City State Bank Trust & Investments
Q1 2024 Newsletter

CITY STATE BANK INVEST

THERE IS STILL TIME TO FUND AN IRA FOR 2023

The tax filing deadline is fast approaching, which means time is running out to fund an IRA for 2023. If you had earned income last year, you may be able to contribute up to $6,500 for 2023 ($7,500 for those age 50 or older by December 31, 2023) up until your tax return due date, excluding extensions. For most people, that date is Monday, April 15, 2024.

You can contribute to a traditional IRA, a Roth IRA, or both. Total contributions cannot exceed the annual limit or 100% of your taxable compensation, whichever is less. You may also be able to contribute to an IRA for your spouse for 2023, even if your spouse had no earned income.

Traditional IRA contributions may be deductible

If you and your spouse were not covered by a work-based retirement plan in 2023, your traditional IRA contributions are fully tax deductible. If you were covered by a work-based plan, you can take a full deduction if you're single and had a 2023 modified adjusted gross income (MAGI) of $73,000 or less, or married filing jointly with a 2023 MAGI of $116,000 or less. You may be able to take a partial deduction if your MAGI fell within the following limits.

2023 income ranges for a partial deduction for traditional IRA contributions:		
Covered by a work-based plan and filing as:	Partial deduction if your MAGI is between:	No deduction if your MAGI is:
Single/Head of household	$73,000 and $83,000	$83,000 or more
Married filing jointly	$116,000 and $136,000	$136,000 or more
Married filing separately	$0 and $10,000	$10,000 or more

If you were not covered by a work-based plan but your spouse was, you can take a full deduction if your joint MAGI was $218,000 or less, a partial deduction if your MAGI fell between $218,000 and $228,000, and no deduction if your MAGI was $228,000 or more.

Consider Roth IRAs as an alternative

If you can't make a deductible traditional IRA contribution, a Roth IRA may be a more appropriate alternative. Although Roth IRA contributions are not tax-deductible, qualified distributions are tax-free. You can make a full Roth IRA contribution for 2023 if you're single and your MAGI was $138,000 or less, or married filing jointly with a 2023 MAGI of $218,000 or less. Partial contributions may be allowed if your MAGI fell within the following limits.

2023 income ranges for partial contributions to a Roth IRA:		
	Partial contributions are allowed if your MAGI is between:	You cannot contribute if your MAGI is:
Single/Head of household	$138,000 and $153,000	$153,000 or more
Married filing jointly	$218,000 and $228,000	$228,000 or more
Married filing separately	$0 and $10,000	$10,000 or more

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There's Still Time to Fund an IRA for 2023 (continued from front page)

Tip: If you can't make an annual contribution to a Roth IRA because of the income limits, there is a workaround. You can make a nondeductible contribution to a traditional IRA and then immediately convert that traditional IRA contribution to a Roth IRA. (This is sometimes called a backdoor Roth IRA.) Keep in mind, however, that you'll need to aggregate all traditional IRAs and SEP/SIMPLE IRAs you own — other than IRAs you've inherited — when you calculate the taxable portion of your conversion.

A qualified distribution from a Roth IRA is one made after the account is held for at least five years and the account owner reaches age 59½, becomes disabled, or dies. If you make an initial contribution — no matter how small — to a Roth IRA for 2023 by your tax return due date, and it is your first Roth IRA contribution, your five-year holding period starts on January 1, 2023.

Making a last-minute contribution to an IRA may help you reduce your 2023 tax bill. In addition to the potential for tax-deductible contributions to a traditional IRA, you may also be able to claim the Saver's Credit for contributions to a traditional or Roth IRA, depending on your income. For more information, visit irs.gov.

THE FEDERAL RESERVE'S KEY MEETING DATES IN 2024

The Federal Reserve's rapid series of interest rate hikes throughout 2022 and 2023 - initiated in an effort to bring down red-hot inflation - rippled throughout financial markets and the broader economy.

People pay attention to the "Fed" to see where interest rates are headed, but also for its economic analysis and forecasting. Members of the Federal Reserve regularly conduct economic research, give speeches, and testify about inflation and unemployment, which can provide clues about where the economy is going. This information can be useful for consumers when making borrowing and investing decisions.

Eight meeting dates in 2024

The Federal Open Market Committee, or FOMC, is the arm of the Federal Reserve responsible for setting monetary policy. It typically meets eight times per year. (see table)

Month	Date
January	30-31
March	19-20*
April/May	30-1
June	11-12*
July	30-31
September	17-18*
November	6-7
December	17-18*

* Meeting includes a Summary of Economic Projections

Because financial markets often react to FOMC meeting decisions, knowing the scheduled meeting dates ahead of time might be helpful when digesting economic news. The minutes of regularly scheduled FOMC meetings are released three weeks after the meeting date on federalreserve.gov.

The Fed's key objectives

The Federal Reserve System was created by the Federal Reserve Act of 1913. The Fed is charged with three main objectives: maximum employment, stable prices, and moderate long-term interest rates. The first two objectives are often referred to as the Fed's "dual mandate." Over the years, the Federal Reserve's duties have expanded and evolved to include maintaining stability of the entire U.S. financial system.

After its brisk series of rate increases in 2022 and 2023, the Fed has held the federal funds rate mostly steady. Going forward, it will continue to monitor economic data - including inflation, employment growth, bank sector stress, and credit conditions - as it determines future moves.

The federal funds rate is a benchmark rate that influences other interest rates throughout the economy, such as for mortgages, credit cards, and business loans. A higher federal funds rate typically drives up the cost of borrowing.

Source: Federal Reserve, 2023

KEY RETIREMENT AND TAX NUMBERS FOR 2024

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 2024.

Estate, gift, and generation-skipping transfer tax

- The annual gift tax exclusion (and annual generation-skipping transfer tax exclusion) for 2024 is $18,000, up from $17,000 in 2023.
- The gift and estate tax basic exclusion amount (and generation-skipping transfer tax exemption) for 2024 is $13,610,000, up from $12,920,000 in 2023.

Standard deduction

A taxpayer can generally choose to itemize certain deductions or claim a standard deduction on the federal income tax return. In 2024, the standard deduction is:

- $14,600 (up from $13,850 in 2023) for single filers or married individuals filing separate returns
- $29,200 (up from $27,700 in 2023) for married joint filers
- $21,900 (up from $20,800 in 2023) for heads of households

The additional standard deduction amount for the blind and those age 65 or older in 2024 is:

- $1,950 (up from $1,850 in 2023) for single filers and heads of households
- $1,550 (up from $1,500 in 2023) for all other filing statuses

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

IRAs

The combined annual limit on contributions to traditional and Roth IRAs is $7,000 in 2024 (up from $6,500 in 2023), 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 table). 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 table). The limit on nondeductible contributions to a traditional IRA is not subject to phaseout based on MAGI.

An RMD is calculated separately for each IRA you have; however, you can withdraw the total from any one or more IRAs. Similar rules apply to 403(b) accounts. With other work-based plans, an RMD is calculated for and paid from each plan separately.

Employer-sponsored retirement plans

- Employees who participate in 401 (k), 403(b), and most 457 plans can defer up to $23,000 in compensation in 2024 (up from $22,500 in 2023); employees age 50 or older can defer up to an additional $7,500 in 2024 (the same as in 2023).
- Employees participating in a SIMPLE retirement plan can defer up to $16,000 in 2024 (up from $15,500 in 2023), and employees age 50 or older can defer up to an additional $3,500 in 2024 (the same as in 2023).

Kiddie tax: child's unearned income

Under the kiddie tax, a child's unearned income above $2,600 in 2024 (up from $2,500 in 2023) is taxed using the parents' tax rates.

MAGI Ranges: Contributions to a Roth IRA

	2023	2024
Single/Head of household	$138,000-$153,000	$146,000-$161,000
Married filing jointly	$218,000-$228,000	$230,000-$240,000
Married filing sparately	$0-$10,000	$0-$10,000

MAGI Ranges: Deductible Contributions to a Traditional IRA

	2023	2024
Single/Head of household	$73,000-$83,000	$77,000-$87,000
Married filing jointly	$116,000-$136,000	$123,000-$143,000

Note: The 2024 phaseout range is $230,000-$240,000 (up from $218,000-$228,000 in 2023) 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.

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Trust & Investments

YOU'VE RECEIVED AN INHERITANCE, NOW WHAT?

If you've recently received an inheritance, you may be facing many important decisions. Receiving an inheritance might promote spending without planning, but don't make any hasty decisions. Here are some suggestions that could help you manage your inheritance.

Identify a Team of Trusted Professionals

Tax laws can be complicated, so you might want to consult with professionals who are familiar with assets that transfer at death. These professionals may include an attorney, an accountant, and a financial and/or insurance professional.

Consider Tax Consequences

While you might not owe income taxes on the assets you inherit, your income tax liability may eventually increase, particularly if the assets you inherit generate taxable income. For instance, distributions you receive from inherited tax-qualified plans such as 401(k)s or IRAs will likely increase your taxable income.

Also, your inheritance may increase the size of your estate to the point where it could be subject to state and/or federal transfer (estate) taxes at your death. You might need to consider ways to help reduce these potential taxes.

How You Receive Your Inheritance Makes a Difference

Your inheritance may be received through a trust, in which case you'll receive distributions according to the terms of the trust. You might not have total control over your inheritance as you would if you inherited the assets outright. If you inherit assets through a trust, it's important that you familiarize yourself with the trust document and the terms under which you are to receive trust distributions.

Develop a Financial Plan

Consider your future needs and how long you want your wealth to last. It's a good idea to take some time after inheriting money to formulate a financial plan. You'll want to consider your current lifestyle and your future needs, then formulate a financial strategy to meet short- and long-term goals.

Evaluate Your Estate Plan

Depending on the value of your inheritance, it may be appropriate to re-evaluate your estate plan. Estate planning involves conserving your money and putting it to work so that it best fulfills your goals. It also means helping reduce your exposure to potential taxes and possibly creating a comfortable financial future for your family and other intended beneficiaries.

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