Trust *NEWS*

A newsletter for customers and friends of CBI Bank & Trust

Winter 2022

Your Social Security Statement: **What's in It for You?**

The Social Security Administration (SSA) provides personalized Social Security Statements to help Americans age 18 and older better understand the benefits that Social Security offers. Your Statement contains a detailed record of your earnings and estimates of retirement, disability, and survivor benefits — information that can help you plan for your financial future.

You can view your Social Security Statement online at any time by creating a my Social Security account at the SSA's website, ssa.gov/myaccount. If you're not registered for an online account and are not yet receiving benefits, you'll receive a Statement in the mail every year, starting at age 60.

Benefit Estimates

Your Social Security Statement tells you whether you've earned enough credits by working and paying Social Security taxes to qualify for retirement and disability benefits and, if you qualify, how much you might receive. Generally, retirement benefits are projected for up to nine claiming ages, including full (ages 66 to 67), early (age 62), and late (age 70). If you qualify, you can also see the benefit amount your survivors might receive in the event of your death. The amounts listed are estimates based on your average earnings in the past and a projection of future earnings. Actual benefits you receive may be different if your earnings increase or decrease in the future. Amounts may also be affected by other factors, including cost-of-living increases (estimates are in today's dollars) and other income you receive, and are based on current law.

> More than 50 million individuals have established online Social Security accounts.

Annual Earnings

In addition to benefit information, your Social Security Statement contains a year-by-year record of your earnings. This record is updated when your employer reports your earnings (or if you're self-employed, when you report your own earnings). Earnings are generally reported annually, so your most recent earnings may not yet be on your Statement. Because Social Security benefits are based on average lifetime earnings, it's important to make sure your earnings have been reported correctly. Compare your earnings record against past tax returns or W-2s. If you find errors, let the Social Security Administration know right away by calling (800) 772-1213.

401(k) and IRA:
A Combined Savings Strategy

Contributing to an employer-sponsored retirement plan or an IRA is a big step on the road to retirement, but contributing to both can significantly boost your retirement assets. A recent study found that, on average, individuals who owned both a 401(k) and an IRA at some point during the six-year period of the study had combined balances about 2.5 times higher than those who owned only a 401(k) or an IRA. And people who owned both types of accounts consistently over the period had even higher balances.[1]

Here is how the two types of plans can work together in your retirement savings strategy.

Convenience vs. Control

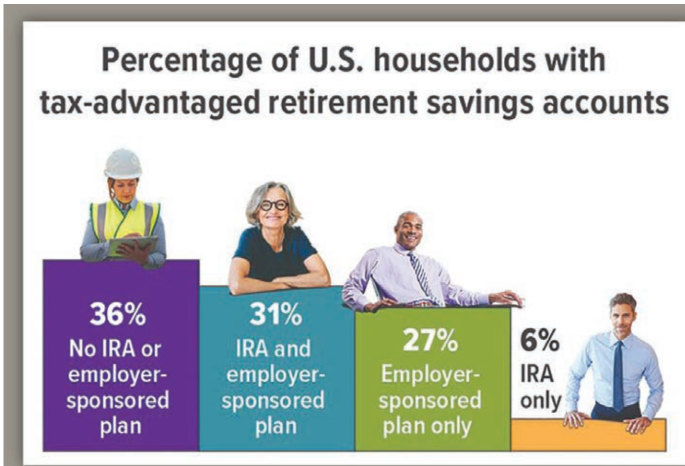
Employer-sponsored plans such as 401(k), 403(b), and 457(b) plans offer a convenient way to save through pre-tax salary deferrals, and contribution limits are high: $19,500 in 2021 ($20,500 in 2022) and an additional $6,500 if age 50 or older. Although the costs for investments offered in the plan may be lower than those offered in an IRA, these plans typically offer limited investment choices and have restrictions on control over the account.

IRA contribution limits are much lower: $6,000 in 2021 and 2022 ($7,000 if age 50 or older). But you can usually choose from a wide variety of investments, and the account is yours to control and keep regardless of your employment situation. If you leave your job, you can roll assets in your employer plan into your IRA.[2] Whereas contributions to an employer plan generally must be made by December 31, you can contribute to an IRA up to the April tax filing deadline.

Matching and Diversification

Many employer plans match a percentage of your contributions. If your employer offers this program, it would be wise to contribute at least enough to receive the full match. Contributing more would be better, but you also might consider funding your IRA, especially if the contributions are deductible (see below).

Along with the flexibility and control offered by the IRA, holding assets in both types of accounts, with different underlying investments, could help diversify your portfolio. Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss.



Source: Investment Company Institute, 2021

Rules and Limits

Although annual contribution limits for employer plans and IRAs are separate, your ability to deduct traditional IRA contributions phases out at higher income levels if you are covered by a workplace plan: modified adjusted gross income (MAGI) of $66,000 to $76,000 for single filers and $105,000 to $125,000 for joint filers in 2021 ($68,000 to $78,000 and $109,000 to $129,000 in 2022).3 You can make nondeductible contributions to a traditional IRA regardless of income. Eligibility to contribute to a Roth IRA phases out at higher income levels regardless of coverage by a workplace plan: MAGI of $125,000 to $140,000 for single filers and $198,000 to $208,000 for joint filers in 2021 ($129,000 to $144,000 and $204,000 to $214,000 in 2022).

Contributions to employer-sponsored plans and traditional IRAs are generally made on a pre-tax or tax-deductible basis and accumulate tax deferred. Distributions are taxed as ordinary income and may be subject to a 10% federal income tax penalty if withdrawn prior to age 59½ (with certain exceptions). Nondeductible contributions to a traditional IRA are not taxable when withdrawn, but any earnings are subject to ordinary income tax. Required minimum distributions (RMDs) from employer-sponsored plans and traditional IRAs must begin for the year you reach age 72 (70½ if you were born before July 1, 1949). However, you are generally not required to take distributions from an employer plan as long as you still work for that employer.

Roth IRA contributions are not deductible, but they can be withdrawn at any time without penalty or taxes. To qualify for the tax-free and penalty-free withdrawal of earnings, Roth IRA distributions must meet a five-year holding requirement and take place after age 59½ (with certain exceptions). Original owners of Roth IRAs are exempt from RMDs. Beneficiaries of all IRAs and employer plans must take RMDs based on their age and relationship to the original owner.

1) Employee Benefit Research Institute, 2020.
2) Other options when separating from an employer include leaving the assets in your former employer's plan (if allowed), rolling them into a new employer's plan, or cashing out (usually not wise).
3) If you are not covered by a workplace plan but your spouse is covered, eligibility phases out at MAGI of $198,000 to $208,000 for joint filers in 2021 ($204,000 to $214,000 in 2022).

Charitable Giving Can Be a Family Affair

As families grow in size and overall wealth, a desire to "give back" often becomes a priority. Cultivating philanthropic values can help foster responsibility and a sense of purpose among both young and old alike, while providing financial benefits. Charitable donations may be eligible for income tax deductions (if you itemize) and can help reduce capital gains and estate taxes. Here are four ways to incorporate charitable giving into your family's overall financial plan.

Annual Family Giving

The holidays present a perfect opportunity to help family members develop a giving mindset. To establish an annual family giving plan, first determine the total amount that you'd like to donate as a family to charity. Next, encourage all family members to research and make a case for their favorite nonprofit organization, or divide the total amount equally among your family members and have each person donate to his or her favorite cause.

When choosing a charity, consider how efficiently the contribution dollars are used — i.e., how much of the organization's total annual budget directly supports programs and services versus overhead, administration, and marketing. For help in evaluating charities, visit the Charity Navigator web site, charitynavigator.org, where you'll find star ratings and more detailed financial and operational information.

Snapshot of 2020 Giving

Despite the pandemic and economic downturn, 2020 was the highest year for charitable giving on record, reaching $471.44 billion. Giving to public-society benefit organizations, environmental and animal organizations, and human services organizations grew the most, while giving to arts, culture, and humanities and to health organizations declined.

Giving by Source, 2020

Amount (in billions) | Percentage change from 2019

	Individuals	Foundations	Bequests	Corporations
Amount (in billions)	$324.10	$88.55	$41.19	$16.88
Percentage change from 2019	2.2%	17.0%	10.3%	-6.1%

Two Decades of INFLATION

After being largely dormant for the last decade, inflation roared back in 2021 due to various factors related to the pandemic and economic recovery. For perspective, it may be helpful to look at inflation over a longer period of time. During the 20-year period ending September 2021, the Consumer Price Index for All Urban Consumers (CPI-U), often called headline inflation, rose a total of 53.8%. While the prices of some items tracked the broad index, others increased or decreased at much different rates.

Total price change over 20 years

128.1%	113.0%	90.8%	59.9%	56.9%
Education	Gasoline	Medical Care	Housing	Electricity
50.7%	21.0%	-2.7%	-17.9%	-96.6%
Groceries	Used Vehicles	Clothing	Airfares	Televisions

Contact a Trust Department Staff Member at CBI Bank & Trust

As trusts can be complex and influenced by a number of factors, we like to start with a personal appointment where we get to know you and your needs. Contact any of the CBI Bank Trust Department staff members to arrange an appointment today.

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