THE TRUST COMPANY *of* TENNESSEE

BUILDING WEALTH

FINANCIAL PLANNING

THE TRUST COMPANY of TENNESSEE

SEEING THE BIGGER PICTURE

A thoughtfully constructed financial plan takes a holistic view of wealth management and understands how each ‘puzzle piece’ interacts with the others.

ON TRACK FOR RETIREMENT?

Analysis below assumes you would like to maintain a lifestyle in retirement equivalent to current lifestyle.

- Go to the intersection of your current age and your closest current household income (gross, before tax and savings).
- Compare your current savings to the savings checkpoints below.

MODEL ASSUMPTIONS

- 10%* annual savings rate
- 5.75% pre-retirement return
- 5% post-retirement return
- 2% inflation rate
- Retirement age
  - Age 65 primary earner
  - Age 62 spouse
- 30 years in retirement

**10% is approximately twice the U.S. average annual savings rate.*

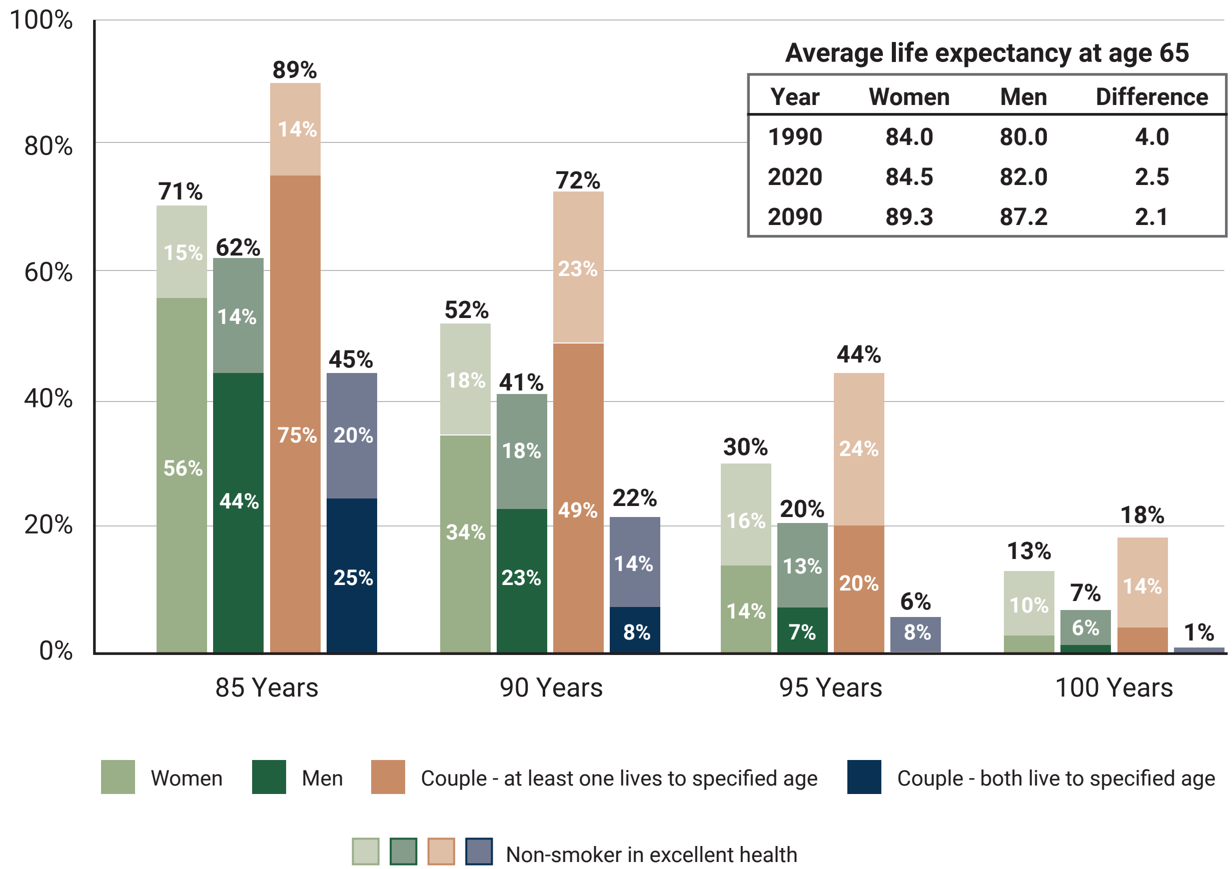
	Household Annual Income (Gross)					
Age	**$250,000**	**$300,000**	**$350,000**	**$400,000**	**$450,000**	**$500,000**
30	500,000	630,000	760,000	890,000	1,020,000	1,150,000
35	725,000	930,000	1,135,000	1,340,000	1,545,000	1,750,000
40	1,000,000	1,260,000	1,520,000	1,780,000	2,040,000	2,300,000
45	1,325,000	1,680,000	2,035,000	2,390,000	2,745,000	3,100,000
50	1,700,000	2,160,000	2,620,000	3,080,000	3,540,000	4,000,000
55	2,175,000	2,760,000	3,345,000	3,930,000	4,515,000	5,100,000
60	2,900,000	3,660,000	4,420,000	5,180,000	5,940,000	6,700,000
65	3,825,000	4,800,000	5,775,000	6,750,000	7,725,000	8,700,000

PLANNING FOR A LONG RETIREMENT

Increasing average life expectancy means retirement could last 30+ years for some individuals.

- 75% chance that at least one member of an aged-65 couple will live to age 85, which goes up to 89% if both are non-smokers in excellent health at age 65
- 49% chance that at least one member of an aged-65 couple will live to age 90, which goes up to 72% if both are non-smokers in excellent health at age 65

If you're age 65 today, the probability of living to a specific age or beyond



Average life expectancy at age 65

Year	Women	Men	Difference
1990	84.0	80.0	4.0
2020	84.5	82.0	2.5
2090	89.3	87.2	2.1

Source (table): Social Security Administration, Period Life Table, 2018 (published in 2021), JPMorgan Guide to Retirement (2022)

ESTATE PLANNING

THE TRUST COMPANY of TENNESSEE

GUIDE TO ESTATE PLANNING

Level One (Must Haves)

Planning for and documenting the transfer of assets with minimized tax and transfer cost. Review upon life events (marriage, divorce, birth, adoption, etc.).

- A Will appoints guardians for your children and spells out specifically how you want your property split.
- A Living Trust avoids probate, allows for privacy and designates how assets are to be divided upon your death.
- A Healthcare Power of Attorney allows you to designate a healthcare agent to make healthcare decisions in the event you are unable to make decisions for yourself.
- A Financial/Property Power of Attorney allows you to designate an agent to make financial decisions in the event you are unable to make decisions for yourself.
- Joint accounts transfer to a designated person upon death, it is important to review co-ownership provisions and the titling of accounts.
- Some assets (such as IRAs, life insurance and annuities) pass to your designated beneficiaries. It is very important to periodically review beneficiary designations and coordinate with the overall estate plan.

Level Two (Considerations)

Further enhance the direction of assets, minimize estate taxes or increase asset protection.

- The Spousal Lifetime Access Trust (SLAT) has become a popular estate planning strategy to take advantage of current lifetime gift tax exemptions ($12.92 million each).
- Grantor Retained Annuity Trusts (GRAT) seek to pass assets to beneficiaries free of estate and gift tax that have appreciated over the IRS Section 7520 interest rate.
- Explore Charitable Trust, Donor-Advised Fund and Foundation options.
- Since life insurance is not necessarily estate tax-free, consider establishing an Irrevocable Life Insurance Trust.
- A Qualified Personal Residence Trust (QPRT) is a popular planning strategy which allows the donor to "freeze" the value of the residence with the intent of future estate tax savings.
- Intra-Family Loans can provide family members with lower borrowing rates than traditional financing options.
- Special Needs Trusts ensure the proper passing of assets to ensure beneficiaries with special needs are not disqualified from entitled benefits.

Level Three (Advanced)

For complex estate tax issues or liability concerns.

- Domestic and Offshore Asset Protection Trusts offer those in high liability fields of work and those with high estate tax brackets options to reduce liability.
- Self-Cancelling Notes allow the exchange of property for periodic payments based upon mortality.
- Family Limited Partnerships and Family LLCs provide legal, financial and tax structure to family businesses.

PORTABILITY

Portability allows you to use your spouse's unused estate tax exclusion. While portability was made permanent for federal estate tax purposes, you should check if your resident state also allows for portability of a deceased spouse's unused estate exclusion. In the event your resident state does not allow for portability, it may make sense for both spouses to have assets in their respective name (or trust's name) up to the resident state's estate exclusion amount. Note that portability may require the filing of estate tax returns at first death even if there is not a taxable estate.

HOW ASSETS PASS UPON DEATH

Probate vs. Non-Probate Assets

Probate is a public court process that helps settle legal and financial matters upon death according to a will, if written.

Court costs, length of time, the lack of privacy and family disagreements are all potential issues that may arise within the probate process. With proper estate planning, you can limit the amount of assets that pass through probate.

ASSETS THAT BYPASS PROBATE

How assets pass upon death

Jointly Held Assets	Assets with Beneficiaries	Assets Held in Trust
▪ Joint Accounts ▪ Joint Tenancy with Rights of Survivorship ▪ Tenancy by the Entirety	▪ Retirement Accounts ▪ IRAs and Annuities ▪ Transfer on Death ▪ Life Insurance	▪ Trust Agreements
To Joint Owner	To Named Beneficiary	To Trust Beneficiary

PROBATE ASSETS

Individually-owned assets with no beneficiary (e.g., car, home, bank account and personal belongings)

Assets titled Tenancy in Common

Last Will & Testament

To Will Beneficiary

Digital Assets

Nearly all 50 states have passed a version of the Uniform Law Commission's Fiduciary Access to Digital Assets Act, Revised that legally allows for an executor, trustee, etc., to access a deceased's digital accounts. Consider discussing your digital estate with your attorney and the potential need to share online access information with your executor.

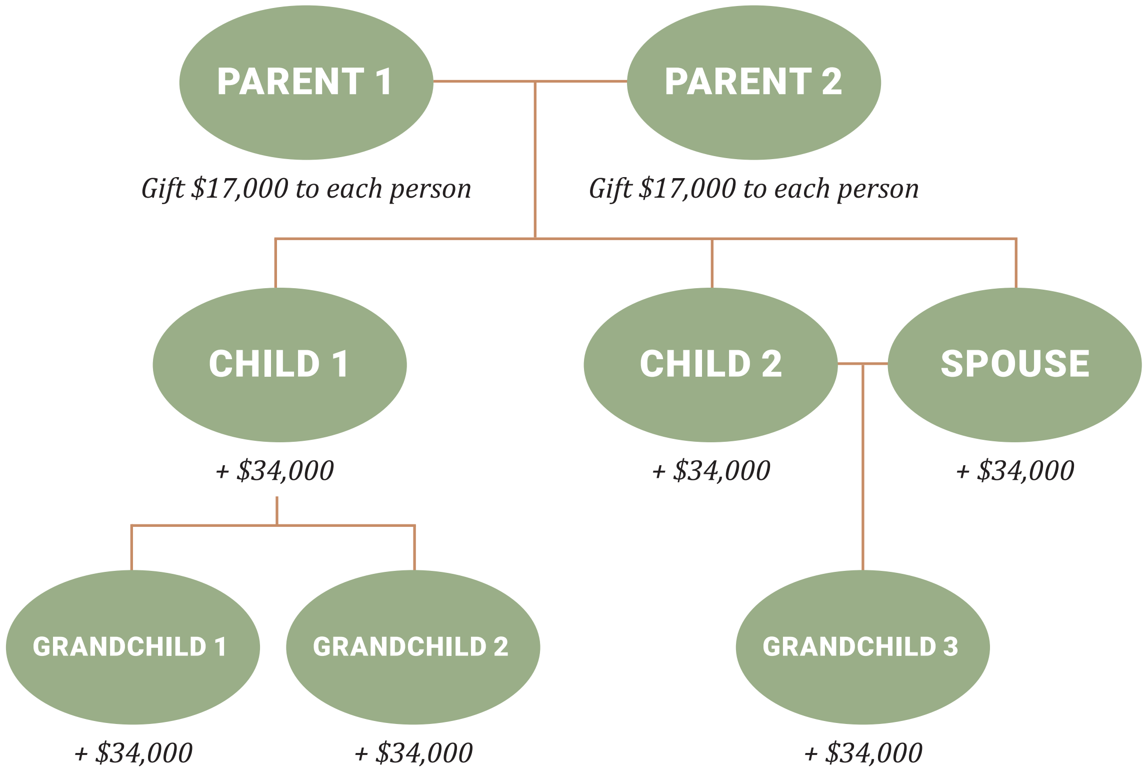
Source: Uniform Law Commission, 2019

TAX ADVANTAGES OF GIFTING

Individuals who are likely to one day have a taxable estate should consider annual exclusion gifts as a means to reduce the size of the taxable estate.

The current annual gift exclusion enables a donor to transfer up to $17,000 per donee; gifts above $17,000 are allowed but may require using a portion of one's lifetime gift tax exemption and may require filing a gift tax return. Consider consulting with an estate planning attorney on the proper titling of gifts and evaluate ideal savings/investing vehicles for the donee(s).

Additionally, tuition payments made directly to an educational institution and payments made directly to a healthcare provider for a person's medical care do not constitute gifts (and thus do not count toward the $17,000 annual exclusion gift limit). Given the considerable expense often associated with private school or college, direct tuition payments can serve as a meaningful planning opportunity to reduce the size of a taxable estate.



EXAMPLE

Each donor can individually gift to each donee $17,000 per year, which equates to up to $34,000 gifted to each recipient annually (from a couple).

In this example, the parents (the first generation) are able to transfer $238,000 tax-free each year to their heirs to reduce the size of their total estate, which may produce significant estate tax savings if annual exclusion gifts are made over a period of years.

Example is hypothetical and for illustrative purposes only.

TAX PLANNING

SECURE ACT 2.0

PLANNING UPDATE	NOTES
Increase in Age for Required Minimum Distributions (RMDs)	▪ If you were born between 1951 and 1959, your RMD begins at age 73. If you were born in or after 1960, your RMD begins at age 75. If you fall into these categories, now is a good time to discuss additional tax planning strategies to mitigate tax liability in the future.
"Rothification" of Employer-Matching Contributions and Non-Elective Contributions	▪ Retirement plans may allow participants to elect some or all of matching and/or non-elective contributions to be deposited to the participant's designated Roth account. ▪ If the participant makes this election, the contribution amount is includable in the employee's taxable income. If elected, such a contribution must be non-forfeitable.
Qualified Charitable Distributions	▪ Beginning in 2024, the annual QCD limit of $100,000 will be indexed for inflation. Also of note, while the RMD age will continue to rise over the coming decade, the eligible age for making a QCD remains at 70½.
Are over the age of 50, making catch-up contributions?	▪ If your wages exceeded $145,000 in the prior calendar year, you will be required to make catch-up contributions on a Roth (after-tax) basis. Regardless of income threshold, catch-up contributions will be indexed for inflation.

TAX PLANNING CHECKLIST

What we are doing to help clients

1. Tax-aware investing/asset placement
2. Tax-efficient securities and active management considerations
3. Tax-wise rebalancing/thoughtful rebalancing
4. Tax-aware recognition of capital gains
5. Capital gain dividend distribution analysis

How your tax advisor can help

1. Recognition and timing of income
2. Timing and target amount for charitable gifts
3. Evaluating potential benefits of Roth conversion
4. Review of estimated tax withholding
5. Alternative Minimum Tax (AMT) considerations
6. Management of state and local income tax deductions
7. Review of property tax deductions
8. Additional state tax considerations

Areas where we can offer perspective

1. Evaluating and minimizing capital gain implications amid a portfolio repositioning considering factors such as potential step-ups in cost basis, asset placement, etc.
2. Evaluating family gifting strategies according to desired gifting goals and, once determined, coordinating the gifting transfers.
3. Gifting long-term appreciated securities rather than cash for charitable contributions, which avoids capital gains taxes on the appreciated securities.
4. Charitably gifting the Required Minimum Distribution of an IRA, which avoids the IRA distribution being treated as taxable income.
5. Weighing the differences between a lump sum option or annuity income stream for Defined Benefit Plan or Cash Balance Pensions.
6. Evaluating tax bracket breakpoints and stock volatility when minimizing single stock concentrations.
7. Reviewing Social Security income options.

DIVERSIFIED SOURCES OF RETIREMENT FUNDING

Account type	Investment earnings/ withdrawals	Included when calculating: Income taxes owed?	Included when calculating: Social Security % taxed? Medicare surcharges?
Health Savings Account	Tax-free withdrawals (for qualified health care expenses)[1]		
Roth 401(k)/IRA	Tax-free withdrawals[2]		
Taxable Account	Tax-exempt interest		☑
Taxable Account	Ordinary dividends Taxable interest	☑	☑
Taxable Account	Qualified dividends	☑	☑
Taxable Account	Realized capital gains	☑	☑
Pre-tax 401(k)/ Traditional IRA	Taxable withdrawals (ordinary income)	☑	☑

RETIREMENT FUNDING SOURCES ARE NOT CREATED EQUAL

Investment earnings and withdrawals from tax-advantaged accounts are primary sources to fund retirement spending needs.

When building a retirement income plan, be aware of sources that may be used to determine:

- Income taxes
- How much of a Social Security benefit is subject to tax
- Additional required Medicare premiums

Qualified withdrawals from Roth or Health Savings Accounts can provide tax-free funding that is not included in means-testing of government benefits.

This is not intended to be individual tax advice; consult your tax professional.

[1] Must have a qualifying high-deductible health plan to make contributions. Funds in the HSA may be withdrawn tax free for qualified medical expenses unless a credit or deduction for medical expenses is claimed. After age 65 funds also may be withdrawn at ordinary income tax rates without penalty for any reason.

[2] Subject to 5-year Roth account holding period and age requirements.

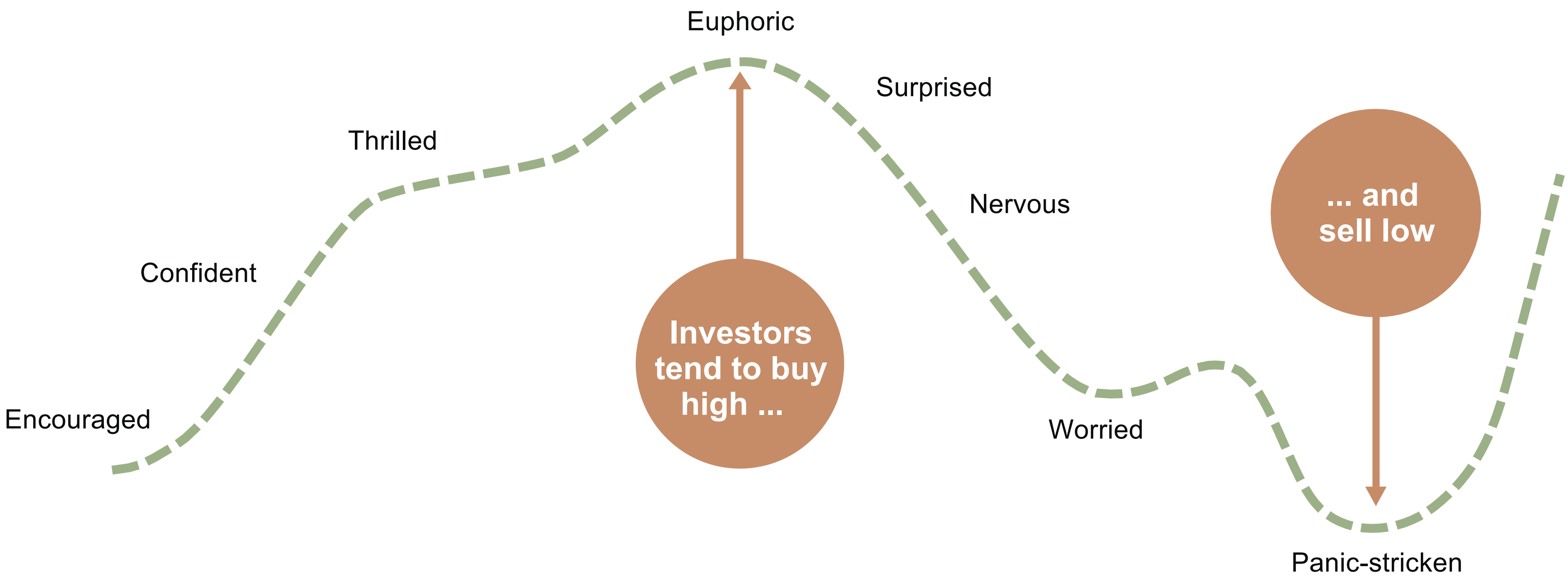
INVESTMENT CONCEPTS

INVESTING WITH EMOTIONS CAN BE COSTLY

When things are bad, we want to limit our losses. When things are great, we wish we had invested more. We all fear missing out.

When investing, giving in to fear often is a losing strategy. Investors with this mindset tend to buy high and sell low as they invest more in a rising market and pull money out in a falling market.

Riding the ups and downs of the market



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DIVERSIFICATION DOESN'T ALWAYS FEEL GOOD

Last 20+ years

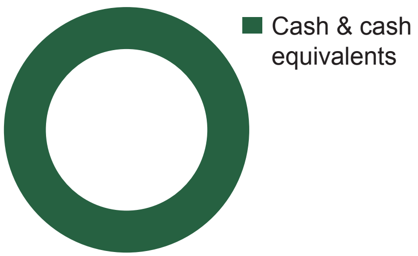
25% U.S. large stocks, 19% U.S. mid cap stocks, 7% international stocks, 5% U.S. small cap stocks, 4% emerging market stocks, 25% U.S. bonds, 15% high yield bonds

Years	S&P 500	Diversified Portfolio	
2000-2002*	-40.1%	-15.7%	"I lost money"
2003-2007	82.9%	87.1%	"Diversification worked"
2008	-37.0%	-26.6%	"I lost money"
2009-2019	351.0%	219.7%	"I didn't make as much"
Q1 2020**	-30.4%	23.1%	"I lost money"
Q2 2020-2021***	119.0%	66.6%	"I didn't make as much"
2022	-18.1%	-15.5%	"I lost money"
Total Return	288.6%	301.6%	"Diversification can work even when it feels like its losing"
GR $100K	**$388,610**	**$401,550**	

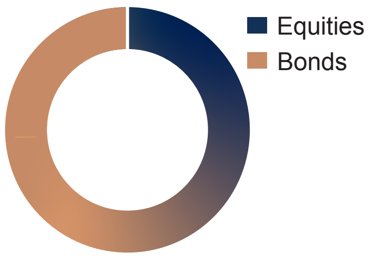
Source: Morningstar as of Dec. 31, 2022. *Performance is from Sept. 1, 2000-Dec. 31, 2002. **Performance is from Jan. 1, 2020-March 23, 2020. ***Performance is from March 24, 2020-Dec. 31, 2021. Diversified Portfolio is represented by 25% S&P Index, 19% Russell Mid Cap Index, 7% MSCI EAFE Index, 5% Russell 2000 Index, 4% FTSE Emerging Stock Index, 25% Bloomberg U.S. Aggregate Bond Index, 15% Bloomberg U.S. Corporate High Yield Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

GOALS-BASED WEALTH MANAGEMENT

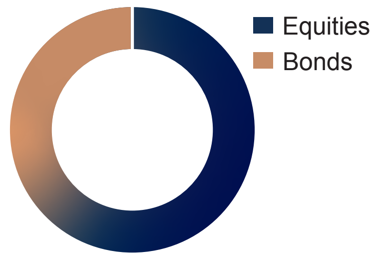
Short-term goals
Includes an emergency reserve



Medium-term goals
5-10 years, e.g., college, home



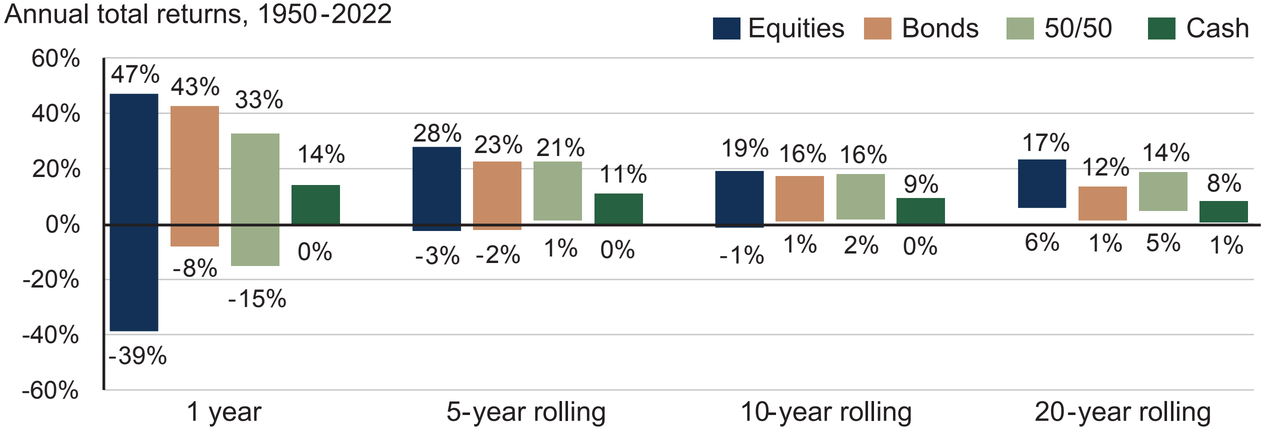
Long-term goals
15+ years, e.g., retirement



DIVIDE AND CONQUER

Aligning your investment strategy by goal can help you take different levels of risk based on varying time horizons and make sure you are saving enough to accomplish all of your goals – not just the ones that occur first.

Range of stock, bond and blended total returns
Annual total returns, 1950-2022



Source (top chart): J.P. Morgan Asset Management.
Source (bottom chart): Bloomberg, FactSet, Federal Reserve, Robert Shiller, Strategas/Ibbotson, J.P. Morgan Asset Management.
Returns shown are based on calendar year returns from 1950 to 2022. Stocks represent the S&P 500 Shiller Composite and Bonds represent Strategas/Ibbotson for periods from 1950 to 2010 and the Bloomberg Aggregate thereafter. Cash represents the U.S. 90 Day Treasury Bill Total Return.
Portfolio allocations are hypothetical and are for illustrative purposes only. They were created to illustrate different risk/return profiles and are not meant to represent actual asset allocation.

Live *CONFIDENTLY.*

You can live a life of financial confidence, and The Trust Company of Tennessee can be your guide.

We help individuals, families, business owners and nonprofits make better financial decisions, so that dreams can become reality.

Wealth Management
Personal Investment Strategy
Corporate Retirement Plans
Trusts
Estate Planning

THE TRUST COMPANY of TENNESSEE

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