

Your *Trust* Matters

June 2020 Newsletter



MidWestOne™
TRUST SERVICES



Beth Legue VP
Trust Officer
Iowa City, Iowa
319.356.5945

Greetings, from my home to yours!

Who knew my typical Christmas-card-greeting-line would be so relevant in June? The Coronavirus pandemic has encouraged all of us to be more flexible. Trust Officers are working from home, knitting groups are meeting via Zoom, and it appears everyone is learning how to make bread using their newly formed sourdough starter! Even the US Congress got in on the spirit. In March 2020 Congress passed the CARES ACT (or, if you want to sound smart during your zoom cocktail hour, the Coronavirus Aid, Relief, and Economic Security Act). Among its many provisions, CARES waives Required Minimum Distributions (commonly referred to as RMDs) from individual retirement accounts (IRAs) for 2020. This applies to both IRA owners and beneficial owners of inherited IRAs.

Why did Congress do this?

Well, 2020 RMDs are calculated based on account values as of December 31, 2019, a time now seemingly long before the market responded to the virus outbreak in the United States. While the market appears to be doing better now, those values from December 31, 2019 were very different from account balances in March of 2020 when Congress passed the act. By suspending RMDs for 2020, Congress has allowed account owners to avoid further depleting an already lower than anticipated account balance. Additionally, RMDs are subject to income tax, which just added insult to injury.

BUT WAIT!

Before you rush to the phone to call your beloved trust officer, there are a few things you should consider when deciding whether to forgo your RMD this year:

The status of your investments. How have your retirement investments recovered since March of 2020? Perhaps your account already has cash in hand and can make the RMD without taking any losses?

Your cash flow. Do you use your RMD for income and to pay expenses throughout the year? Then maybe you still need to take your RMD. However, you may not have to take the full amount this year and could also choose to use some of it as a charitable contribution. Speaking of charitable contributions...

Your impact. If you typically use your RMD to make charitable contributions, you may want to continue doing so as many non-profits will need your support now more than ever.

Your current tax bracket. If you need to reduce your income for 2020 waiving some or all of your RMD is an excellent way to do that.

What happens if you postpone. Eventually, one day or another, the tax man will get his due. Waiving your RMD will only delay the eventual taxes on that distribution, so you should consider whether you are in a better position to pay those taxes now or later. What is your tax bracket? Is it likely to be more favorable in a few years? Perhaps you haven't retired yet? You may also want to consider the potential tax bracket of your heirs. For example, a retiree may have a smaller tax bracket than her children when they inherit her account.

UNSURE?

Give us a call. We would be happy to talk about your individual situation. Your trust officer is happy to work with you, or I can be reached at BLegue@midwestone.com.

We miss seeing your smiling faces in our buildings and we look forward to a time when we can meet again. Until then, please know we are here to help. Take care.

800.247.4418

MidWestOne.bank

Email: trustservices@midwestone.com

Not FDIC Insured | No Bank Guarantee | May Lose Value | Not a Deposit | Not Insured by any Federal Government Agency