WINTER 2021

Florida | Canandaigua National Trust Company

WEALTH OF KNOWLEDGE

NEWSLETTER COVERING THE WEALTH CONTINUUM

A Few Key Updates About Required Minimum Distributions

As we approach the end of 2021, now might be a good time to take a closer look at a few developments surrounding required minimum distributions (RMDs) and take note of what has remained in place.

What Are RMDs?

Once you reach age 72, you are required to take minimum distributions from your traditional IRAs and most employer-sponsored retirement plans. (RMDs are not required from an employer plan if you are still working at the company sponsoring the plan and you do not own more than 5% of the company.) You can always take more than the required amount if you choose.

The portion of an RMD representing earnings and tax-deductible contributions is taxed as ordinary income, unless the RMD is a qualified distribution from a Roth account. Failing to take the full amount of an RMD could result in a penalty tax of 50% of the difference.

Generally, RMDs must be taken by December 31 each year. You can delay your first RMD until April 1 following the year in which you reach RMD age; however, you will then need to take two RMDs in one year — the first by April 1 and the second by December 31. (If you reached age 72 in the first half of 2021, different rules apply; see below.)

You may want to weigh the decision to delay your first RMD carefully. Taking two distributions in one year might bump you into a higher income tax bracket for that year.

New RMD Age and a 2020 Waiver Add Complexity

The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 raised the minimum RMD age to 72 from 70½ beginning in 2020. That means if you reached age 70½ before 2020, you are currently required to take minimum distributions.

However, there was a pandemic-related rule change in 2020 that might have affected some retirement savers who reached age 70½ in 2019. To help individuals manage financial challenges brought on by the pandemic, RMDs were waived in 2020, including any postponed from 2019. In other words, some taxpayers could have benefitted from waiving both their 2019 and 2020 RMDs.

Anyone who took advantage of the 2020 waiver should note that RMDs have resumed in 2021 and need to be taken by December 31. The option to delay to April 1, 2022, applies only to first RMDs for those who have reached or will reach age 72 on or after July 1, 2021.

New Life Expectancy Tables

The IRS publishes tables in Publication 590-B that are used to help calculate RMDs. To determine the amount of a required distribution, you would divide your account balance as of December 31 of the previous year by the appropriate age-related factor in one of three available tables.

Recognizing that life expectancies have increased, the IRS has issued new tables designed to help investors stretch their retirement savings over a longer period of time. These new tables will take effect for RMDs beginning in 2022. Investors may be pleased to learn that calculations will typically result in lower annual RMD amounts and potentially lower income tax obligations as a result. The old tables still apply to 2021 distributions, even if they're postponed until 2022.

Qualified Charitable Distributions (QCDs) Remain in Place

Investors age 70 ½ and older can use distributions from their traditional IRAs (not employer sponsored plans) to make donations directly to qualified charities, even though the new RMD age was increased to 72 as described above. Such distributions are not taxable. If you are in RMD territory, you can reduce your adjusted gross income (and taxable income) dollar-for-dollar by the total of QCDs in any one year. This is particularly advantageous if you do not itemize deductions.

For more information on RMDs, such as ways to ensure you're taking the correct required amount, especially if you have multiple traditional IRAs at different financial institutions and QCDs, we encourage you to reach out to your Advisor.

Donna Cator, CFP®, CDFA® is a Vice President, Wealth Advisor. She may be reached at (585) 419-0670, ext. 50623 or at DCator@CNBank.com.

End of Year Financial Checklist for the Next Generation of Investors

Whether you are early in your career or have started a family, as a member of the next generation of investors you face your own set of unique needs. Below are key tips to ensure you are off to a financially healthy 2022!

Spending Budgets: Review your 2021 spending and create your 2022 spending budget. The past two years have been full of change for many working in different ways or facing unemployment challenges. Now is an ideal time to re-evaluate needs and create a realistic, maintainable budget.

Insurance: Review your current insurance portfolio to make sure it meets your coverage needs. This applies to health, life, disability, and property and casualty insurance. If you have had a major life event occur this year, such as marriage, a new baby, change in job, or home purchase, this takes on even greater importance.

Healthcare: Many early-career workers have high-deductible health insurance plans combined with some type of tax-advantaged health savings account, such as a flexible spending account (FSA). Check your balance and see how much you have left to spend because these balances are "use it or lose it." Many employers offer a grace period, and some allow you to roll over a portion, if not all of the balance into the new year. If not, you will need to exhaust the funds by December 31 to avoid any forfeiture.

Retirement Savings: The maximum contribution limit for 401(k)s increases by $1,000 in 2022 to $20,500. If you have a plan through your employer, aim to increase your contributions, if possible. Many do not take advantage of increasing contributions when they receive a salary increase or bonus. These are easy ways to help boost retirement savings, and more importantly, benefit from the gift of time.

Credit: Many young investors are still building or establishing credit. Getting a credit card is an important step if you are able to manage spending and confident in using one responsibly. It is vital to pay bills on time, limit the use of credit, and pay off debts. Additionally, you should be sure to check your credit score. Federal law gives you the right to access a free copy of your credit report every 12 months.

These are just a few important steps you can take to ensure you are on track for financial success. Recognizing everyone's situation is different, we welcome you to speak with our team. We can help tailor your strategies to your personal financial goals.

Maria Caton, CFP®, ChSNC®, AAMS® is a Senior Vice President, Manager of Financial Planning Services - Team Leader. She may be reached at (585) 419-0670, ext. 50666 or at MCaton@CNBank.com.

Each year, the holidays provide us with an opportunity to reflect with gratitude on the year gone by and embrace the giving spirit of the season.

At Canandaigua National Trust Company, we are committed to giving back to you and the communities we serve. This is a concept that is embedded in our core values and demonstrated through our history of charitable giving – and this year was no different. Throughout 2021, we provided contributions to numerous local organizations serving those most in need in our communities. We are thankful to provide this support as your community partner.

Thank you for choosing us to serve your financial needs. We hope that we have continued to surpass your expectations and provide you with the exceptional experience you have come to know and expect from us.

Warm wishes for a wonderful holiday season and a happy, healthy New Year from all of us at Canandaigua National Trust Company.

1180 WHAM Ask the Experts

2022 Shows Saturdays at 8:00pm

January 29 • March 26 • May 21 • July 30
September 24 • November 26

Our professionals are featured on radio talk show, "Ask the Experts", to discuss a variety of financial topics. The show is broadcast on WHAM 1180 in the Western NY region, Saturdays at 8:00 pm. Those who reside outside of the region can listen online at wham1180.com.

CNC Shareholder Corner

Canandaigua National Corporation

For the latest CNC Stock Sale information, including Stock Sale date, number of shares available, and minimum bid information, visit:

CNBank.com/ShareholderRelations