WINTER 2024

Florida | Canandaigua National Trust Company

WEALTH OF KNOWLEDGE

NEWSLETTER COVERING THE WEALTH CONTINUUM

New Year, New Resolutions

When it comes to New Year's Resolutions, there seems to be two types of people: those who look forward to making (and sometimes breaking) them, and those who think the whole thing is probably a waste of time. Everyone knows that many popular resolutions are broken by the time Valentine's Day comes around, just look at the gym in January versus February or March!

However, I would argue that financial resolutions should be seriously considered for everyone. Getting started on financial resolutions at any time, New Years or not, can help bring peace of mind to both working and retired people when tackled in a few easy steps.

Step #1 - Know where you stand by calculating your net worth

For many, this may not be a challenge as you may already be a spreadsheet wizard or use an aggregator (i.e., MINT or Personal Capital) to regularly look at your balance sheet. For those who are new to the process, I would start by listing your assets including: home, investment accounts, bank accounts, loans, credit card balances, cash value of life insurance policies, 401k/403b, automobiles, home furnishings, vacation home or rentals. By subtracting debt from your assets, you end up with your total net worth.

The resolutions you should make may become clearer by regularly completing this exercise, as you look closely at your assets and liabilities, patterns may emerge. If you have low interest savings accounts and high interest debt, for example, a pay off strategy could be a top priority. Or, if your savings are not where they need to be, is there a way to save more?

Step #2 - Rebalance your portfolio

Volatility always creates opportunities, as the winners of last year are often the losers of today. Rebalancing your portfolio to your target allocation (such as 60% stocks, 40% bonds) will enable you to buy low and sell high, a proven long-term strategy for success. An annual rebalancing is preferable to a more frequent one, as studies show that rebalancing too often can increase taxes or fees and inhibit performance.

Step #3 - Review your credit report

Identity theft is running rampant, so checking your credit report is more important than ever. You are entitled to three free credit reports per year, in addition, many banks offer credit reporting that is free, and daily. There are also paid services that can help reduce the risk of someone opening accounts in your name or getting ahold of passwords or other personal data.

If your credit score looks good and you can verify all the accounts as yours, then there is not much more to do than continue to monitor the data. If there are issues, however, take steps to improve your credit rating as it would adversely impact your ability to borrow by forcing you to get credit at a higher interest rate, or not be able to get it when you need it.

Step #4 - Review Insurance Coverage

Insurance is a critical part of risk management and yet is an often overlooked area of personal financial planning. At least annually, you should review all your coverage, including your Property and Casualty (homeowners, auto and umbrella), as well as your life insurance coverage.

Step #5 - Set your budget for the year

When setting the budget for the year, a good method is to first establish the minimum required for living expenses. If your spending often exceeds your income, you may need to cut back on some of the more enjoyable things, such as vacation, concerts, sporting events, etc.

Be sure to budget not just for spending, but also for saving to ensure you have a comfortable emergency fund, as well as longer term investments for retirement or legacy needs/wants.

The New Year is an excellent time to take a close look at your overall financial picture and take the necessary steps to rechart your course, if there are improvements to be made. If not, the peace of mind from knowing you are fiscally sound can put you in a positive frame of mind as you enter another year. As always, our team is ready to help you with any of your financial needs, so give us a call, we would love to help.

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Key Numbers for 2024

In order to ensure your financial plan meets your goals, it's important to keep up to date with the latest federal numbers. For example, there are inflation adjustments, expiring tax breaks and changes to rules coming up in 2024 that could impact how much you can save, gift, deduct, etc. Taxpayers will need to be mindful, too, that numerous provisions from the Tax Cuts and Jobs Act are sunsetting at the end of 2025.

The big news for 2024 is the tax brackets and tax rates, which are shifting higher by 5.4%. This could provide the ability for Americans to increase their take-home pay and shield more of their income from the IRS.

2024 Standard Deduction

In 2024, the standard deduction will rise to $29,200 (up from $27,700 in 2023) for married filing jointly and for single payers it is $14,600 (up from $13,850 in 2023). Heads of households will see their standard deduction jump to $21,900 (up from $20,800).

Estate Tax

The estate, gift, and generation-skipping transfer (GST) exclusion for 2024 is $13,610,000 (up from $12,920,000 in 2023). These higher lifetime exemption amounts are due to "sunset" at the end of 2025, so you have less than two years to prepare.

Gift Tax

The annual gift exclusion is $18,000 for 2024. This is the amount you can give to another without reporting it on a gift tax return. Payments made directly for tuition and medical expenses are unlimited.

Employer Retirement Plan contribution limits

- 401(k), 403(b), 457(b), Roth 401(k): $23,000 contribution limit plus catch up of $7,500 if 50 or older.
- Simple plans: $16,000 contribution limit plus catch up of $3,500 if 50 or older

Individual Retirement Account contribution limits

- Traditional nondeductible: $7,000 contribution limit plus catch up of $1,000 if 50 or older.
- Traditional deductible (if covered by a plan): Same but there are income limits.
- Roth: $7,000 contribution limit plus catch up of $1,000 if 50 or older.

Income limits for making deductible IRA contributions

- Married filing jointly: $123,000-$143,000
- Single or head of household: $77,000-$87,000
- Married filing separately: $0-$10,000 and $230,000-$240,000 if one spouse is covered by a plan.

Income limits for making Roth IRA contributions

- Married filing jointly: $230,000-$240,000
- Single or head of household: $146,000-$161,000
- Married filing separately: $0-$10,000
- Roth conversion: No income limit

Tax-free IRA distributions to charity - Qualified Charitable Distributions (QCDs)

Taxpayers age 70½ or older can make tax-free distributions up to $105,000 from an IRA directly to charities in 2024 (up from $100,000). The distributions will decrease taxable income if included as a part of a Required Minimum Distribution (RMD) and, with limited exceptions, should be used by all those over 70 ½ who plan to make charitable contributions.

Health Savings Account contribution limits (for those enrolled in a high-deductible plan)

- Individuals: $4,150 plus $1,000 catch up for 55 and older.
- Families: $8,300 plus $1,000 catch up for 55 and older.

This is just a sample of the key numbers for 2024, there are many more not listed here. To make sure you are taking advantage of all the tools to assist in achieving your goals, schedule a meeting with one of our knowledgeable team members. We are always here to help and wish you all the best in 2024!

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CNC Shareholder Corner

Canandaigua National Corporation

Be on the lookout for our invitation to the 2024 Annual Shareholder Meeting scheduled for April 17, 2024.

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