

City WEALTH MANAGEMENT

A Division of City National Bank



City National Bank, Trust and Wealth Management
 3601 Maccorkle Ave SE • Charleston • WV • 25304
 304-347-2453
 james.hudnall@bankatcity.com • www.bankatcity.com



Please reach out to your local branch office for more information :

Staunton Office : 38 N. Central Ave., Staunton VA. / P: 540-213-3872 / Email: safiya.jarvis@bankatcity.com

Huntington Office : 1900 3rd Ave., Huntington WV. / P: 304-526-6219 / Email: david.lunsford@bankatcity.com

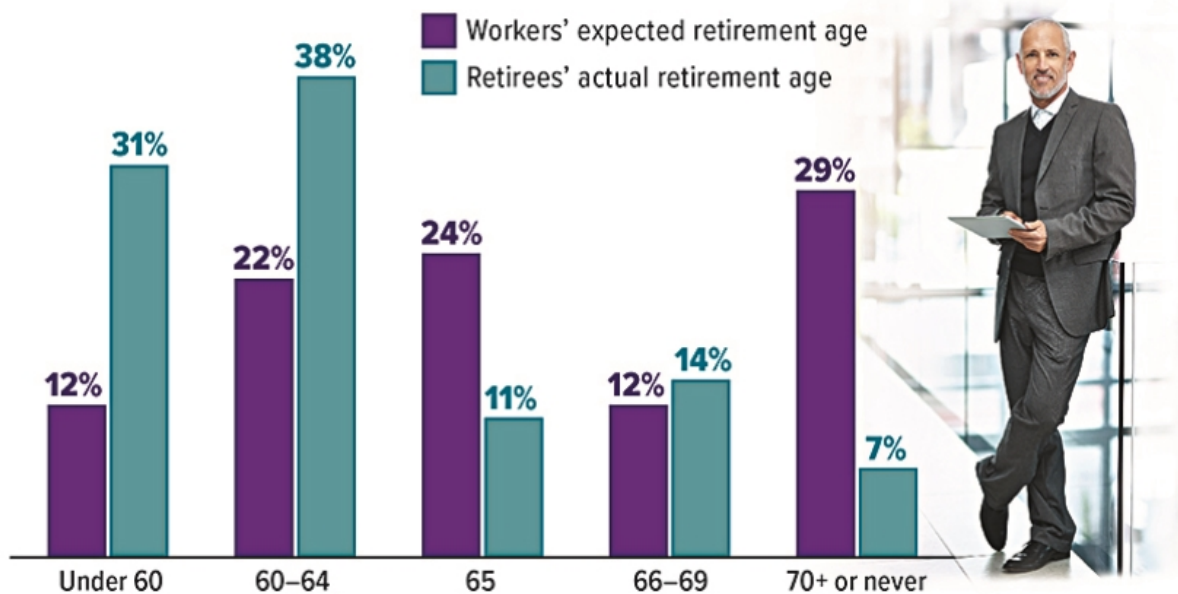
Beckley Office : 1 Park Ave., Beckley WV. / P: 304-255-7291 / Email: john.chandler@bankatcity.com

Martinsburg Office : 1700 W. King St., Martinsburg WV. / P: 304-264-4541 / Email: keith.unger@bankatcity.com

Lewisburg Office : 809 Jefferson St., Lewisburg, WV. / P: 304-647-1616 / Email: shelly.hussell@bankatcity.com

Retirement Age Expectations vs. Reality

Workers typically plan to retire much later than the actual age reported by retirees. In the 2022 Retirement Confidence Survey, 65% of workers said they expect to retire at age 65 or older (or never retire), whereas 69% of retirees left the workforce before reaching age 65. When choosing a retirement age, it might be wise to consider a contingency plan.



Source: Employee Benefit Research Institute, 2022

Q1, 2023 Market Overview

The Markets (as of market close March 31, 2023)

Wall Street proved resilient during the first quarter of the year, despite rising inflation, uncertainty about the Federal Reserve's actions, interest-rate hikes, and banking concerns.

Inflationary data in January seemed to show inflation may have peaked, and the Fed would scale back its interest-rate hikes, if not cut them. However, subsequent inflation data showed prices ramped up again. Stocks and bond prices dipped as investors responded to concerns that interest rates would continue to rise and for a longer period of time. In addition to the impact of rising inflation, two major banks collapsed in March, sending bank stocks lower.

The quarter kicked off with stocks enjoying their best January performance since 2019, as inflation data suggested that inflation may have peaked, raising hopes that the Federal Reserve would scale back interest-rate hikes and temper fears of an economic recession. Nevertheless, Federal Reserve Chair Jerome Powell cautioned that the battle against rising inflation was far from over and additional rate hikes were upcoming.

For Q1, the Nasdaq and the S&P 500 led equity index gainers. Several sectors outperformed, including information technology, communication services, and utilities, while financials fell notably on the heels of the aforementioned bank failures. Labor remained strong, with 311,000 new jobs added. The economy advanced at an annualized rate of 2.6% in the fourth quarter, short of the 3.2% increase in the third quarter. During the first quarter, crude oil prices and the dollar declined (6.02% and .86%, respectively), while gold prices climbed higher (8.64%).

Latest Economic Reports

Interest Rates : The Federal Open Market Committee met March 21-22, at which time the Committee increased the Federal Funds target rate range by 25 basis points to 4.75%-5.00%. The statement from the FOMC indicated that it is "strongly committed to returning inflation to its 2.0% objective."

GDP/budget : Despite rising interest rates and accelerating inflation, the U.S. economy advanced in the fourth quarter of 2022. The economy, as measured by gross domestic product, accelerated at an annual rate of 2.6% in the fourth quarter of 2022, according to the third and final estimate from the Bureau of Economic Analysis. GDP increased 3.2% in the third quarter after falling in the first and second quarters (1.6% and 0.6%, respectively). Overall, GDP increased 2.1% in 2022, compared with an increase of 5.9% in 2021.

Inflation/consumer spending : According to the latest Personal Income and Outlays report, the Personal Consumption Expenditures Price Index increased 0.3% in February and 5.0% since February 2022. Also since February 2022, consumer prices for food increased 9.7% and energy prices rose 5.1%.

Employment : Job growth remained strong in February with the addition of 311,000 new jobs, compared with an average monthly gain of 343,000 over the prior six months. In February, notable job gains occurred in retail trade, government, leisure and hospitality, and health care. Employment declined in information and in transportation and warehousing. The unemployment rate edged up 0.2 percentage points to 3.6%.

Housing : Sales of existing homes increased for the first time in thirteen months after vaulting 14.5% in February. Despite the increase, existing-home sales dropped 22.6% from February 2022. According to the report from the National Association of Realtors®, home buyers took advantage of any interest rate declines, while some areas of the country saw gains where home prices declined. The median existing-home price was \$363,000 in February.

Eye on the Quarter Ahead

The second quarter could see the end of the Federal Reserve tightening cycle. The labor sector should remain solid, although job gains may wane. Industrial production may actually show some gains (after falling in recent months), while the services sector is more likely to remain strong.

Key Retirement and Tax Numbers for 2023

Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans and various tax deduction, exclusion, exemption, and threshold amounts. Here are a few of the key adjustments for 2023.

Estate, Gift, and Generation-Skipping Transfer Tax

- The annual gift tax exclusion (and annual generation-skipping transfer tax exclusion) for 2023 is \$17,000, up from \$16,000 in 2022.
- The gift and estate tax basic exclusion amount (and generation-skipping transfer tax exemption) for 2023 is \$12,920,000, up from \$12,060,000 in 2022.

Standard Deduction

A taxpayer can generally choose to itemize certain deductions or claim a standard deduction on the federal income tax return. In 2023, the standard deduction is:

- \$13,850 (up from \$12,950 in 2022) for single filers or married individuals filing separate returns
- \$27,700 (up from \$25,900 in 2022) for married joint filers
- \$20,800 (up from \$19,400 in 2022) for heads of household

The additional standard deduction amount for the blind and those age 65 or older in 2023 is:

- \$1,850 (up from \$1,750 in 2022) for single filers and heads of household
- \$1,500 (up from \$1,400 in 2022) for all other filing statuses

Special rules apply for those who can be claimed as a dependent by another taxpayer.

IRAs

The combined annual limit on contributions to traditional and Roth IRAs is \$6,500 in 2023 (up from \$6,000 in 2022), with individuals age 50 or older able to contribute an additional \$1,000. The limit on contributions to a Roth IRA phases out for certain modified adjusted gross income (MAGI) ranges (see *chart*). For individuals who are active participants in an employer-sponsored retirement plan, the deduction for contributions to a traditional IRA also phases out for certain MAGI ranges (see *chart*). The limit on nondeductible contributions to a traditional IRA is not subject to phaseout based on MAGI.

MAGI Ranges: Contributions to a Roth IRA

	2022	2023
Single/Head of household	\$129,000–\$144,000	\$138,000–\$153,000
Married filing jointly	\$204,000–\$214,000	\$218,000–\$228,000
Married filing separately	\$0–\$10,000	\$0–\$10,000

MAGI Ranges: Deductible Contributions to a Traditional IRA

	2022	2023
Single/Head of household	\$68,000–\$78,000	\$73,000–\$83,000
Married filing jointly	\$109,000–\$129,000	\$116,000–\$136,000

Note: The 2023 phaseout range is \$218,000–\$228,000 (up from \$204,000–\$214,000 in 2022) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered. The phaseout range is \$0–\$10,000 when the individual is married filing separately and either spouse is covered by a workplace plan.

Employer-Sponsored Retirement Plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to \$22,500 in compensation in 2023 (up from \$20,500 in 2022); employees age 50 or older can defer up to an additional \$7,500 in 2023 (up from \$6,500 in 2022).
- Employees participating in a SIMPLE retirement plan can defer up to \$15,500 in 2023 (up from \$14,000 in 2022), and employees age 50 or older can defer up to an additional \$3,500 in 2023 (up from \$3,000 in 2022).

Kiddie Tax: Child's Unearned Income

Under the kiddie tax, a child's unearned income above \$2,500 in 2023 (up from \$2,300 in 2022) is taxed using the parents' tax rates.

Double Up with a Spousal IRA

If you and your spouse are looking for a way to build your retirement savings but one of you is not working, you might consider funding a spousal IRA. This could be the same IRA that the spouse contributed to while working or it could be a new account.

In either case, IRS rules allow a married couple to fund separate IRA accounts for each spouse based on the couple's joint income. The total of both IRA contributions cannot exceed the total taxable income reported on the couple's joint tax return.

You can make contributions for 2022 up to the April 2023 tax filing deadline. You might also get a head start for 2023 and contribute for both years.

For tax year 2022, an individual with earned income from wages or self-employment can contribute up to \$6,000 annually to his or her own IRA and up to \$6,000 more to a spouse's IRA. An additional \$1,000 catch-up contribution can be made for each spouse who is 50 or older. For tax year 2023, the contribution limit increases to \$6,500, but the \$1,000 catch-up contribution remains the same.

Traditional IRA Deductibility

If neither spouse is an active participant in a workplace retirement plan such as a 401(k), contributions to a traditional IRA are fully tax deductible. However, if one or both are active participants, income limits may affect the deductibility of contributions. Limits are higher for contributions to the IRA of a nonparticipating

spouse, so some participants in workplace plans who earn too much to deduct an IRA contribution for themselves may be able to make a deductible IRA contribution to a spousal account.

For joint filers, the ability to deduct contributions to the IRA of an active participant in 2022 is phased out at a modified adjusted gross income (MAGI) between \$109,000 and \$129,000, but contributions to the IRA of a nonparticipating spouse are phased out at a MAGI between \$204,000 and \$214,000. (For 2023, phaseouts increase to \$116,000–\$136,000 and \$218,000–\$228,000.)

Withdrawals from traditional IRAs and workplace plans are taxed as ordinary income and may be subject to a 10% penalty if withdrawn prior to age 59½, with certain exceptions.

The Roth Option

Roth IRA contributions are made with after-tax funds, so they can be withdrawn without penalty at any time. For a tax-free withdrawal of earnings, the account must meet a five-year holding requirement, and the withdrawal must take place after age 59½ (or result from the owner's death or disability).

Regardless of participation in a workplace plan, the ability to contribute to a Roth IRA in 2022 is phased out at a joint MAGI between \$204,000 and \$214,000 (\$218,000–\$228,000 in 2023).

Information contained in this newsletter is produced and distributed by Broadridge Financial Services, Inc. for City National Bank of West Virginia and is for informational purposes only. It is not intended to serve as a substitute for personalized investment advice or as a recommendation or solicitation of any particular security, strategy or investment product. The information is from sources which are believed to be reliable, however, the accuracy and/or completeness of such information cannot be guaranteed. City National Bank of West Virginia makes no representations as to the accuracy and/or completeness of such information. The opinions expressed in this newsletter are those of the persons or firms making them and are not necessarily the opinions of City National Bank of West Virginia. Past investment performance is only historical in nature and is not a guarantee of future results.

Trust & Wealth Management services are provided through the Trust & Wealth Management Division of City National Bank. Neither City National Bank nor its Trust & Wealth Management Division provide tax or legal advice. You should seek the advice of a qualified tax advisor and/or attorney prior to making any tax or legal decisions.