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FIRST SECURITY TRUST NEWS

A newsletter from the Trust Department of First Security Bank & Trust

Choosing A Retirement Solution For Your Small Business

Experts estimate that Americans will need 70 to 90 percent of their preretirement income to maintain their current standard of living when they stop working. So now is the time to look into retirement plan programs. As an employer, you have an important role in helping America's workers save.

By starting a retirement savings plan, you will help your employees save for the future. Retirement plans may also help you attract and retain qualified employees, and they offer tax savings to your business. You will help secure your own retirement as well. You can establish a plan even if you are self-employed.

Small businesses may choose to offer IRAs, defined contribution plans, or defined benefit plans.

Following are the advantages of the most popular types of IRA-based, defined contribution plans, and defined benefit plans.

Plan	Advantages
Payroll Deduction IRA	Easy to set up and maintain
SEP	Easy to set up and maintain
SIMPLE IRA Plan	Salary reduction plan with little administrative paperwork
Profit Sharing	Permits employer to make large contributions for employees
Traditional 401(k)	Permits high level of salary deferrals by employees
Defined Benefit Plans	Provides a fixed, pre-established benefit for employees

A retirement plan has significant tax advantages:

- Employer contributions are deductible from the employer's income
- Employee contributions (other than Roth contributions) are not taxed until distributed to the employee
- Money in the plan grows tax-free

Our Wealth Management team offers a no-obligation analysis of small business retirement solutions. To schedule your analysis, contact Dave Jarvill at **641-257-1212**.

Guidance Details New Employer Credit for Paid Family and Medical Leave

The Tax Cuts & Jobs Act created a new business credit for employers that provide paid family and medical leave to their employees. This credit is established by new IRC § 45S. On September 24, 2018, IRS issued Notice 2018-71, which provides general guidance and a set of Q&As detailing the requirements of this new credit.

To be eligible for the credit, the employer must have a written policy that satisfies the following requirements: (1) The policy must cover all qualifying employees, which includes those who have been employed for a year or more and were paid not more than a specified amount (i.e. $72,000 in 2017); (2) the policy must provide at least two weeks of annual paid family and medical leave for each full-time qualifying employee and a proportionate amount of leave for each part-time qualifying employee; and (3) the policy must provide for a payment of at least 50 percent of the qualifying employee's wages while the employee is on leave.

To read the complete article, visit the Center for Agricultural Law and Taxation at Iowa State University: *https://www.calt.iastate.edu/newsletter/2018-september*

Asset Allocation

Asset allocation involves dividing your investments among different assets, such as stocks, bonds, and cash. The asset allocation decision is a personal one. The allocation that works best for you changes at different times in your life, depending on how long you have to invest and your ability to tolerate risk.

Factors to consider include your:

- **Time Horizon.** Your time horizon is the number of months, years, or decades you need to invest to achieve your financial goal. Investors with a longer time horizon may feel comfortable taking on riskier or more volatile investments. Those with a shorter time horizon may prefer to take on less risk.
- **Risk Tolerance.** Risk tolerance is your ability and willingness to lose some or all of your original investment in exchange for potentially greater returns.

What is diversification?

The practice of spreading money among different investments to reduce risk is known as diversification. Diversification is a strategy that can be neatly summed up as "Don't put all your eggs in one basket."

One way to diversify is to allocate your investments among different kinds of assets. Historically, stocks, bonds, and cash have not moved up and down at the same time. Factors that may cause one asset class to perform poorly may improve returns for another asset class. People invest in various asset classes in the hope that if one is losing money, the others make up for those losses.

You'll also be better diversified if you spread your investments within each asset class. That means holding a number of different stocks or bonds, and investing in different industry sectors, such as consumer goods, health care, and technology. That way, if one sector is doing poorly, you may offset it with other holdings in sectors that are doing well.

Some investors find it easier to diversify by owning mutual funds. A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, and other financial products. Mutual funds make it easy for investors to own a small portion of many investments. A total stock market index fund, for example, owns stock in thousands of companies, providing a lot of diversification for one investment.

A mutual fund won't necessarily provide diversification, especially if it focuses on only one industry sector. If you invest in narrowly focused mutual funds, you may need to invest in several to be diversified. As you add more

investments to your portfolio, you'll likely pay additional fees and expenses, which will lower your investment returns. So you'll need to consider these costs when deciding the best way to diversify your portfolio.

What is rebalancing?

Rebalancing is what investors do to bring their portfolio back to its original asset allocation mix. Rebalancing is needed because over time, some investments will grow faster than others. This may push your holdings out of alignment with your investment goals. By rebalancing, you will ensure that your portfolio does not overweight a particular asset category, and you'll return your portfolio to a comfortable level of risk.

For example, you might start with 60% of your portfolio invested in stocks, but see that rise to 80% due to market gains. To reestablish your original asset allocation mix, you'll either need to sell some of your stocks or invest in other asset categories.

There are three ways you can rebalance your portfolio:

1. You can sell investments where your holdings are over weighted and use the proceeds to buy investments for underweighted asset categories.
2. You can buy new investments for underweighted asset categories.
3. If you are continuing to add to your investments, you can alter your contributions so that more goes to underweighted asset categories until your portfolio is back into balance.

Before you rebalance your portfolio, you should consider whether the method of rebalancing you decide to use would entail transaction fees or tax consequences. Your financial professional or tax adviser can help you identify ways that you can minimize these potential costs.

Some financial experts advise rebalancing at regular intervals, such as every six or 12 months. Others recommend rebalancing when your holdings of an asset class increase or decrease more than a certain pre-set percentage. In either case, rebalancing tends to work best when done on a relatively infrequent basis.

https://www.investor.gov/research-before-you-invest/research/asset-allocation. Accessed January 16, 2019.

What Is A Guardianship and Conservatorship?

In Iowa we have guardianships and conservatorships, which are separate and distinct roles with separate and distinct responsibilities:

1. A guardian is appointed by the court to make decisions about the person's physical needs for things such as medical treatment, where the person lives, arrangements for services for personal care, meals, training and education.

2. A conservator is appointed by the court to handle a person's financial affairs, which includes a person's estate or assets such as stocks, bonds, bank accounts, cash and real estate. A conservator controls all of the person's income and property and takes care of paying bills and other financial related matters.

Both roles are subject to court jurisdiction and are responsible for reporting to the court for their activities on behalf of a person subject to guardianship or conservatorship.

In order to avoid a formal guardianship supervised by the Iowa Court, a person needs to be aware of his/her options, which requires planning. This would include, but not be limited to, the following documents that can be executed in Iowa:

- Durable Power of Attorney for Heath Care
- Living Will
- Advance Directives
- Do Not Resuscitate Order

In order to avoid the necessity of a formal conservatorship supervised by the Iowa Court, there are options. These would include, but are not limited to:

- Joint Ownership of assets
- Durable Power of Attorney
- Trusts

We encourage everyone to seek professional advice in planning what will happen personally and financially if you die or are seriously disabled and unable to make decisions.

Our Trust Department can act as a conservator and offers these related services: personal financial management, bill paying, money collection (health insurance, Medicare, Social Security), financial planning and investment management, and property ownership and taxes.

For additional guidance on guardianships and conservatorships, contact Bill Frye, Julie Versluis or Heather Meyer.

Elder Fraud

Older people with diminishing mental or physical capacity can be easy targets for financial abuse. This may occur when someone exploits a position of influence or trust over an elderly person to gain access to that person's assets.

Here are red flags of elder financial abuse:

1. Sudden reluctance to discuss financial matters
2. Unusual or unexplained account withdrawals, wire transfers, or other financial changes
3. Cash or other items missing from the home
4. Drastic shifts in investments
5. Abrupt changes in wills, trusts, power of attorney, or beneficiaries
6. Concern or confusion about missing funds.

If you are a concerned friend or family member, ask to look at the person's account statements to check for any unauthorized transactions. Call and visit as often as you can. Isolation can increase the vulnerability of the elderly to financial abuse.

As a senior, you can protect yourself by making sure your financial and legal affairs are in order. If they aren't, consider contacting the Trust Department of First Security Bank & Trust. You also may want to enlist the help of a trusted friend or relative.

FIRST SECURITY

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Complimentary Retirement Analysis

Our Wealth Management team offers a no-obligation analysis of your retirement savings, including tax planning, budgeting and asset allocation. This review will include a Social Security analysis and a guide as to which sources of retirement income to use first.

To schedule your analysis, contact Dave Jarvill at 641-257-1212.

Meet Our Wealth Management Team

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