FALL 2018

Florida | Canandaigua National Trust Company

WEALTH OF KNOWLEDGE

NEWSLETTER COVERING THE WEALTH CONTINUUM

Year-End Tax Planning Strategies

As you try to navigate the busy months until year end, financial planning may not be top of mind. However, now is an ideal time to take advantage of tax savings strategies before ringing in 2019.

If you're working, have you contributed all that you can to your retirement accounts and/or retirement work plans? For 401(k) and 403(b) accounts, the maximum contribution is now $18,500 per person if under age 50, or $24,500 if age of 50 or older. Any contributions (not ROTH contributions) made will lower your taxable income. You may also contribute up to a maximum amount of $5,500 to a traditional or Roth IRA, and if 50 or older, another $1,000 (for a $6,500 max contribution). Your adjusted gross income (AGI) and other factors will determine if such traditional IRA contributions are deductible. The ability to contribute to a Roth IRA is strictly governed by AGI.

Another important tool that can be used for those working and planning for retirement is a Health Savings Account (HSA). If you are covered by a High Deductible Health Plan (HDHP), not on Medicare or covered by another health plan, and not able to be claimed as a dependent on someone else's tax return, you may be able to use this strategy. It is inevitable that we will have medical expenses, especially in retirement, and contributions to an HSA are tax deductible (or excluded from income if an employer is contributing for you). Withdrawals for qualified medical expenses are also tax free. Individuals may contribute up to $3,450, families up to $6,900, and 55+ can make a catch-up contribution of an additional $1,000. Talk to your planner to understand the rules around this under-utilized strategy.

We see many retired individuals who need to take their Required Minimum Distributions (RMDs) before the end of the year. If you have not taken yours yet or have not completed taking the full amount, you may direct your RMD to a qualified charity. Qualified Charitable Distributions (QCDs) are not taxable, and using QCDs partially or fully to satisfy your RMD reduces your Adjusted Gross Income, which can be favorable for reducing Medicare premiums and the taxability of Social Security, among other benefits. From a tax perspective, this is the preferred method for giving – especially when some or all of the RMD is not needed.

Still in the mood for gifting? Gifting of appreciated property/securities is still an option retained under the new TCJA legislation. This is a favored tax-advantaged method of giving regardless of whether or not a deduction is given, as neither the taxpayer nor the charity pays tax on the unrealized capital gain. The higher the unrealized gain, the better! Note: timing of this strategy is important – if approaching end-of-life, there is a step up in basis that should be considered first.

If you have a taxable investment account and have realized capital gains from selling securities at a profit, you may sell positions that are at a loss to avoid being taxed on some or all of those gains. Any losses over and above the amount of your capital gains may be used to offset up to $3,000 of ordinary income ($1,500 for married person filing separately). Selling losing positions for the tax benefit is commonly known as "tax loss harvesting" or "harvesting your losses." So, even though tax considerations shouldn't be the primary driver of your investing decisions, there are steps you can take before the end of the year to minimize any tax impacts.

If you're working in New York State and have younger children, you may want to consider adding to their NYS 529 Plan. These plans allow you to contribute up to $15,000 a year ($30,000 if married filing jointly) without triggering the need to file a gift tax return. Up to $10,000 is deductible annually from NYS taxable income for married couples filing jointly, and up to $5,000 annually for single taxpayers. There is also an expanded use available for these funds that now includes certain qualified expenses for children in K-12 plus the normal higher education expenses.

These are just a few of the basics available to most people, you may want to consider by December 31. Before implementing any strategy, I always recommend working with a CERTIFIED FINANCIAL PLANNER™ professional and your tax advisor to ensure that all aspects of the plan are coordinated to meet your goals. If you have any questions, our well qualified Wealth Advisors would love to speak with you.

Michael Schiller, CFP® is a Vice President, Wealth Advisor with CNB Wealth Management. He may be reached at (585) 419-0670, ext. 41958 or by email at MSchiller@CNBank.com.

The Basics of Special Needs Planning

When you have a child, sibling, spouse or other loved one living with a disability or special need, planning for the future can feel overwhelming. There are many things to consider and often times, people don't know where to start. Even with the best intentions, making the wrong decision can have a profound effect, such as losing important benefits the individual is entitled to and needs. Financial Planning, while important for everyone to engage in, takes on an even more critical role in the life of families living with an individual with a disability or special need.

The goals of special needs planning are to:

- Balance your present and future needs with the present and future needs of your loved one.
- Create and implement plans that meet your loved one's personal care needs, as well as his or her financial and legal needs.
- Communicate those plans to all persons involved with the care of your loved one.
- Review these plans on occasion and revise them as circumstances change.
- Assure family members that your loved one's needs have been adequately addressed.

One of the first steps in getting organized is to create a personal care plan that involves thinking and making decisions about the kind of personal care your loved one needs. Some key considerations might be: who will provide the care your loved one needs or where will your loved one live? It also needs to include medical, daily living, and safety considerations.

To ensure the plan is carried out, it is important to execute specific legal documents. These may include: medical directives, durable powers of attorney, a will, and naming a guardian who will continue to care for your loved one after you are gone. You may also want to have a letter of intent or instruction, in which you can express specific, personal wishes regarding the ongoing care of your loved one. Be aware, however, that such a letter is not legally binding, so be sure to include any legally binding wishes in your will. This can be accomplished by an experienced Special Needs Planning attorney.

Finally, the last step in the process entails creating and implementing a financial plan tailored to help pay for your loved one's current and future needs. For most people, planning ahead financially includes saving for retirement, saving for a child's education, and providing for a spouse or children in the event of a parent's untimely death. But when you have a loved one with special needs, you also have a number of additional factors to consider. Preservation of benefits is one of the most important considerations. Fortunately, federal and state laws permit certain planning techniques that maximize the use of all available resources, both private and governmental, to provide fully for the needs of the disabled. One of the most important planning techniques involves the use of a special needs trust, which is sometimes called a Supplemental Needs Trust.

If you have a loved one who is disabled or has special needs and you are concerned about their future personal needs and security, our team of Special Needs Planning specialists would welcome the opportunity to meet and address any specific questions or concerns you may have.

Maria Caton CFP®, ChSNC®, AAMS® is a Vice President, Wealth Advisor. She may be reached at (585) 419-0670 x50666 or at MCaton@CNBank.com.

New Hires and Promotions

Lou Rossetti
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Trust Officer
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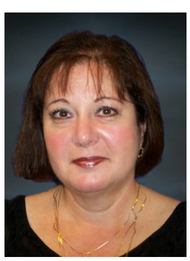
Lou joined CNB Wealth Management in August 2018 as Vice President, Trust Officer, bringing more than 17 years of experience in the financial services industry. For the last 10 years, he has managed fiduciary relationships for beneficiaries and high-net-worth clients.



Rebecca Leusch
Trust Officer
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Rebecca joined CNB Wealth Management in 2012, following several years with a local law firm and a 25 year career with JPMorgan Chase's Trust and Estate department. As Trust Officer, she administers trusts, custody, and investment management accounts, focusing on supplemental needs trusts.

SHAREHOLDER CORNER

Shareholder Relations

We're excited to announce Scott Trumbower, Senior Vice President, Wealth Management, as Shareholder Relations Manager. His 36 years of service with CNB and familiarity with our history, while supporting our progress, makes him ideally suited to serve our generations of shareholders.

Scott may be reached at 585-419-0670 x50611 or at STrumbower@CNBank.com.