Financial Issues

SPRING 2022 CEFCU® Investment Services and Wealth Management

Investment Services • Retirement Planning • Trust and Investment Management

What Should You Do with Your Tax Refund?

Will you be getting a tax refund this year? If so, there are many ways to spend or invest that extra cash. If you are getting a windfall from the IRS, the Investment Services team at CEFCU has some tips on how to make your money grow for you:

- **Create an emergency fund.** Consider setting aside funds for a rainy day. The rule of thumb is to put away three to six months' worth of expenses. Starting, or adding, to an emergency fund can help you breathe easier in case a financial emergency arises.
- **Pay off or pay down debt.** The longer you hold debt, the more interest you pay.
- **Put it in a retirement account.** If eligible for a contribution, you could use the funds to save for your retirement. CEFCU's Investment Services professionals are here to discuss options and plan for your future.
- **Save for a college fund.** Setting up a 529 plan can help your children and grandchildren afford a higher education during a time of rising college costs.
- **Make home improvements.** For example, you can replace old windows to save on energy bills or renovate a kitchen or bath.
- **Invest in the stock market.** Talk with a CEFCU Investment Services Representative to help you navigate the intricacies of the stock market and to choose the best portfolio for your needs and goals.
- **Invest in yourself.** Have you been considering furthering your education or advanced training in your career? Your refund could be used to achieve those goals!
- **Buy life insurance.** Particularly for those who are married with families, life insurance can provide protection and peace of mind for loved ones at a relatively low cost.

Make your tax refund work for you.

You can meet with an Investment Services Representative by phone, online, or in person at most Member Centers. To schedule a no-obligation appointment, call 1.800.356.7865, ext. 32571 or go to **cefcu.com/invest**.

The Skinny on Spendthrift Trusts

If you have come into an inheritance, it helps to take your time in deciding what to do with it. Placing the money in a "Spendthrift Trust" is just one option to secure inherited wealth.

A Spendthrift Trust is a trust designed so that the beneficiary is unable to sell or give away their equitable interest in the trust property. The trustee is in control of managing the property. Thus, the beneficiary of the trust is not in control of the property and their creditors cannot reach those assets.

Who Needs a Spendthrift Trust?

You may want to consider setting up a Spendthrift Trust if you have a loved one who struggles with excessive spending, drug addiction, gambling, a controlling partner, or an otherwise financially-risky lifestyle.[1]

Why Set Up a Spendthrift Trust?

A Spendthrift Trust will help you show the kindness and compassion you have for all family members, with added control for peace of mind. On one hand, you want to leave an inheritance to someone who is financially inexperienced or irresponsible. On the other hand, you're nervous about leaving a lump sum of money to this person. You may worry that your loved one will use the money to fuel an addiction, hand it over to creditors, or give it to a manipulative partner.

How Does a Spendthrift Trust Work?

Instead of giving a check to your loved one upon your passing, you put the inheritance in a trust. You pick a person with financial expertise to name as trustee of the trust. The trustee is responsible for managing trust funds and making sure the money is used in the best interest of the beneficiary.

The beneficiary does not have full ownership of trust assets. As a result, your beneficiary cannot sell trust assets or give them away. The beneficiary can't use trust funds to go on a spending spree or sink cash into a bad investment. Rather than have direct access to funds, the beneficiary usually receives payments from the trust on a regular basis. The beneficiary may also receive trust payouts "as needed," as decided by the trustee. The trustee uses the wishes you set forth in your trust document as a guide.

It helps to research your options when coming into inherited wealth and to speak to a financial professional. The CEFCU® Wealth Management team can help you navigate through all your financial options, including trusts. Contact Kevin Barbier, Trust and Investment Officer and CERTIFIED FINANCIAL PLANNER professional, part of the Members Trust Company and the CEFCU Wealth Management team. Kevin can be reached at 309.633.3836 or 1.800.356.7865, ext. 33836, or go to **cefcu.com/wealth**.

Kevin Barbier
Trust & Investment Management Officer
CFP® Professional

CEFCU® Wealth Management

Citations.

1 memberstrust.com/protect-your-financial-legacy-with-a-spendthrift-trust/ [1/22]

IRA Deadlines are Approaching

Financially, many of us associate the spring with taxes — but we should also associate it with important IRA deadlines. This year, like 2021, will see a few changes and distinctions.

Contributions

April 15, 2022, is the deadline for making 2021 annual contributions to a traditional IRA, Roth IRA, and certain other retirement accounts. This extension from the traditional Dec. 31st deadline follows an extension of the traditional tax deadlines.[1]

You can make a yearly IRA contribution between January 1 of the current year and April 15 of the next year. Accordingly, you can make your IRA contribution for 2022 any time from January 1, 2022 to April 15, 2023.[1]

A person can open or contribute to a Traditional IRA past age 70½, as long as they have taxable income.

If you are making a 2022 IRA contribution in early 2023, you must tell the investment company or financial institution hosting the IRA account for which year you are contributing. If you fail to indicate the tax year that the contribution applies to, the custodian firm may make a default assumption that the contribution is for the current year (and note exactly that to the IRS).

Distributions

December 31, 2022, is the deadline to take your Required Minimum Distribution (RMD) from certain individual retirement accounts.

Citations

1. irs.gov, November 5, 2021

CEFCU® Investment Services

INDIVIDUAL RETIREMENT ACCOUNTS (IRAS)		
	2021 Tax Year	**2022 Tax Year**
Contribution Limit (Annual)	**$6,000**	**$6,000**
Additional "Catch-Up" Contribution (individuals age 50 and older)	**$1,000**	**$1,000**
Income Phase-Out Range: (Single taxpayers and heads of household)	Traditional: $66,000 to $76,000 Roth: $125,000 to $140,000	Traditional: $68,000 to $78,000 Roth: $129,000 to $144,000
Income Phase-Out Range: (Joint Filers)	Traditional: $105,000 to $125,000 Roth: $198,000 to $208,000	Traditional: $109,000 to $129,000 Roth: $204,000 to $214,000
WORKPLACE RETIREMENT ACCOUNTS (I.E. 401(K) AND 403(B))		
	2021 Tax Year	**2022 Tax Year**
Contribution Limit (Annual)	**$19,500**	**$20,500**
Additional "Catch-Up" Contribution (individuals age 50 and older)	**$6,500**	**$6,500**
Go to **irs.gov/retirement-plans** for more information.		

If these increases apply to your retirement strategy, a financial professional may be able to help make some adjustments to your contributions. Contact a Representative of CEFCU Investment Services at 309.633.2571 or 1.800.356.7865, ext. 32571 or go to **cefcu.com/invest**.

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- 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**.

Contact Us Today!

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For even more information, go to **cefcu.com/investments**.

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