



# Trust Company of Vermont Quarterly Update

APRIL 2025

Brattleboro ■ Burlington ■ Rutland ■ Manchester ■ Keene, NH

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WHEN I FIRST BEGAN my career at Trust Company of Vermont, I made contributions each year to a Traditional 401(k) retirement savings plan. Contributions to a Traditional 401(k) are made with pre-tax dollars, but whenever the money is distributed, the distributions are taxed at ordinary income tax rates. At the time, I thought that when I retired and was no longer earning an income, my tax rate would be very low, and I could then take the money out without paying too much in ordinary income taxes.



Chris Cassidy  
CEO

Before 2010, only those individuals with an annual adjusted gross income (AGI) of \$100,000 or less could convert a Traditional IRA to a Roth IRA. However, this rule changed in 2010, and Trust Company of Vermont began helping clients with Roth conversions. As a result, I reconsidered my own contributions and decided to stop making Traditional 401(k) contributions, opting instead for a Roth 401(k). With a Roth 401(k), contributions are made with after-tax dollars, withdrawals are entirely tax-free, and there are no Required Minimum Distributions (RMDs).

Even though I have not contributed to my original Traditional 401(k) since 2010, due to a fantastic stock market, the value of that once tiny account is now \$175,000. While I am not thrilled about the idea of paying a large tax bill to convert those funds to a Roth 401(k), I believe it makes a lot of sense to do so in my situation.

While nobody knows for sure how long they will live, when I look at life expectancy tables, there is a reasonable statistical chance that I will live 40 more years. Since my wife is younger than I am and women, on average, live longer than men, there is a reasonable chance that she will survive me by 10 years.

From a family inheritance standpoint, one major benefit of a Roth IRA is that it grows tax-free for the lifetime of the owner, the lifetime of the surviving spouse, and an additional 10 years for the inheritor. In my case, that could be 40 years of tax-free growth for me, 10 years for my wife, and 10 years for my daughter. According to the rule of 72, if my account were to earn 7.2% annually, it would double in value every ten years. That would mean that upon my death, it would be worth \$2.8 million. Upon my wife's death it would be worth \$5.6 million and by the time my daughter withdraws the funds, it could reach \$11.2 million.

Account Value	Year
\$175,000	2024
\$350,000	2034
\$700,000	2044
\$1,400,000	2054
\$2,800,000	2064
\$5,600,000	2078
\$11,200,000,000	2084

Although I cannot predict future tax rates, I do know that right now tax rates are at some of the lowest levels in history. I also know that paying ordinary income taxes today on \$175,000 will likely result in a much lower tax bill than if my daughter were paying it on \$11.2 million in 2084. The thought of my daughter cursing me in sixty years because I failed to do a conversion and instead left her with a large tax bill may just be enough to get me to convert this year.

Many of us have Traditional 401(k)s and Traditional IRAs from years of contributions. Devon Walsh has written a very helpful article on what to consider when deciding if a Roth conversion makes sense. It is a good guide to use when trying to make this decision. ■

# Avoiding Probate



WHEN PUTTING IN PLACE an estate plan, a main goal for most clients is avoiding the need for probate court administration of their assets on death. The probate court process can be time consuming and expensive, and it is open to more public review and scrutiny than the more private option of administering assets under a trust agreement. We often work with clients to make sure that their assets are titled to avoid probate. This can be done by titling assets in the name of a trust during a client's lifetime, or by making sure assets are set up to automatically pass to intended beneficiaries by operation of law without court involvement, for example by using beneficiary designations or joint ownership with rights of survivorship. While clients often do a good job of identifying and retitling their real estate holdings and larger investment and bank accounts to avoid probate, we have noticed that some smaller assets consistently get missed and can end up unexpectedly triggering the need for probate court administration or additional transfer logistics on death. This article focuses on tips and tricks for probate avoidance for these less significant assets that can too often slip through the cracks. Please note that some rules vary from state to state, and this article is based on Vermont rules.



Tangible personal property includes all the physical possessions that you own and use in daily life. This encompasses household furniture and furnishings, clothing, jewelry, and collectables, as well as vehicles and other vessels. Tangible personal property also encompasses your digital devices and can be defined to include your digital assets (such as email accounts, digital music, digital artwork and videos, and online accounts). It would be impractical and likely impossible for anyone to itemize all their tangible personal property, and these items typically do not have recorded "title" that can be changed to transfer them into an estate planning trust to avoid probate. As such, it is important that a client's estate plan include a blanket transfer document, often called a "Bill of Sale" or an "Assignment of Personal Property," that broadly defines all a client's tangible personal property and sweeps it all into his or her estate planning trust. Ideally, these documents are drafted to cover all tangible personal property currently owned by the client, or subsequently acquired by the client, regardless of what type or where it is located. The inclusion of a Bill of Sale or an Assignment of Personal Property can vastly simplify asset administration on death because it should prevent these tangible assets, many of which can have great sentimental and/or monetary value, from being subject to probate court administration.



While motor vehicles are often swept up in the definition of tangible personal property, there are more efficient and precise ways to avoid probate administration of vehicles, in particular. For married couples, it often makes sense for spouses to own a vehicle through a joint tenancy with rights of survivorship in the first instance. On the first death, the deceased owner's interest in the vehicle ceases to exist, and the surviving spouse becomes sole owner of the vehicle by operation of law. After the first death, the surviving spouse should add a "Transfer on Death" (or "TOD") title brand to the vehicle title, which allows the surviving owner to designate a beneficiary who will automatically receive ownership of the vehicle upon the owner's death, without the need for probate. A TOD beneficiary designation is probably the best way to transfer any vehicle on death if the current owner owns the vehicle individually. A TOD designation is not permitted when the vehicle is co-owned in any way. When a TOD beneficiary designation is added, the existing owner maintains all rights of ownership and transfer rights during their lifetime. In other words, they can change the TOD beneficiary designation, or sell or otherwise transfer the vehicle, during their lifetime without notifying or needing the consent of the named TOD beneficiary.

Another type of asset that can trigger a probate court administration is a small checking account. Clients will often have a checking account at a financial institution other than Trust Company of Vermont in which they do not maintain a large balance. Married couples will often own such accounts jointly with rights of survivorship, which should work smoothly on the first death because the decedent's interest evaporates, and the survivor becomes sole account owner. Owners of a joint bank account can also add a Transfer on Death (sometimes also called a "Pay on Death" or "POD") beneficiary designation to the account to address the possibility of simultaneous death and to address probate avoidance after the first death. If not added before, it is very important after the first death of a spouse that the surviving spouse either retitle a formerly joint account in the name of his or her own estate planning trust or add a TOD or POD beneficiary designation to the account. Any title changes on a bank account, or any additions of a TOD or POD beneficiary designation must be done directly at the bank where the account is held. If the account is being retitled in trust, the bank will want to see at least a copy of a Certificate of Trust, certifying the trust's existence and summarizing certain key trust terms that are relevant for account ownership purposes. Sometimes, banks will require that a copy of the entire trust agreement be presented to retitle an account in trust. Each institution is a bit different, and clients need to assess the pros

and cons of divulging their trust terms in order to retitle an account in trust. If a banking institution is being uncooperative when a request to retitle an account in trust is presented, or if the institution requires that a new account be opened and new checks be acquired to move assets into the name of a trust, clients should consider simply naming their trust as a TOD or POD beneficiary on the account. Clients may also prefer naming one or more individuals as the TOD or POD beneficiaries on their accounts. When a TOD or POD beneficiary is listed on an account, upon receipt of the account owner's death certificate, the bank should automatically transfer the account into the beneficiary's name, without the need for probate.

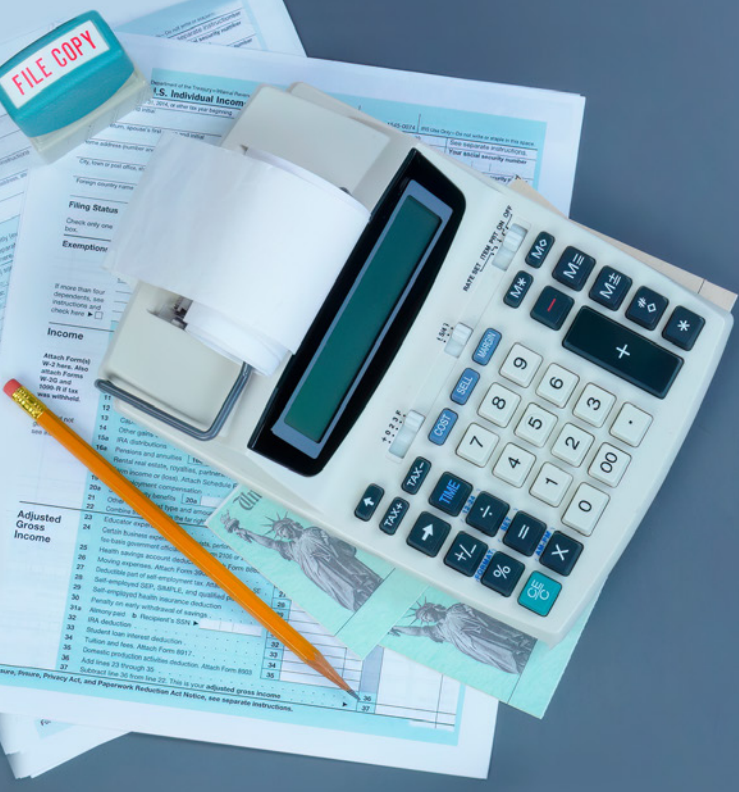
Along the same lines as smaller checking accounts, safe deposit boxes can sometimes be a forgotten asset that require probate administration. Ideally, safe deposit boxes will be titled in the name of a client's estate planning trust or co-owned by the separate trusts established for each spouse in a married couple. When a safe deposit box is owned in trust, any successor trustee should be able to access the box by presenting identification and a Certificate of Trust authorizing them to act as trustee. Again, some banks may require a copy of the whole trust agreement.

One final category of asset that can unexpectedly trigger the need for probate court administration is a refund from a nursing home or senior living community. When someone enters such an establishment, it is important to understand whether and how any upfront investment in the facility will be refunded. If there will be a buy-back or refund of some kind when the resident leaves or dies, it is advisable to ask whether this can be returned to the resident's estate planning trust, rather than paid to the resident's estate.

We are always happy at Trust Company of Vermont to assist with any of our clients' efforts to retitle assets to avoid the need for probate court administration. Please reach out with any questions about the smaller assets mentioned in the above, or about more significant retitling or beneficiary work involving real estate, investment accounts, retirement accounts, or other items. ■



Livia  
DeMarchis  
Esq.



# Optimize Your Tax Strategy with Roth IRA Conversions

## Roth IRAs and Traditional IRAs—What are the Differences?

With a Traditional IRA, you can contribute pre-tax money. Your savings grow over time, but when you take the money out in retirement, you'll pay taxes on those withdrawals. A Roth IRA, on the other hand, is the opposite—you contribute money that's already been taxed, so while you don't get a tax break upfront, your money grows tax-free, and you won't owe taxes when you withdraw it later. Plus, with a Roth IRA, there's no requirement to start taking money out at a certain age, giving your savings more time to grow.

**Picture This:** You've just turned 73 and are now required to start taking Required Minimum Distributions (RMDs) from your Traditional (tax-deferred) retirement accounts. While it might seem great to have extra income, you realize that you don't need the RMD because you already receive Social Security, a pension, and income from taxable accounts. So, you park the RMD in an investment account—but here's the catch: even though you don't spend it, receiving the distribution is still a taxable event.

Wouldn't it be great if you didn't have to trigger that taxable event at all? That's one of the many benefits of converting your Traditional IRA assets into Roth assets through a Roth IRA conversion.

## What Is a Roth Conversion?

Simply put, a Roth conversion involves paying taxes on your tax-deferred assets now and moving them into a Roth IRA. While no one loves paying taxes upfront, consider this: your non-Roth tax-deferred retirement assets will continue to grow, potentially increasing your future tax liability if tax rates stay the same or rise.

Once converted, your Roth IRA grows tax-free, and withdrawals are non-taxable. Conversions can be done partially or fully, with no annual limits or claw-backs to worry about. They can also be done with select 401(k)s and 403(b)s; however, I will be sticking to Traditional IRAs for the purposes of this article.

## When do Roth Conversions Make Sense?

### You Plan to Save, not Spend, Your RMDs

Unlike Traditional IRAs, Roth IRAs don't require you to take RMDs. This gives you full control over when and how much you withdraw, allowing your assets to grow tax-free over the long term. If you don't need to spend your RMDs to live comfortably and intend to save them, a Roth conversion might be for you.

# A hot topic in tax planning these days is the strategic use of Roth IRA conversions to help reduce the taxes you and your heirs may owe over the long-term.



Devon Walsh



## Managing Estate Taxes (VT Estate Tax Exemption)

If your taxable estate is close to or over Vermont's \$5 million estate tax exemption and consists primarily of tax-deferred assets, converting to a Roth can help reduce the taxable value of your estate.

## A Trust is Named as the Primary Beneficiary of your Traditional IRA

Jennifer Rowe wrote an article in our April 2021 newsletter, which is archived on our website, discussing the impact of leaving tax deferred assets in a trust. To summarize: if income from a Traditional (non-Roth) IRA is trapped in the trust and is not distributed out to the beneficiary, income above \$15,650 will be taxed at 37% (the top trust tax bracket). While provisions can be added to shift the responsibility to pay tax from the trust itself to the beneficiary, that doesn't work well if you want the beneficiary to receive only a portion of the income that the trust generates. A Roth IRA avoids these complications because it generates no taxable income when distributions into a trust occur.

## For the Benefit of Your Heirs

Non-spousal beneficiaries of a Traditional IRA will have to take RMDs from inherited IRA assets, and this will add to their earned income if they are still working, potentially pushing them into higher tax brackets. However, inheriting Roth IRA assets means your heirs will not be paying any income taxes on distributions from the Roth. Instead of needing to take required

minimum distributions annually for 10 years, your heirs will not be required to withdraw from the Roth IRA until the 10th year after it is inherited. This allows the retirement account to grow tax-free for another 10 years after your death, to the increased benefit of your heirs.

## Items to Consider Before Converting:

- 1 Immediate Tax Bill:** Converting means you'll owe taxes on the converted amount in the year of the conversion, which might bump you into a higher tax bracket, and you'll need to have funds available to cover those taxes.
- 2 Impact on Financial Aid and Benefits:** The extra income could affect things like financial aid eligibility, Medicare premiums, and other income-sensitized benefits.
- 3 Market Timing Risks:** If you convert when the market is trading at a high valuation, you might pay taxes on peak values, with the risk that markets could dip afterward. In the short term this could leave you feeling like you made a mistake.

## Is a Roth IRA Conversion Right for You?

A Roth IRA conversion isn't a one-size-fits-all solution, but it can be a game-changer for your retirement strategy. It all comes down to your current and future tax situation, retirement dreams, and financial needs. After all, your retirement should be as stress-free and rewarding as possible. If you are interested and want to learn more, please feel free to reach out to us! ■



**Jack Davidson**

Founder & Retired CEO

# The Bradley House and the greater awareness of Estate Planning

WHEN I ARRIVED IN VERMONT in 1970, my wife and I bought an old house that was built in 1840 and did not have a kitchen. We created the kitchen, and we purchased the appliances. Our family lived there for 7 years and did not experience the life expectancy of the appliances.

As much as I loved this house, the house was at an intersection which seemed to create too many risks as my young children started playing outside. So, we moved a mile away to another old house built in 1820 with a large backyard for the safety of our children and a wonderful view of the mountains.

Approximately 16 years later, our net worth gave us the opportunity to add an addition: a dining room and a larger kitchen. Our stove and refrigerator were functioning well, but they did not fit well into the new kitchen. So, we donated the old appliances to a charity and bought new appliances.

After another 16 years later, our house was no longer occupied by our children, and downsizing and relocating seemed to make sense for three reasons: we now needed less space, we no longer had the time or the energy to take care of our beautiful three acres, and we did not like driving on slippery roads during the winter.

We then found a wonderful house in Brattleboro, built in the 1840s, with less space, on a small lot, a wonderful view...and we could both walk to work. When we left Dummerston, our appliances seemed to be functioning quite well.

As we approached living another 16 years in Brattleboro, the sad truth of appliance life expectancy and the impact on our net worth emerged. The day before Thanksgiving, our oven stopped working. Fortunately, we were able to address this issue before Christmas. Then just a week before Christmas our refrigerator passed away.

## Estate Planning

There are two core components of estate planning: life expectancy and net worth. I thought of writing an article that addressed the life expectancy of appliances and its impact on net worth. The most expensive appliances claim longer life expectancies. As I started to reflect on this issue, what I saw simply said to me “you are trying to avoid a more important issue.”

The house we purchased in Brattleboro was called the “Bradley Cottage.”

The Bradley’s built two houses in Brattleboro. When I look out my back window on the second floor of my Bradley Cottage. I see the Bradley House.

This House is a senior living facility and is the starting point for “assisted living” for many of our clients who are in the second stage of life.

Estate Planning should focus first on assisted living when we get older, rather the life expectancy of appliances. So, I am working on my next article addressing the many complexities of assisted living. State location of facilities is similar in its impact to the state variations that complicate estate tax and income tax issues. Migration of higher levels of care create even more complexities. Furthermore, I am pondering whether I may reside at the Bradley House before my new appliances expire. ■

**The Bradley Cottage**



**The Bradley House**

I FINISHED MY FIRST ARTICLE in early January to allow enough time for proof reading, and printing, so it will show up in this, our April Newsletter. Then something happened.

I had just decided not to renew my license as a Vermont Lawyer. I also decided not to renew my membership at the local golf club. It made financial sense since I no longer practice law, and I rarely show up at the Golf Club.

A friend living at Pine Heights, a nursing home just a mile way, also stopped playing golf and surrendered his license.

My goal was that he could tell me about the choices that he made in his second half of life in writing my next article on Assisted Living.

I met this lawyer, a member of the Windham County Bar Association, when I became a member in 1972, and I started playing golf with him in the early 80's.

When I was head of the Trust Department at Vermont National Bank, I asked this lawyer, who was on the advisory board of the Bellow Falls branch of the Vermont National Bank, if I could use the local office for my second interview of Jane Waysville, a now retired founder but a current board member.

Jane lived nearby in Springfield, and I wanted to save her the driving time of having to meet further south in my office in Brattleboro. Jane did not want to move to Brattleboro because she wanted to stay near her family farm. She planned on saying "no" and then I said that she could leave at 4:30 instead of 5 pm. She said "yes." We have worked together for over 40 years thanks in part to this lawyer.

I also asked his help in improving my golf game. He was willing and patient. An avid sports fan and a good athlete, he gave me more strokes than I deserved.

On the day before I planned to call him, he passed away.

Tom Salmon, my golfing partner in the picture on the right, was the 75th governor of Vermont, who died on January 14 at age 92.

After his two terms as Governor, Tom Salmon went on to serve as president of the University of Vermont in troubling financial times for the college and many credit him with saving the college as it is now. He was also chairman of the board of Green Mountain Power. There are times when we know wonderful people in the later years of their lives, and we need to meet them more often. ■

## THOMAS P. SALMON



# Patience & Awareness



Often when an asset class enjoys significant relative outperformance, there begins to be talk of a bubble. Whether the asset class is real estate, commodities, or, more recently, domestic stocks, analysts and managers alike begin wondering how long the outperformance can or will last and how and when it will end.

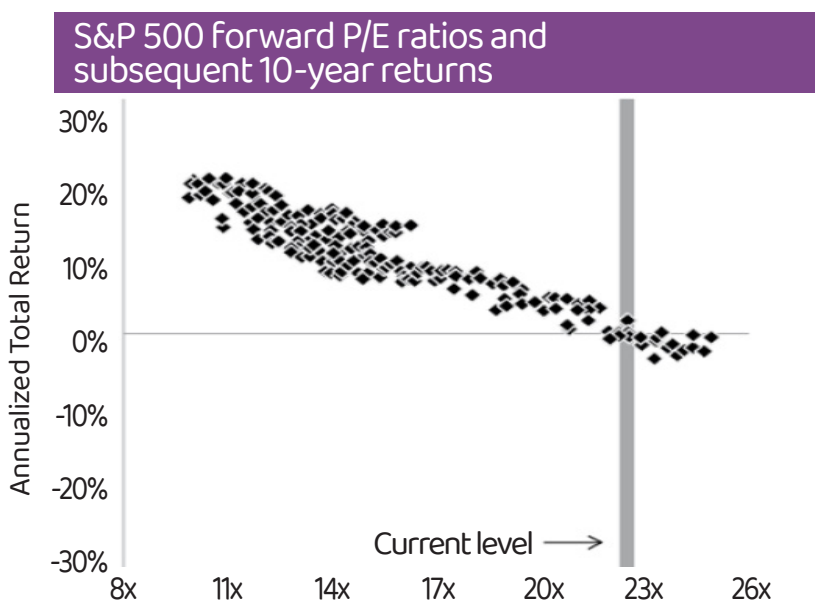


Over the previous ten years ending December 31st 2024, the S&P 500 Index was up 13.1% on an annualized basis, while the Bloomberg Aggregate Bond Index was up 1.3%. Contrast the performance of both indexes with the value of the so-called ‘magnificent seven’ (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla) and the performance disparity widens even further which leads to the question of relative valuation.



Gary Gibbs

Below is a graph, courtesy of J.P. Morgan Asset Management, which demonstrates forward price/earnings (P/E) ratios and subsequent ten-year annualized rates of return. It plots monthly observations from 1988 to 2024. One reasonable conclusion is that the current P/E is high, and lower returns should be expected. However, several factors over the past few decades may have caused a more lasting change in this relationship.

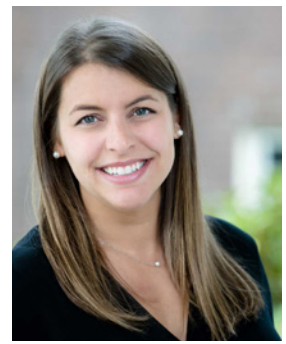


Gradually but consistently, investors globally have gained greater access to worldwide markets, with trading being done more quickly and more easily than ever before. Gone are the days of physically visiting a broker’s location while watching the ticker tape with a newspaper in hand. Today, anyone in a developing country with internet access has the ability to own US stocks. In addition, the prevalence of defined benefit (pension) plans has given way to defined contribution plans, IRAs & 401(k)s, which further broadens household ownership of stock either directly or indirectly. These savers must

also plan for a longer retirement period as life expectancies have increased and many look for an earlier retirement, further increasing the incentive to own stocks.

These factors can then be viewed through the lens of supply and demand. This principle would suggest that with demand rising as supply stays constant at best, the end result could be higher prices. Thus, when given a long-term investment horizon, domestic stocks still warrant a significant weighting in portfolios.

The most important lesson from these exercises is that asset allocation and diversification are of critical importance. Nearly all our stock positions at Trust Company of Vermont are in global businesses, with revenue generated from around the globe. We are truly stewards of assets, which requires adaptation, awareness and communication. While clearly nobody has the proverbial crystal ball, we continue to focus on high quality stocks (and bonds) which have proven over the long-term to benefit shareholders. As one of my very early mentors used to say, I remain skeptically optimistic. ■



Ashley  
Neary  
CISP

THE IRS ANNOUNCED MANY CHANGES for 2025 which will allow you to save more for your retirement. The 401(k) contribution limit is now \$23,500. If you are over the age of 50, you also can contribute an additional \$7,500 to your 401(k)s, 403(b)s and other plans. In 2025, a new catch-up contribution is also available. If you are 60, 61, 62 or 63 and participate in an employer-sponsored plan, you can contribute an additional \$4,000 for a total catch-up amount of \$11,500.

## Changes to Retirement and IRA Contributions for 2025

There were no changes to IRA contribution limits which remain at \$7,000, with a catch-up amount of an additional \$1,000 for those over age 50. Although the contribution limits did not change, the phase-out ranges did increase. If you are covered by a workplace plan, you may be able to deduct Traditional IRA contributions from your income. In 2025, the phase-out is between \$79,000 and \$89,000 for single filers and \$126,000 and \$146,000 for married couples filing jointly.

Additionally, the phase-out ranges have increased to be eligible for Roth IRA contributions. For single filers this is between \$150,000 and \$165,000 and for married couples the income phase-out is between \$236,000 and \$246,000.

We work with clients to ensure they are saving enough for retirement to meet their goals. We also discuss ways to contribute to Roth IRAs using backdoor contributions if your income is above the phase-out range, and as Devon mentioned, ways to convert your Traditional IRA or 401(k) into a Roth IRA. We encourage you to reach out to your TCV team to discuss. ■

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