, gifting, and financial planning.

Trust Company of Vermont works collaboratively with a client's CPA to help gather information, provide clarity, and answer questions. When clients are considering complicated transactions, we always recommend that they review these transactions with their accountant before implementation. Although we do not prepare individual tax returns, we do have a very knowledgeable Tax Department that prepares 1099s and Irrevocable Trust Tax Returns in-house.

Lisa Counsell joined Trust Company of Vermont three years ago and has been a great addition to our Manchester Office. Lisa is a Trust Administrator and Relationship Manager and does an excellent job serving her clients. Lisa has written an article about our Tax Department and all the work that they do behind the scenes.

### 2023 Federal Long Term Capital Gain Tax Rate

Tax Rate	0% Rate	15% Rate	20% Rate
Single Filer	Up to \$44,625	\$44,626-\$492,300	Over \$492,300
Married Joint	Up to \$89,250	\$89,251-\$553,850	Over \$553,850

\*Long term gains are applied to assets held more than 1 year whereas short-term gains are applied to assets held for less than 1 year. Short-term gains are taxed at the same rate as ordinary income.



David  
DeBellis  
CFA


# Investing in bonds is cool!?

AS A DYED-IN-THE-WOOL “stock guy,” it pains me to admit it, but bonds are no longer the ugly duckling of the asset classes where you invest for safety, expecting relatively low returns. For the ten-year period ending in 2022, the 10-Year Treasury Bond returned less than 1% annually. 2022 was a particularly tumultuous year in which many bond indexes posted double-digit losses.

However, the bond market got off to a strong start in the new year. Bond yields came down sharply as softening inflation data gave way to talk that the Fed would soon be done with raising rates. But the Federal Reserve responded with tough talk on inflation, and reiterated their goal to bring inflation back to 2%. This has caused longer-term rates to rise again to near their highs of last year.

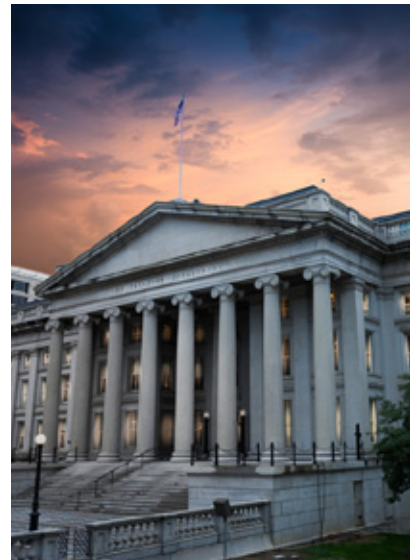
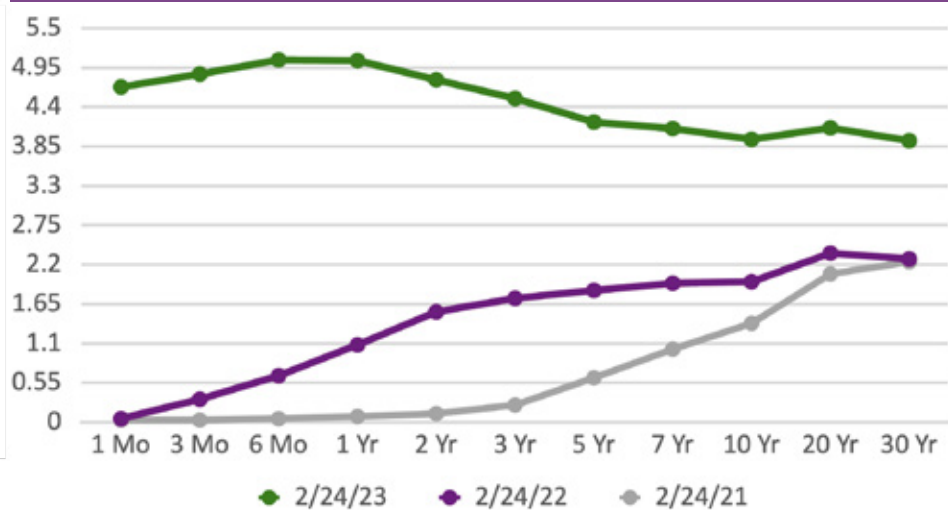
There is still a lot of uncertainty ahead, but bonds now offer the kind of return potential not seen since long before any of us ever heard of Quantitative Easing or Zero Interest Rate Policies. In fact, bond returns tend to be quite strong after down years. Since 1976, in the years following bond market declines, the average return has been 11.5% (as measured by the Bloomberg U.S. Aggregate bond index). At the same time, the shape of the yield curve is signaling caution ahead.

The Treasury Yield curve, shown at right, neatly summarizes the opportunities and the risks alike. Since I’m a positive person by nature, we’ll start with the opportunities. In February of 2021, every Treasury maturity up to seven years yielded less than 1%. In February of 2022, the 1-Year Treasury was yielding slightly more than the 7-Year Treasury Note a year earlier, but shorter-term bonds were still yielding very close to zero.



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## Treasury Yield Curve



Today, an investment in a 3-Month Treasury Bill gets you a 4.86 percent yield, and you can park funds in a 1-Year Treasury Bill for just over 5 percent!

As inflation is still running north of 6%, the real (adjusted for inflation) yield on Treasuries is still negative. However, if the Federal Reserve continues to be successful bringing inflation down then locking in these rates could provide investors with an excellent total return opportunity for the future.

Yields on Treasury Notes are finally as high as, or higher than, those provided by stocks or other higher-risk investments. This could have an adverse effect on these higher-risk securities as investors opt for the less risky alternative for generating cash flow from their portfolios.

The chart above also shows the potential risks ahead. As you can see, the yield curve is inverted all the way from the shortest maturity to the longest maturity, with the 1-Month Treasury Bill yielding 4.68% and the 30-Year Treasury Note yielding 3.93%.

This rings alarm bells, because an inverted yield curve has historically been one of the most reliable indicators of an approaching recession. As of the end of January, the consensus among economists for a recession in the next 12 months was 65%, down from almost 100% last October. But some, like Goldman Sachs, put those

odds closer to 25%, saying that strength in the labor market and signs of improvement in the business surveys suggest that the risk of a near-term slump has diminished significantly.

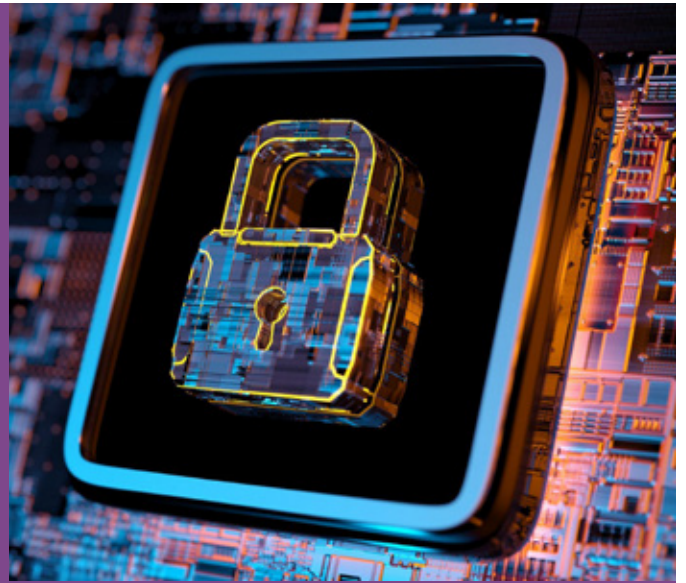
Regardless of what the economists are saying (remember that economists have predicted 10 of the last 8 recessions. . .), the yield curve says we should expect a recession sooner or later. So, what could that mean for the kind of assets you want in your fixed income portfolio in the year ahead?

One key assumption associated with a recession is that risk spreads typically would widen from where they are today. A widening of credit spreads would mean that the riskier bonds would underperform high quality ones. For this reason, Trust Company of Vermont has focused client bond purchases in U.S. Treasury securities and high-quality municipal bonds.

Last year, elevated volatility led valuations to reset across the capital markets. As the dust settles, bonds are looking outright cheap relative to the past 20 years, with valuations in U.S. Treasuries well below their long-run average. Reiterating what I stated above, we feel this is a very attractive entry point for investors, and if the Fed is successful in their mission to bring down inflation, it could be some time before we see yields like this again.

# Cyber Security

How to keep your information secure.



AT TRUST COMPANY OF VERMONT, we take protecting your data seriously. In today's world, you can barely get through the day without hearing about an email that has been hacked or a social network clone account. With all of us so reliant on computers, smart phones, and other devices to keep us efficient and



Angela  
Bowman

organized, it is important to ensure you are taking the proper steps to protect your data. As Chair of our Technology Committee, I have had many meetings with our network provider and attended a number of seminars regarding cybersecurity. Although not an expert in the field, I have learned a few tidbits along the way that I want to share.

Some things are pretty basic. You have heard them hundreds of times before... don't reuse passwords, make sure your password is complex, the IRS will never

call you... but on any given day, we are all vulnerable to hackers and cyber criminals. It is always important to stop, pause and take the extra second before doing anything else.

There are many layers to protecting data, but the first line of defense is you. Before clicking on any emails, texts, or links, you should always take the extra second to ask yourself two questions... Do I know the sender? Am I expecting this communication? If the answer is yes to both of those, then you can proceed, but only with caution as there are many criminals out there pretending

to be your loved ones. My general rule of thumb is if it makes you pause, even for a second, better to call the sender before proceeding. Additionally, whether the contact is by phone or e-mail, never give out personal data, credit card information or anything else before verifying the source.

It is also always important to remember what data you are sharing and how you are sharing it. Please remember to never email us, or anyone, your bank account number or other sensitive personal information. At TCV, any time we are emailing sensitive information, we do so using a secure link via Citrix ShareFile. You will also find a link in all our email signatures where you can upload information securely to us. Please be sure to use this when sending us statements, documents, or other personal information.

While traveling, my number one rule is never to connect to a public, hotel, or airport WIFI. There are VPNs (virtual private networks) that you can purchase to ensure that you are protecting your network and, if you are connecting to a "free" WIFI, you should invest in their monthly subscription. Otherwise, with most cell phone services now, you can use your "hotspot" to connect other devices. So long as you have decent cell service, activating your personal hotspot should work to connect your laptop, tablets or even TV.

Speaking of "hotspots"... During a recent snowstorm, when we lost our internet for a week, I was still able to work from home and even get our smart TV connected,

Before clicking on any emails, texts, or links, you should always take the extra time to ask yourself two questions...

**Do I know the sender?**

**Am I expecting this communication?**

much to my son's surprise! Just be sure that your hotspot is protected using a strong password. For added protection, I also change my settings to prevent others joining when I am not using my hotspot.

My last tip will probably make many, including my father, cringe; he despises change, especially if it's changes in how his phone looks and functions. While it can be obnoxious to have the accustomed look or functionality of your phone, browser, or other software change, it is important to keep devices, apps, and software up to date. Many times, updates include important security fixes. Absent security updates, your devices become vulnerable. I know many are skeptical to download the newest version of software in case there are bugs, but keeping up with new releases is an important step to securing your data.

A list of other settings and general items that you should always consider are below:

- Never share your passwords with anyone.
- If you can turn on multifactor authentication, do so.
- Do not click the "unsubscribe" button on emails. These can be links to malware. Simply delete or mark as junk instead.
- Always change generic passwords that come with routers or other devices.
- Always turn your home internet to private.
- Be cautious if connecting any device to a public picture kiosk or similar—these can have malware on them that can transfer.
- Always stop and think before you click.

At least annually, you should also review the below:

- Email forwarding rules—Is there anything you don't recognize?
- Social media settings—Do you have your location tracking on? Have you allowed other apps permission to connect to your profile? Is your profile set to private?
- Review mobile apps—Should the apps have access to your location, contacts, camera or microphone, messages?

Although we can never be 100% protected in today's ever-changing world, it is my hope that we can all make it a little harder for the cyber criminals. It is important that we do our best to protect our own data and personal information. Remember, you are the first line of defense, and it is always okay to ask questions, or for help understanding your privacy.





# Tax time ... again.

AS I TYPE these words, the view out my window is gray, wet, and bleak – exactly how I feel when I think about taxes! That makes it the perfect moment to consider my gratitude for the tax team here at TCV.

Unlike other investment management firms and trust

companies who outsource their tax preparation, our in-house tax team is comprised of four women who, with enthusiastic support from fellow employee-owners when the time comes for printing, sorting, and stapling, make sure everything is right in the tax world for you, our clients.



Lisa  
Counsell

Let me say that again. Here at TCV we have a team of four women dedicated to the accuracy of every tax document for over 3,300 accounts!

Though the majority of their work begins in January, the tax team provides a critical resource to our administrators and investment managers throughout the year. Every decision to buy, to sell, to gift, and to distribute is made in the context of the potential tax effect on a given account owner or beneficiary. Your investment and relationship managers work closely with you and your tax professional in making decisions, and our tax team often provides valuable insight and recommendations to support that collaboration. This active relationship with accounts throughout the year allows the team to recognize and consider items that may have been missed, remain incomplete, or might need adjustment come tax time. Cost basis is double checked, income on irrevocable

trusts is considered and sometimes passed out under the 65-day rule. Remember, the trust tax rate is compressed—often far higher than that of the individual.

Our tax team prepares the tax returns for both irrevocable trusts and grantor trusts. For you, and for our non-trust investment clients, the tax team assembles a comprehensive package including 1099s, K-1s, and accommodation schedules with details of all gifting, medical, and other special distributions that you can easily hand to your tax professional. In a single document our team provides the information your tax preparer will need to complete your return efficiently and effectively.

Though the team is often ahead of schedule, the IRS deadline for issuing 1099s is February 15th, and the deadline for filing is April 15th. We are only ahead of schedule if we are correct. Every tax document that leaves TCV does so only once it's been checked and double checked. Our goal is never to have to reissue a corrected form.

Of all the things that matter to us, nothing is more important than knowing our clients and, in the case of taxes, we do all that we can to consider and manage the tax burden associated with being an account owner or beneficiary. We could not help you navigate the complicated sea of tax issues if we outsourced our tax work.

## Our thanks...

to Bobi, Angela, Jane, and Jenny for their outstanding work!

A retirement  
well deserved



## Congratulations Jane!

A Trust Company of Vermont founder, JANE WAYSVILLE has been a vital employee-owner since the beginning. You may not know Jane, but chances are Jane knows you! Our company thrives on the ability of our employee-owners to wear many hats. Over the course of her career, Jane has held the roles of Treasurer, Secretary, head of Trust Administrative Committee, key member of the TCV Tax Team, Bank Secrecy Act Officer, chair of our ESOP committee and last but not least Trust Officer. In some form or other, Jane's skill has played a role in the success of far more accounts than those that would be considered "hers."

Jack Davidson once wrote that "a good trust officer has the ability to blend attention to detail and the capacity to handle complex rules of fiduciary tax and trust administration with, big picture, judgment." Jane, always a hard worker, with an uncomplaining and positive outlook, is not just a good trust officer, but a GREAT one. She is a calm and thoughtful problem solver, a patient yet forceful Jack "wrangler" and, most importantly, a kind and skilled mentor.

Jane is looking forward to spending her well-deserved retirement with her family, which includes her husband John, son Jason and his wife Erin, along with their two (almost three) children, Luke, Finn and baby boy #3. At TCV we are incredibly lucky for the time we have had with such a wonderful colleague who has so generously imparted her knowledge and experience to our next generation of trust officers. Please join us in wishing her all the best as she steps into her next chapter!



**BEST  
WISHES!**

# Steve's 2nd Act



AT TCV, one of our greatest strengths is, perhaps, the varied backgrounds of our employee-owners. Knowledge is useless without context. Our TCV employee-owners offer you skilled advice in the setting of diverse life experience. We can advise you because we understand.

After 22 years with Trust Company of Vermont, Steve Singiser, a founder, retired in 2021. On the surface, Steve was a skilled investment manager. To his friends, colleagues, and clients he was a family man, a lover of nature, and a charitable heart. While assisting clients in building and planning their legacies, Steve was quietly and creatively working on his own.

As a young boy, Steve received a gift from his grandmother, Agnes Thomas. She made him a flat teddy bear that became his favorite companion. In 2015, Steve's daughter, Cynthia, had an idea to breathe new life into Steve's cherished memory.

I loved him right away and we were inseparable. I could hold him, hug him, and pack him for trips together. Flatty was my very best friend. Now, I want to share Flatty with as many children as I can. —Steve Singiser

Together, Steve and Cynthia began bringing “Flatty Bear” to the next generation.

Not until he retired did Steve truly have the time to help Flatty Bear reach its full potential. He finally found a manufacturing partner equally focused on safety, quality workmanship, and fair labor practices. Flatty Bear has become a successful non-profit corporation with a mission to bring joy to children everywhere through the love and security of a teddy bear. For every bear purchased, an identical bear is donated to a child in need. Unsurprisingly, having thrown himself completely into the management and creative development of Flatty Bear, Steve is no longer “retired”!

Retirement cannot be defined with any simplicity. As we have learned from Steve, and continue to learn from all of you, retirement and legacy mean different things to different people. We thank Steve for the opportunity to witness his story and, if we haven't heard it already, we look forward to hearing yours.

Oh, and if you're interested . . . visit [flattybear.org](https://flattybear.org)



## Our community

Many things contribute to being a good community member. Trust Company of Vermont is successful, in part, because of the strength of our Vermont communities and the strength of our employee-owners. We encourage our employee-owners in their passionate commitment to community involvement throughout the state. As a result, we are excited to have the opportunity to support affordable housing, education, food availability, animal shelters, health, children, seniors, the arts, Vermont business, and veterans, to name only a few.

**TCV donated over  
\$129,000  
to state and local non-  
profit organizations  
in 2022 and we  
look forward to the  
opportunities that  
2023 will bring!**