



# Trust Company of Vermont Quarterly Update

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IN 2025, PRECIOUS METALS WERE one of the best performing asset classes. Gold returned over 60% for the year and silver over 100% for the year. Demand for precious metals has increased for a multitude of reasons such as a weakening U.S. dollar, global central bank activity, concerns about global government deficits, geopolitical uncertainty, and fears about inflation.



Chris  
Cassidy  
CEO

My personal experience with precious metals began in 2009. A friend of mine, who is a real estate investor, was looking for a short-term loan to close on a property. I agreed to lend him \$15,000 at an interest rate of 4%. We executed a promissory note and one year later, I was paid back. However, my friend had been doing a lot of research into precious metals and insisted that my principal be paid in physical gold as opposed to a check. He was concerned about fiat currency and thought gold would perform well.

For an entire year, I had a cardboard box with physical gold hidden in the back of my bedroom closet. Thankfully, the apartment was never burglarized!

In 2011, I decided to purchase a home, and I exchanged my gold for cash. At the time, gold was selling for \$1,600 an ounce. My friend had made a smart investment call on my behalf with the price of gold appreciating considerably during the time it was taped shut in a cardboard box under my t-shirts. Unfortunately, I learned you must pay a 28% collectibles tax when you sell gold, as opposed to the 15% on long-term capital gains when you sell a stock.

When I first joined Trust Company of Vermont in 2004 as an intern, I was given a copy of the 3rd Edition of *Stocks for the Long Run* written by Wharton Business School Professor Jeremy Siegel. In the book, Siegel compares the long-term performance of stocks to other asset classes such as cash, gold, bonds, and real estate and concludes that stocks offer the best returns over long periods of time.

Based on this and other similar research that I read at the time, I didn't feel badly about selling my gold as I figured the stocks in my 401(k) and IRA would do much better.

Lately, watching gold climb to \$5,000 an ounce, I started to feel a little worse. My mood improved slightly when I did the math and noted that stocks, as measured by the S&P 500, still outperformed gold since the purchase of my home, which I still live in today.

Precious metals are an investment class that can be complicated for financial professionals to evaluate as they do not have the cash flows typical of a stock, fixed income, or real estate investment. Devon Walsh has written an article this quarter on gold and the complexities in valuing the commodity. Devon holds the Chartered Financial Analyst (CFA) designation and does a lot of equity research and financial analysis for our Investment Committee. He is

very knowledgeable and I don't believe he has any gold in his closet. ■



## The Power of 529 Plans

**OVER THE YEARS**, we have written many times about 529 plans and the importance of starting early. This past year, I have experienced the college planning process from a much more personal perspective. My son, Pierce, is a senior in high school, and our family has been busy researching and visiting schools, completing applications, writing essays, and anxiously awaiting acceptance letters and financial aid packages.

For those who have gone through this process, you know that it is exciting and completely terrifying at the same time. I often find myself questioning whether we have adequately prepared Pierce to navigate life independently, while also wondering whether we have saved enough to support his college choice.

When I became a parent in my mid-twenties, I was just beginning my career, with a first mortgage, student loans, and a modest income. While saving for college was something I thought about, it was not yet a financial priority. It was not until several years later that I opened a 529 plan and began contributing consistently.

In his college application essay, Pierce wrote a variation of the classic list from *All I Really Need to Know, I Learned in Kindergarten* by Robert Fulghum. While I believe many of those lessons still hold true, I would like to share a different list—one inspired by what I have learned during my time at Trust Company of Vermont. As an organization, we prioritize education and helping clients benefit from lessons learned through experience.

The following insights are things I wish I had known long before joining TCV, and may benefit you whether you are planning for the education of your children, grandchildren, or another loved one.

### **You don't need to start big, but start early.**

As with all investing, time—not timing—is one of the most powerful factors in building wealth. Even modest contributions made early can have a meaningful impact. For example, contributing \$100 per month from the birth of a child, rather

than waiting until age five, can significantly increase long-term savings.

Assuming an 8% annual rate of return, waiting five years to begin contributing results in approximately \$21,000 less in final value, despite only skipping \$6,000 in total contributions. The power of compounding makes early action critical.

### **If you have the resources to go big, do it!**

For those with the financial ability, 529 plans offer a unique opportunity to accelerate savings. You are permitted to “superfund” a 529 plan by contributing up to five years’ worth of annual gifts in a single year. In 2026, this amount is \$95,000 per beneficiary.

If a 529 plan is fully funded at birth with no additional contributions and earns an average annual return of 8%, the account balance could exceed \$379,000 by the time the beneficiary turns 18.

### **You can avoid paying taxes.... Sometimes.**

529 plans offer tax-free growth similar to a Roth IRA when funds are used for qualified education expenses. For example, investing \$5,000 annually over 18 years at an 8% return results in a balance of approximately \$202,000. Assuming a 20% tax rate, investing those same funds in a taxable account could result in over \$40,000 lost to taxes.

State-specific benefits can further enhance savings. In Vermont, if you are married filing jointly, you can receive a 10% tax credit for the first \$5,000 contributed per beneficiary, up to \$500. There are additional strategies to maximize this credit.

According to the IRS website, the below are all true of 529 plans:

- You can establish a 529 plan and name anyone as the beneficiary—including yourself.
- There is no limit to the number of 529 plans you may establish.
- Changing the designated beneficiary to another qualifying family member does not result in tax consequences.

Using these provisions, a married couple with a newborn could establish three 529 plans—one for each parent and one for the child—contribute \$5,000 to each and receive up to \$1,500 in Vermont tax credits. Beneficiaries may be updated later as circumstances evolve.

### Flexibility matters if college plans change

One of the most common concerns surrounding 529 plans is the uncertainty about continuing education. Fortunately, legislative changes have increased flexibility for those not wanting to go to college.

Funds may be used to:

- Contribute to a Roth IRA for the beneficiary (up to \$35,000, subject to rules – see the details in Nathan Alexander’s companion article)
- Repay student loans (up to \$10,000)
- Be withdrawn at any time, with a 10% penalty applied only to earnings

Additionally, beneficiaries can be changed to another child or qualifying family member if necessary. These options allow families to save confidently without fear that funds will be “trapped” if plans change.

And finally, my last lesson is less about finances and more about life. . . .

### Trust in yourself and in the foundational values you have instilled in your children.

Like many parents, I am extremely proud of my child and all that he has achieved. He was accepted to his top-choice college,

and, according to campus tour guides, he is ahead of the game as he also does his own laundry. While seeing him off this fall will be an emotional milestone, I am comforted knowing that we have equipped him to make thoughtful decisions and to seek guidance when needed. This confidence gives me peace that he will excel in his college journey.

Planning for college, like most financial goals, is rarely about a single decision. It is about intent, consistency, and understanding the tools available to you. While no family’s circumstances are the same, thoughtful planning can create flexibility, confidence, and opportunity regardless of how the future unfolds. 529 plans remain one of the most effective vehicles for education savings, not only because of their tax advantages, but also because of their flexibility as goals change.

The lessons I have learned, both personally and professionally, underscore the value of starting early, taking advantage of available resources, and revisiting strategies as circumstances change. These are principles we emphasize every day at Trust Company of Vermont, and ones we are proud to help families navigate as they plan for the next generation. ■



Angela Bowman





Unlocking their  
full potential...

529

PLANS



**Nathan  
Alexander**  
CPA, CFP®

When we consider the puzzle of how to fund higher education, we often think of the tax incentives available to families. We have two main federal tax credits, but the challenge is that they are adjusted for family income which for many households makes these tax credits unavailable or reduced.

The most commonly used tax credit for higher education for four years of college is the American Opportunity Tax Credit of up to \$2,500 per year for four years. The Lifetime Learning Credit of \$2,000 per year is next in line, and has the advantage that it can be used for an unlimited number of years, although it is not possible to claim both credits in the same year for the same student. To qualify, adjusted gross income must be below \$90,000 for a single taxpayer or \$180,000 for a joint filer. Even if family income falls within the thresholds, the credits do not go very far to cover the cost of higher education including tuition, room and board, fees, and books. 529 College Savings accounts are available to everyone, no matter their income level, as a key element of growing savings to be used for funding higher education. They are flexible and dynamic and should be considered by parents and grandparents alike.

Several legislative tax changes over the last several years have made saving for education with 529 plans more attractive, and there are a lot of things to consider as soon as a child is born. For grandparents who desire to help their grandchildren save for college, recent changes to the FAFSA reporting process are a bonus: A grandparent who is considered the owner of a 529 for their grandchild-beneficiary is now fully exempt from FAFSA reporting rules.

For many families, there may be hesitation about funding a 529 over concern that their child/grandchild may be left with a hefty residual 529 balance after their schooling is over, or if they do not end up paying for school in favor of free community college, an apprenticeship, the military or another career path. Keep in mind that the funds can remain in the 529 and may be useful later in the child's life under some of the expanded spending opportunities described below.

### Expanded options to spend down the 529

- As has always been the case, residual balances can be rolled into 529s for other family members such as siblings, step-siblings, cousins or even spouses (this is limited to one rollover per beneficiary per 12-month period). It is also possible to transfer down to a family member of a lower generation, although this would likely have gift tax implications for the transferring owner.
- 529 plans can be used toward K-12 private school tuition and fees up to \$20,000 per year (prior to 2025 this was capped at \$10,000/yr), and for children destined for lengthy private primary school, 529s can be a very powerful way to help defray these costs.

- The One Big Beautiful Bill Act of 2026 expanded what are considered qualified educational expenses to include certain tutoring costs, vocational and credential expenses, fees for national standardized testing, online education materials, and fees for college courses taken in high school. In addition, the ability to maintain trade and professional certifications with 529 money (see Workforce Innovation & Opportunity Act directories for list of what qualifies) helps defray potentially expensive credentialing. Consider, for example, a family member who wishes to become a pilot with expensive training and flight time requirements.

### Expanded tax advantages

- Provided that the 529 plan *has been maintained for at least 15 yrs and the funds contributed at least 5 years prior*, and further subject to Roth IRA contribution limits, the beneficiary of the 529 may fund their Roth IRA up to a lifetime amount of \$35,000. This is an incredibly powerful way to give the beneficiary a head start on their own retirement funding using unspent 529 balances. As we can see, funding the 529 early while the child is still very young is a core requirement to take advantage of this opportunity.
- Student loans (federal or most private, student or parent) principal and interest can be repaid up to a \$10,000 qualified student repayment limit, although this does limit the deductibility of student loan interest deductions.
- For those with disabilities, the One Big Beautiful Bill made permanent a provision to allow excess 529 balances to be rolled tax-free into ABL Accounts.

If 529 balances remain after all the opportunities above have been exhausted, money can be withdrawn for non-qualified expenses, but the earnings portion of the account is subject to federal income tax and a 10% additional tax penalty unless certain exceptions are met (such as disability or if the student received a scholarship and the 529 was not needed). As many students who begin their working career may gradually move into moderate or higher tax brackets, there is still time for good tax planning using lower brackets.

Considering the potential benefits of 529 plan savings can easily feel overwhelming. Never hesitate to reach out to your TCV team. We will help you to contextualize 529 planning in the setting of your personal situation. We will collaborate with you and your tax preparer in crafting a savings approach that makes the most sense for you and your family. ■

# Is gold a smart hedge, or just shiny...

## Should gold be in your portfolio?



### Is it all glitter?

Due to geopolitical uncertainty, investments in rare metals like gold and silver have become a hot topic. Whether it's your coworker mentioning gold ETFs, a family member insisting you buy coins, or headlines about foreign central banks hoarding bullion, the shiny metal seems to be everywhere. So, let's discuss the pros and cons of holding gold, what your realistic expectations for its performance should be, and our stance on this attention-grabbing commodity.

### Arguments for holding gold

Gold has been a store of value for thousands of years, long before paper money existed. Investors today still treat it as such, and gold has historically outperformed during periods of uncertainty. For example, during the 2008 financial crisis, gold climbed roughly 30% while the market fell by about 50%. At the start of 2020, when COVID fears sent the market down 30%, gold declined by only 2%. Because gold's

performance is generally uncorrelated with stock returns, it is viewed as a portfolio diversifier and a hedge against market volatility.

Gold also benefits from industrial usage, particularly due to its conductivity. The most sophisticated data center processors contain up to three times the gold used in pre-AI designs. According to the World Gold Council, technological demand, which accounts for 5% of gold's total demand, rose 7% year over year in 2024 as more AI-related hardware was manufactured. However, when gold prices rise sharply, manufacturers frequently look for more cost-effective metal substitutes with similar conductive properties. As a result, AI-related use may create only temporary tailwinds for gold demand.

### The other side of the coin

How does one value gold? It's an age-old question—and nearly impossible to answer without saying, “Find out what someone



Devon Walsh

else is willing to pay for it.” Bonds pay interest, and companies return cash to shareholders through dividends, but gold does neither. Unless you choose to wear it or use it in manufacturing, gold simply sits in a vault, generating no cash flow. As Warren Buffett famously said during a speech at Harvard, “Gold gets dug out of the ground in Africa, or someplace. Then we melt it down, dig another hole, bury it again, and pay people to stand around guarding it. It has no utility. Anyone watching from Mars would be scratching their head.”

Because gold is often used as an inflation hedge, one might expect its price to rise steadily at roughly the rate of inflation. But historically, that hasn't been the case. Gold tends to move in cycles—often sharp, emotionally driven ones—rather than smooth, predictable increases. Between 1970 and 1980, it surged eighteenfold as stagflation gripped the global economy. But what followed was a 20-year period of declining prices, and gold didn't surpass its 1980 peak of over \$800 until 2007. The chart below compares performance of the S&P 500 to gold over the past century. Investing \$1 in gold in 1925 would have resulted in \$209 (5.5% annual return) at the end of 2025 while investing \$1 in the S&P 500 would have resulted in \$10,000 (9.5% annual return) at the end of 2025. As you can see, while equities seemed to mostly appreciate during the past century with times of decline corresponding to economic downturns, the price of gold moved in cycles with sharp upticks followed by sharp and then gradual declines over long periods of time.

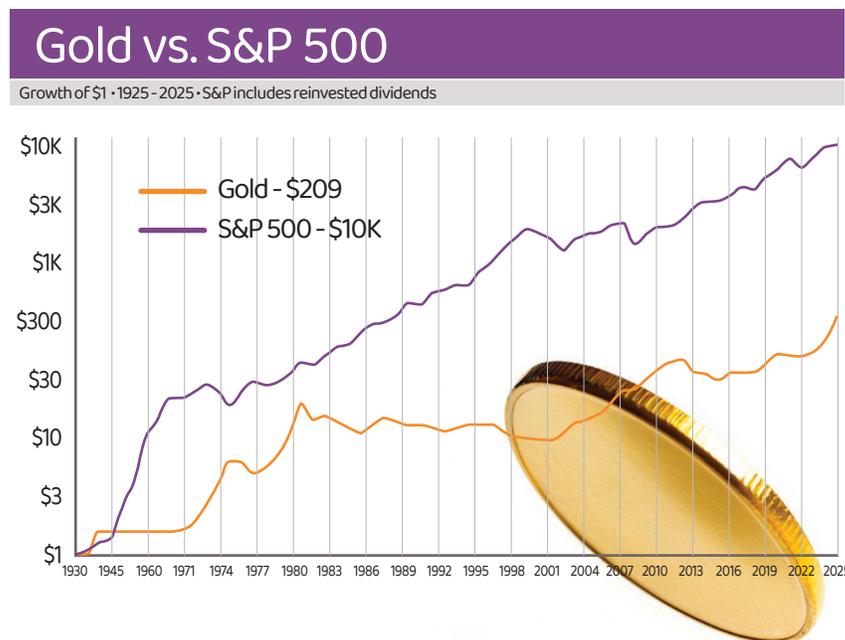
History may be repeating today. Gold has seen a massive spike since early 2023, driven by geopolitical uncertainty. Should that uncertainty ease—for example, due to changes in expectations

for monetary and fiscal policy—gold could fall just as dramatically as it has in past cycles. We received a preview of this dynamic when news broke about Donald Trump's nominee for Federal Reserve chair, Kevin Warsh: gold fell 18% in a single day as markets reassessed future inflation expectations under a potentially hawkish chair.

Lastly, gold now faces more competition for investors focused on inflation hedging assets due to the rise in popularity of cryptocurrency. While crypto is still very speculative, it may replace gold as the inflation hedge in a portfolio in a future where consumers can buy and sell goods using different digital coins. If gold's value is mainly derived from hedging inflation and another asset can hedge inflation and have actual transactional value, investors may reassess their gold holdings.

### Do we believe in gold?

While a small weighting (5%) of gold in a portfolio may be useful for diversification, we believe that a sufficiently diverse portfolio can be achieved without it. Instead, we would rather own a portfolio with names that can be valued on their individual merit. As mentioned earlier, unlike fixed income instruments and publicly traded companies, we cannot value gold on a certain metric. Because of this, we cannot value gold on a fundamental basis and believe that there are other diversifying stocks and bonds that can take its place in a portfolio. On the stock side, companies with strong pricing power can continue to raise prices during highly inflationary periods. On the bond side, TIPS, or Treasury Inflation Protected Securities, pay a floating rate determined by CPI. If inflation were to increase, your rate of return on holding the bond would increase in tandem. These assets can be valued by future cashflows and are, therefore, more attractive to us than holding an unpredictable commodity. So, the next time someone asks whether gold belongs in your portfolio, our answer is simple: there are better ways to diversify, hedge inflation, and build long-term wealth—and they come with cashflows attached. ■





Did you  
know?

# A simpler way to make estimated tax payments

If you make estimated tax payments, there's an important update to be aware of. The IRS now requires that estimated tax payments be submitted electronically, rather than by paper check. While this change helps improve speed and security, it can also mean one more thing to manage on your to-do list.

That's where Trust Company of Vermont can help. As part of our ongoing administrative and fiduciary services, we're able to process electronic estimated tax payments for you—making sure they're handled accurately and on time. We'll work in coordination with your tax advisor and take care of the details, so you don't have to navigate new payment systems or worry about deadlines. Alternatively, if you would like to manage the payments, the best way to process them is directly with the IRS at [irs.gov/payments/pay-personal-taxes-from-your-bank-account](https://irs.gov/payments/pay-personal-taxes-from-your-bank-account)

If you have questions or would like to take advantage of this service, please reach out to your administrator—we're happy to help.

The IRS no longer accepts paper checks for many estimated tax payments.

- Electronic payments are now required
- Trust Company of Vermont can process them for you
- Payments are tracked on your year-end tax reporting
- One less task for you to handle.

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