



Trust Company of Vermont Quarterly Update

January 2023

Brattleboro

Burlington

Rutland

Manchester

Employee-owned & Vermont-based

www.tcvermont.com

Chris Cassidy, CEO

Last year for Valentine’s Day, I gave my wife the least romantic present that a husband could possibly give: a contribution to her Individual Retirement Account (IRA). To justify such a boring gift, I spouted off about the importance of saving for retirement and the need to have a sound financial plan. Although I’ve vowed to be a better gift giver this year, I think the benefits of financial planning are enormous.

Having a sound financial plan, and starting that plan early, are highly beneficial due to the record of long-term growth in financial assets. Assuming an annual return of 8 percent, an individual would need to save the following amounts monthly to reach \$1 million in retirement savings:

Years You Have to Invest	Monthly Savings Needed
5	\$14,204.68
10	\$5,752.44
15	\$3,069.12
20	\$1,821.01
25	\$1,139.89
30	\$735.61
35	\$483.60

**<https://www.fool.com/investing/2021/10/20/how-much-to-save-each-month-to-become-millionaire/>*

The table illustrates that investing early allows an individual to reach one million dollars with less in total cash contributed because of the benefits of compounding interest and growth over time. While not an insignificant

sum, saving \$483.60 per month early on is a lot easier than contributing thousands of dollars each month when retirement is in sight.

While neither my wife nor I plan to retire for a VERY long time, we want the peace of mind from knowing that if we follow a high-quality financial plan, a comfortable retirement will someday be an option for us. That way we can travel, spend more time with family and play more double-bogey golf!



For many individuals the question is not, *“How much do I need to save for a comfortable retirement,”* but rather, *“How much can I afford to spend in retirement and not run out of money?”* A good financial plan can answer these questions and more.

At Trust Company of Vermont, we offer financial planning as part of our services at no additional cost to clients. We have sophisticated software as well as financial planning experts who can put together customized financial plans. These plans can help inform saving decisions, spending decisions, estate planning decisions, and much more.

One of our financial planning experts is Katie Gardner, who joined Trust Company of Vermont in 2022. Katie came to us having done coursework and financial planning at her previous employer. She has a wealth of knowledge in this area. Katie has written an article this month about the benefits of financial planning and how clients can use this tool to make informed decisions for their futures.

Financial Planning

Katie Gardner, Trust Administrator



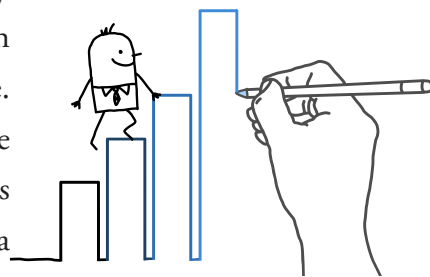
I am delighted to introduce myself and thrilled to have joined Trust Company of Vermont this past July. I come to the company with experience in financial planning, both in the UK and the US, and I hope to meet many of you.

Financial Planning in a Nutshell

Sure, we all know what financial planning is ... or do we?

It may shock you to learn that on average, only 30% of Americans have a long-term financial plan, leaving the remaining 70% of Americans floundering, admitting that their financial plan needs work.

Financial planning isn't necessarily about how much money you have. Rather, it is the process that puts your money on a path that aligns your priorities and goals while creating a blueprint for your future.



The process of financial planning involves collecting data and creating goals, analyzing and evaluating your current financial situation, collaborating to create a plan, implementing recommendations, and monitoring results.

Why is Financial Planning Important?

Having a well-laid plan to follow helps to keep you aligned with your priorities and goals. It will identify your stressors, highlight risks now or down the road, and help create the solutions that give you peace of mind in an unpredictable world.

It can also help with estate planning, saving taxes, and creating strategies that work together to protect the legacies you have built.

Yes, but how can TCV help me with Financial Planning?

Financial planning is personal and at TCV, we take a personal approach. Our employee-owners have access to comprehensive and sophisticated software that helps to create the plan. We work with you to input the data, listen to your goals, and provide recommendations.

What is important to you?

- Retirement planning?
- Estate planning?
- Managing a budget?
- Providing a legacy?
- Minimizing taxes?
- Charitable contributions?



After listening to what is important to you, we run different scenarios to show you how to meet your goals.

Some examples include calculating cash flow needs, income tax projections, estate planning calculations, liquidation strategies, educational planning, and complex retirement planning that includes insight into your earliest practical retirement age and maximum yearly spending.

For more complex situations, we can show how funding different types of trusts during your lifetime or completing ROTH conversions can help save taxes down the road and ultimately provide a greater legacy to future generations.

but what if?

Within any of the reports we create for you, we can incorporate 'what if' scenarios such as if you need long-term care, have unexpected expenses, or want to plan for a large gift. We can quite literally help you and your family plan for the unexpected.

As we continue to build your plan, we will stress test it against 1,000 other trials giving us the probability of success in meeting your needs. Having this information will guide us on how to make personal adjustments to your plan to maximize success. We will also continue to review the plan to ensure you are on track.

Please reach out if you would like to learn more about how we incorporate financial planning into our services. We will be happy to walk with you on a path toward creating your financial plan.

As Abraham Lincoln wrote, *"The best way to predict your future is to create it."*

Tax Document Reminders

You can download your tax information online! You must have online access and be listed as the owner of the account. Contact your administrator for more information!

- Log on to your account online
- From the menu, go to: Documents > Tax Doc
- Select ACCOUNT and TAX YEAR from drop downs
- Click GET to show the list of documents (if available, it will be displayed)
- Click View or Download

You can also still use the tracking ID on any 1099 Div/Int to import the information directly to Turbo Tax or H&R Block* *Not an endorsement of either program*


Tracking ID: **ABCDEFGHI123456789ABCDEFGHI**
Important Tax Return Documents Enclosed

Welcome Timberly!



Timberly Grout joined our Brattleboro office in October as a Trust Officer. Timberly is a Certified Trust and Fiduciary Advisor (CTFA), an Accredited Estate Planner (AEP), and has over 33 years of experience in trust administration.

A Conversation with TCV's Chief Operating Officer, Angela Bowman

Chris Cassidy, President

Angela Bowman was named Trust Company of Vermont's first Chief Operating Officer this past fall. The COO position has become necessary as the Trust Company has grown in its business and regulatory environment. With almost twenty years of experience, Angela has a vast knowledge of the trust industry. She has been serving on our Executive Committee, utilizing her experience as a trust administrator, and applying her computer capabilities to management of the company's trust, tax and operations administration. As COO, Angela is responsible for monitoring and improving internal policies, functions, and operations across all departments. Angela continues to work with clients, helping them navigate the complex world of trust administration. I recently had the pleasure of interviewing Angela in our Brattleboro Office.

Chris: How did you get into the field of trust administration?

Angela: I majored in Business Administration with a minor in Finance and wanted a career that utilized these skills. At the time, the Chittenden Bank had an opening for an Assistant Wealth Management Specialist. I applied for the position, was hired, and I have been in this field ever since.

Chris: You've been at Trust Company of Vermont for almost ten years now. What stands out about your time here?

Angela: TCV is an amazing company to work for. We can customize our services to clients, as well as the roles of employees. All too often when you work for a company, you are focusing on one thing and do not have a say in decisions. At TCV, we encourage employees to participate and have a voice. From the start, the founders wanted to provide an atmosphere of inclusivity. It is rewarding to work for a company that cares about employee-owners, clients and the broader community and makes decisions based on the right thing to do.

Chris: I know the broader community is important to you because if I remember correctly, you grew up around here, right?

Angela: Yes, I was born right here in Brattleboro, grew up in Hinsdale, and I've been



in the area practically my entire life. I met my husband, Jordan, while in high school, and we have a 15-year-old son, Pierce. I'm one of three daughters, and my sisters and our families still get together with my parents every Sunday for dinner.

Chris: What does your role look like now at Trust Company of Vermont?

Angela: Well, as you know, every day is different, which is fun and exciting. I spend time on companywide initiatives and ongoing work on our internal processes and systems. I also have client relationships where I concentrate on trust administration and estate and

financial planning work. In addition, I am a member of our Tax Department and Technology Committee.

Chris: Speaking to a client of TCV, what changes with you as COO?

Angela: From an external view point, very little. I will still be active in the administration of accounts, but some of the day to day may be picked up by other employee-owners. We have recently hired Katie in the Brattleboro office, who will be helping to ensure client's needs are being met.

Chris: You certainly do a lot at the company. Within your role, what types of projects and tasks really excite you?

Angela: I am obsessed with efficiency and solving complex problems. At the organization level, I enjoy making internal systems more efficient. I like tackling a large project and coming up with a course of action and seeing it through from start to finish. At the client level, I like to solve complex problems that incorporate estate planning, tax planning and financial planning.

Chris: Throwing you a bit of a curveball, what is something that you've done in your life that you think everyone should have to do?

Angela: That's an interesting question. I would say working at a restaurant. I was a waitress in high school and college, and waitressing teaches you great life skills about customer service, working with a team, being efficient and how to handle a fast-moving environment.

Chris: That's very interesting. What are some things that you do outside of work that people may not know?

Angela: I played field hockey in high school and college, and I currently enjoy playing in an adult field hockey

league. Although I'm more of a fair-weather person, who loves the water, Pierce took up snowboarding a few years ago, which has gotten me back on the slopes skiing, which I have really enjoyed. I also love home renovation projects. I recently tiled the backsplash in my kitchen as well as the bathroom. Like my husband, I am very handy around the house.



Chris: Well, I'm jealous, as I can barely screw in a light bulb around the house. Getting back to the company, when you think about the next decade and beyond, what are your hopes for Trust Company of Vermont?

Angela: I hope that we are the same as we are today, namely locally owned and controlled. We will continue to serve clients as best as we can and continue to attract employee-owners with the same values. From the start of the company through today, we have hired the very best and give them the ability to practice their craft.

Chris: Following up on that point, a lot of clients and employee-owners are attracted to TCV because of local control and employee-ownership. Why do you think those things are so important?

Angela: Local control is important because we can dictate the way that we serve our clients and communities. As an employee-owned company, we work to build a culture where people have a voice, which in turn leads to a positive work environment, which in turn leads to better client service. Ultimately, everyone benefits.

Chris: I think that is a great note to end on. Thank you so much for your time today.



Making Sense of the 2022 Markets and Economy

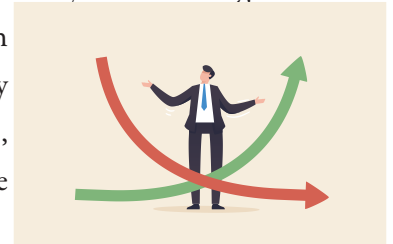
David DeBellis, CFA

A big question any stock or bond investor could ask is, why is the Federal Reserve being so deliberate in adjusting short-term interest rates? Couldn't the Fed have been more aggressive and simply made a larger increase to the Fed Funds rate when it first detected inflation and have vastly reduced the uncertainty that has had such a big influence on the stock and bond markets? The methodical interest rate policy of the Federal Reserve since early 2022 has caused enormous volatility in prices and led to a bear market that has deeply affected both personal and institutional investment portfolios.

The answer is, a previous Fed strategy did exactly that back in 1980 in a successful anti-inflation strategy, but the cost to the economy was severe. Inflation had been embedded in the economy for more than a decade and peaked in March 1980 at 14.8%. To combat this, the Fed went on an aggressive tightening campaign, raising the Fed Funds rate from an average of 11.2% in 1979 to a peak of 20% in June of 1981. This action broke inflation's back and by 1983 inflation was below 3%. The price of this tightening campaign by the Fed was a double-dip recession that started in 1980 and ended in 1982. During this recession, the national unemployment rate rose to over 10% and provoked many political attacks and widespread protests against the Federal Reserve.

The current Federal Reserve leadership has learned from that episode and is trying to slow economic growth without causing a recession by making gradual changes to interest rates until inflation subsides. As it does so, the Federal Open Market Committee (FOMC) is making clear that it will continue to increase the federal funds rate until price inflation is tamed and reduced to its target rate of two percent per year.

In the meantime, stock prices that had gone up sharply in 2021 have dropped as much as 25 % peak to trough, as what appeared to be a temporary rise in price inflation turned out to be embedded into overall economic activity. Stock price volatility has been significant as a result of the uncertainty surrounding future Fed policy changes, with prices going up one day following hopeful news, only to decline in the next trading session.



The main culprit driving these big market swings has certainly not been earnings, as those continued to rise during the year. Instead, a shifting of perception about interest rate changes is to blame. Complicating economic analysis are enduring supply chain issues, surging demand for goods, and record amounts of cash from the government stimulus of 2021.

The big question for market participants now is, what level of labor slack is necessary to bring wage pressure down? With higher interest rates cooling economic activity, demand for labor should ultimately slow, reducing demand for goods and services across the board and hence, price inflation.



It is important to know that Fed rate hikes take time to work, leading to the next question: *When will the Fed be done?* A clue is evident in the bond market, which as of mid-November was telling us that the terminal rate for fed funds will be somewhere around 4.5 percent, close to where it would be after an expected hike of another three-quarters of one percent.

The Conference Board business research organization indicates the probability of recession has risen to more than 95 percent. Some analysts suggest that we may already be in a recession. The real question seems to be, how bad will a recession be? It appears that unless the employment picture becomes very bad, it will be hard to see a deep recession occurring like the 1981-1982 recession, which lasted 16 months, or the Great Recession of 2008-2009, which lasted 19 months.

We suspect that we will be hearing the phrase, *“challenging environment,”* quite a bit in upcoming corporate earnings reports. One positive development that I will be watching for is an increase in share repurchase programs. There are many companies that have a lot of cash on their balance sheets that will likely look at current lower share prices as an opportunity to buy back more of their own shares. That action would almost certainly serve to support the stock prices of those companies.

We believe that, in an environment of tightening financial conditions, focusing on high-quality

companies will be very beneficial for investors. These companies have strong balance sheets (more cash and less debt than their competitors), higher returns on equity or return on capital, and more stable growth.

One of the biggest factors affecting equity performance over the last several years has been the expansion of prices based on company earnings – the ratio of price to earnings. This has been especially true of “long-duration” equities, where the market was pricing stocks relative to anticipated earnings that would not be realized for years. We are now seeing a reversal of this trend. At the start of 2022, the U.S. equity market as a whole traded at 21 times forward earnings – a large multiple, historically speaking. Today, the market trades at around 15 times forward earnings. This big compression of price-to-earnings multiples has been concentrated in those highest-growth companies. Many of those companies have seen declines in their multiples of 50 percent to more than 60 percent. Companies with nearer-term visibility of their earnings and cash flows are likely to do much better in the environment where we are headed.

When we consider equity portfolios managed by the Trust Company of Vermont, we can confidently say that most companies in which we own stock fall into the category of high-quality companies – that is, those with nearer-term visibility of earnings and cash flows. They are very large companies with strong balance sheets and long-term track records of earnings and cash flow. For this reason, we feel good about how our clients’ equity portfolios are positioned for the uncertain market and economic environment ahead.



David DeBellis, who holds the Chartered Financial Analyst (CFA) designation, chairs the Trust Company’s investment committee.



IRS Announces Adjustments to Deduction Amounts, Income Tax Brackets and Retirement Contribution Limits for 2023

By Kasey Franzoni, CISP

On October 18, 2022, the Internal Revenue Service announced the tax year 2023 annual inflation adjustments for over sixty tax provisions. Here are a few of the highlights of those adjustments for the 2023 tax year that may have a strong impact on our clients:

The standard deduction for married couples filing jointly for tax year 2023 rises to \$27,700 up by \$1,800 from the prior year. For single taxpayers and married individuals filing separately, the standard deduction rises to \$13,850 for 2023, up by \$900, and for heads of households, the standard deduction will be \$20,800 for tax year 2023, up by \$1,400 from the amount for tax year 2022.

Marginal Rates: For tax year 2023, the top tax rate remains 37% for individual single taxpayers with incomes greater than \$578,125 (\$693,750 for married couples filing jointly).

THE OTHER RATES ARE:

- 35% for incomes over \$231,250 (\$462,500 for married couples filing jointly);
- 32% for incomes over \$182,100 (\$364,200 for married couples filing jointly);
- 24% for incomes over \$95,375 (\$190,750 for married couples filing jointly);
- 22% for incomes over \$44,725 (\$89,450 for married couples filing jointly);
- 12% for incomes over \$11,000 (\$22,000 for married couples filing jointly).

The lowest rate is 10% for incomes of single individuals with incomes of \$11,000 or less (\$22,000 for married couples filing jointly).

The Alternative Minimum Tax exemption amount for tax year 2023 is \$81,300 and begins to phase out at \$578,150 (\$126,500 for married couples filing jointly for whom the exemption begins to phase out at \$1,156,300). The 2022 exemption amount was \$75,900 and began to phase out at \$539,900 (\$118,100 for married couples filing jointly for whom the exemption began to phase out at \$1,079,800).

Estates of decedents who die during 2023 have a basic exclusion amount of \$12,920,000, up from a total of \$12,060,000 for estates of decedents who died in 2022.

The annual exclusion for gifts increases to \$17,000 for calendar year 2023, up from \$16,000 for calendar year 2022.

Retirement Plans – Limits for 2022 & 2023

Plan Type	2022	2023
IRA Contribution Limit (Traditional or ROTH)	\$ 6,000.00	\$ 6,500.00
IRA Catch-Up Contributions for age 50+ (Traditional or ROTH)	\$ 1,000.00	\$ 1,000.00
Employee Deferral Limit to 401(k), 403(b) and 457 Plans	\$ 20,500.00	\$ 22,500.00
401(k), 403(b) and 457 Catch-Up Contributions for age 50+	\$ 6,500.00	\$ 7,500.00
Defined Benefit Plan Dollar Limit	\$ 245,000.00	\$ 265,000.00
Defined Contribution Plan Dollar Limit (for individual 401(k) Plans and SEP IRAs)	\$ 61,000.00	\$ 66,000.00
Compensation Limits	\$ 305,000.00	\$ 330,000.00
SIMPLE Retirement Accounts	\$ 14,000.00	\$ 15,500.00
SIMPLE Catch-Up Contributions for age 50+	\$ 3,000.00	\$ 3,500.00

Kasey Franzoni holds the Certified IRA Services Professional (CISP) Designation

All of us at TCV wish you and yours a happy and healthy New Year!

