

Financial Issues

WINTER 2021

CEFCU® Investment Services and Wealth Management

The Buzz on ETFs

ETFs are getting a lot of buzz. The Exchange Traded Fund (ETF) strategy combines the best of two popular assets: the ease of stock trading with the diversification benefits of mutual funds.

Yet unlike mutual funds, your CEFCU Wealth Management team can buy and sell ETFs at market prices on major exchanges throughout the day, just like individual stocks, which offers clients lower investment management costs and tax efficiencies to buy stocks and bonds.

Experts say ETFs are gaining in popularity, with more than \$4 trillion in assets held in ETFs in the U.S.

Members Trust Company was one of the first trust companies in the United States to adopt the ETF strategy. Kevin Barbier, Trust and Investment Officer, is part of the Members Trust Company and the CEFCU Wealth Management team who can help add the ETF Portfolio Advantage to your investment strategy.

The key takeaways of ETFs and why it should be considered:

An Exchange Traded Fund is a pool of stocks or bonds that tracks the performance of a target index or market segment, similar to an index mutual fund. Unlike a mutual fund, your CEFCU Wealth Management team can buy and sell ETFs at market prices on major exchanges throughout the day, just like individual stocks.

Some other advantages of ETFs include:

Low cost: Professional investment management costs to maintain ETFs are generally much lower than the costs of mutual funds.

Diversified: Using ETFs can diversify an investment portfolio over a wide spectrum of market sectors and industries much more cost efficiently than buying individual stocks.

Tax efficient: Since ETFs are index funds, they experience fewer sales due to redemptions and rebalancing than actively managed mutual funds. Fewer sales mean fewer capital gains.

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How do I know ETFs are right for me?

Together, with the Wealth Management team, you'll:



Discuss your investment objectives and goals.



Structure a well-diversified portfolio that ranges from income to growth focus — you have seven models to choose from.



Monitor and track your ETF portfolio against a Performance Benchmark and Asset Allocation targets.



Continually rebalance your investments to keep your portfolio diversified and in line with your risk tolerance.



Meet quarterly or upon notice of a change in your circumstances to ensure your investments are compatible with your needs.



Kevin Barbier
Trust & Investment
Management Officer
CFP® Professional

CEFCU® Wealth Management

How to begin investing with ETFs:

Schedule an appointment with Kevin Barbier, CERTIFIED FINANCIAL PLANNER™ professional, and a member of your CEFCU Wealth Management team to add the ETF Portfolio Advantage to your investment strategy. Just call 309.633.3836 or 1.800.356.7865, ext. 33836, or go to cefcu.com/wealth.

Advisor Spotlight: Meet Our Newest Team Member



Welcome Hank Skaggs as an Advisor to the CEFCU Investment Services team! Hank is licensed to sell securities and holds State of Illinois Life and Health Insurance licenses and is a Registered Representative of CUNA Brokerage Services, Inc. member FINRA/SIPC.

Helping families reach their financial goals is his priority. He can provide:

- ◆ Financial Planning ◆
- ◆ Portfolio Management ◆
- ◆ Retirement Income Planning ◆
- ◆ Insurance Planning ◆
- ◆ Education Funding ◆

Meet the whole Investment Services team at cefcu.com/advisor.

CEFCU®
Investment Services

Annual Financial To-Do List

Things you can do for your future as the year unfolds.

What financial, business, or life priorities do you need to address for the coming year? Now is an excellent time to think about the investing, saving, or budgeting methods you could employ toward specific objectives. Here are a few ideas to consider:

Can you contribute more to your retirement plans this year? In 2022, the contribution limit for a Roth or Traditional Individual Retirement Account (IRA) is expected to remain at \$6,000, or \$7,000 for those making “catch-up” contributions. Your modified adjusted gross income (MAGI) may affect how much you can put into a Roth IRA. With a Traditional IRA, you can contribute if you, or your spouse if filing jointly, have taxable compensation. Income limits are just one factor in determining whether the contribution is tax-deductible.¹

Once you reach age 72, you must begin taking required minimum distributions from a Traditional Individual Retirement Account, in most circumstances. Withdrawals from Traditional IRAs are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.

Make a charitable gift. You can claim the gift as a deduction on your tax return, provided you follow the Internal Revenue Service guidelines and itemize your deductions with Schedule A. Incidentally, the IRS does not consider a pledge a donation. If you pledge \$2,000 to a charity this year but only end up gifting \$500, you can only deduct \$500.²

See if you can take a home office deduction for your small business. You may be able to write off expenses linked to the portion of your home used to conduct your business. Consider working with a professional who is familiar with the tax rules as they relate to home-based businesses.³

Open an HSA. A Health Savings Account (HSA) works a bit like your workplace retirement account. You are limited to a \$3,650 contribution for 2022 if you are single; \$7,300 if you have a spouse or family. Those limits jump by a \$1,000 “catch-up” limit for each person in the household over age 55.⁴

Review your withholding status. Should it be adjusted due to any of the following factors?

- ◆ You tend to pay the federal or state government at the end of each year.
- ◆ You tend to get a federal tax refund each year.
- ◆ You recently married or divorced.
- ◆ You have a new job, and your earnings have been adjusted.

Did you get married in 2021? If so, it may be an excellent time to review the beneficiaries of your retirement accounts and other assets. The same goes for your insurance coverage.

Discuss these ideas and more with your investment team — CEFCU Investment Services. Advisors are available in person, by phone, and video conferencing. Schedule your appointment today at cefcu.com/advisor to review your financial to-do list.

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Citations.

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- ◆ Personal lines of credit
- ◆ Jumbo or specialized mortgages
- ◆ Construction financing
- ◆ And, much more!

Brad Schupp, CEFCU's Private Member Group manager, has over 25 years of experience serving members with diverse financial needs. Contact Brad at 309.633.7489 or 1.800.356.7865, ext. 37489 or at bschupp@cefcu.com.



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