

Cape Ann Savings

Trust & Financial Services



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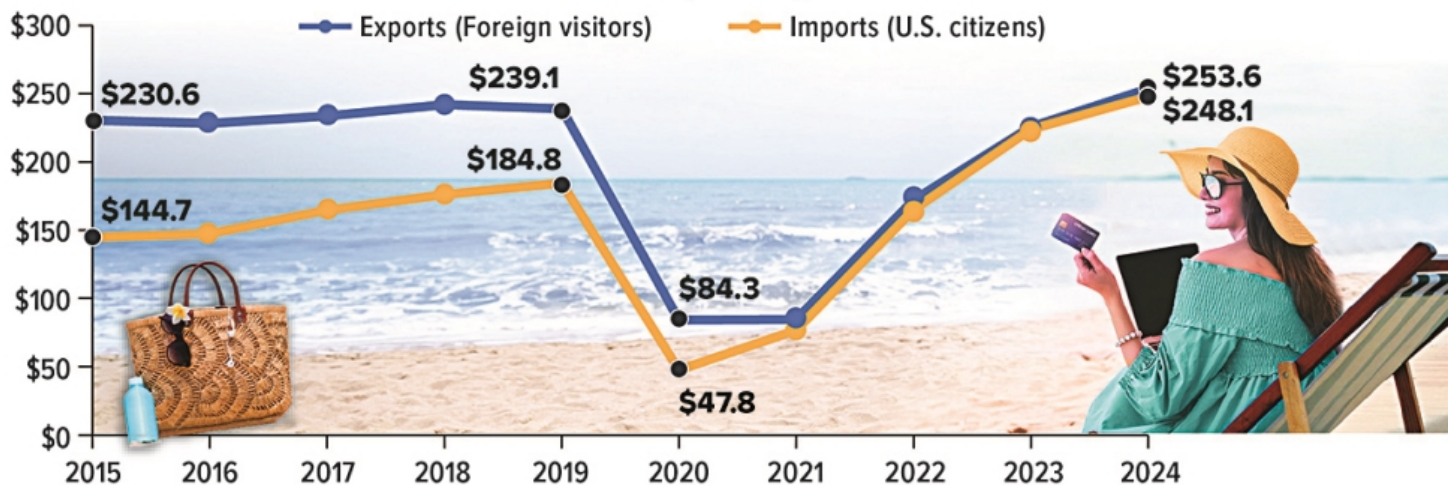


Travel Spending Surpasses Pre-Pandemic Levels

Spending by foreign visitors in the United States, including fares on U.S. airlines, is considered an export for purposes of U.S. gross domestic product, while spending by U.S. citizens in foreign countries and on foreign airlines is considered an import.

Both types of travel spending were hit hard by the pandemic but surpassed pre-pandemic levels in 2024. However, prior to the pandemic, spending by foreign visitors was generally higher than U.S. citizens' spending in foreign countries — creating a positive trade balance — but the spending levels have been very close since 2021. This may reflect the stronger U.S. economic recovery that gave U.S. citizens more discretionary income.

Travel and tourism spending, in billions



Source: National Travel and Tourism Office, 2025

Have You Set a Retirement Savings Goal?

It's difficult to reach a destination unless you know where you're heading. Yet only 54% of workers or their spouses have tried to estimate the savings they would need to live comfortably in retirement.¹

To get a start on establishing a retirement savings goal, use the simple worksheet on this page to compare the income you think you will need (or want) with the sources of income you expect. Keep in mind that estimates are in today's dollars, so your desired income should account for the rising cost of living between now and the time you plan to retire.

How much will you need?

Everyone's situation is different, but one common guideline is that you will need at least 70% to 80% of your pre-retirement income to meet your retirement expenses. This assumes that you will have paid off your mortgage, will have lower transportation and clothing expenses when you stop working, and will no longer be contributing to a retirement savings plan.

Although some expenses may be lower, others might increase, depending on your retirement lifestyle. For example, you may want to travel more or engage in new activities.

Unfortunately, medical expenses will likely be higher as you age. A recent study suggests that a man, woman, or couple who retired in 2024 at age 65 — with median prescription drug expenses and average Medigap premiums — might need \$191,000, \$226,000, or \$366,000 in savings, respectively, to cover retirement health-care expenses (not including dental, vision, or long-term care).² Future retirees may need even higher levels of savings.

Estimate income sources

You can estimate your monthly Social Security benefit at different retirement ages by establishing a my Social Security account at ssa.gov/myaccount. The closer you are to retirement, the more accurate this estimate will be. If retirement is many years away, your benefit could be affected by changes to the Social Security system, but it might also rise as your salary increases and the Social Security Administration makes cost-of-living adjustments.

If you expect a pension from current or previous employment, you should be able to obtain an estimate from the employer.

Add other sources of income, such as from consulting or a part-time job, if that is in your plans. Be realistic. Consulting can be lucrative, but part-time work often pays low wages, and working in retirement is less likely than you might expect. In 2025, 75% of workers expected to work for pay after retirement, but only 29% of retirees said they had actually done so.³

Get Started

This worksheet might give you a general idea of the savings needed to generate your desired retirement income.

	Example	You
1. Annual retirement income desired	\$80,000	
2. Expected income from sources such as Social Security or a pension	\$30,000	
3. Income you need to generate from savings and investments (line 1 – line 2)	\$50,000	
4. Savings needed to provide desired income for 25 years, assuming 5% annual return (line 3 x 14.1 income generation factor)*	\$705,000	
5. Savings needed to provide desired income indefinitely, assuming 5% annual return (line 3 ÷ .05)	\$1,000,000	

*Use a factor of 12.5 for 20 years or 15.4 for 30 years; factors are rounded.

This hypothetical example does not account for taxes or inflation and is used for illustrative purposes only. Rates of return will vary over time, particularly for long-term investments. Actual results will vary.

The income from your savings may depend on unpredictable market returns and the length of time you need your savings to last. Higher returns could enable your nest egg to grow faster, but it would be more prudent to use a modest rate of return in your calculations. Remember that all investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful. Investments seeking higher rates of return also involve a higher degree of risk.

A more detailed projection

A rough estimate of your retirement savings goal is a good beginning, and a professional assessment may be the next step. Although there is no assurance that working with a financial professional will improve investment results, a professional can evaluate your objectives and resources and help you consider appropriate long-term financial strategies.

1–3) Employee Benefit Research Institute, 2025 (Health-care expenses include Medigap premiums, Medicare Part B premiums and deductibles, Medicare Part D premiums, and out-of-pocket prescription drug expenses; projection is based on a 90% chance of meeting expenses and assumes a 7.32% return on savings from age 65 until expenditures are made.)

ESG Investing in the Spotlight

People generally choose an investment with an eye toward adding financial value to their portfolio. Over the past two decades, however, many investors have added another layer of values in making investment decisions. The most common criteria are related to environmental, social, and corporate governance issues, typically referred to as ESG factors.

More recently, ESG investing has become controversial, primarily due to large institutional investors such as universities and pension funds using ESG factors to construct their portfolios. Critics say that this approach compromises potential returns, while proponents claim that better ESG practices may help lower risk and provide more stability without sacrificing performance. As an individual investor, the choice to apply personal values to your investments is entirely up to you, and it may be helpful to know more about this approach.

What's in a name?

Values-based investing was originally called Socially Responsible Investing (SRI), and this term is still commonly used. Other terms, often using the SRI acronym, include sustainable and responsible investing; sustainable, responsible, and impact investing; or simply sustainable investing. The emphasis on ESG factors developed as a way to analyze companies in constructing funds or portfolios.

SRI and ESG are often used interchangeably, but some analysts see them as two separate practices. According to this view, SRI takes more of a pure values-based approach in screening potential investments; for example, it might screen out companies involved in fossil fuels extraction, weapons, or tobacco and screen in companies that produce "green" products or focus on financial inclusion or health.

ESG looks at these factors more in terms of risk management and financial performance; for example, a company with poor labor relations could face a workers' strike and a company with poor waste management could be fined or constrained with government regulations.

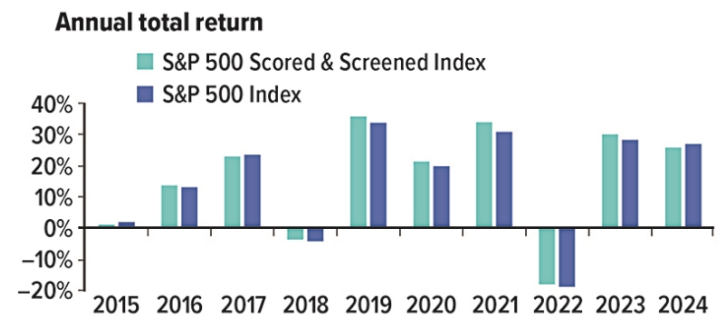
Investments and performance

ESG strategies are often applied by professional managers for large institutional investors, but individual investors might consider these factors when developing their own portfolios. Along with screening individual stocks, investors can choose from more than 600 ESG/sustainable funds.¹ As with any fund, it's important to understand the objectives and criteria for choosing investments. Funds labeled ESG, sustainable, or socially responsible can vary widely in their objectives, in how they define and evaluate ESG factors, and in how strictly they apply selection criteria.

It's difficult to assess the effect of ESG factors on investment performance, because there is no standard definition of what companies or investments should be included in an ESG analysis. A review of more than 1,000 research studies published from 2015–2020 reported that 33% of studies that focused on investment results found a positive correlation between ESG and performance, 26% reported a neutral impact, 28% were mixed, and just 14% found a negative correlation.²

Scored and Screened

The S&P 500 Scored and Screened Index excludes companies engaged in certain business activities (e.g., coal, weapons, tobacco) as well as other companies in the bottom 25% in each business sector based on ESG scores. Over the last decade, index performance was moderately or slightly better than the full index in seven out of 10 years.



Source: S&P Dow Jones Indices, 2025. The S&P 500 Index is an unmanaged group of securities considered to be representative of the U.S. stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Past performance is no guarantee of future results. Actual results will vary. There is no assurance that employing ESG strategies will result in more favorable investment results.

Limiting the universe

Although many companies and funds consider ESG factors, focusing on these strategies limits the total universe of available investments and could make it more challenging to diversify and maintain your desired asset allocation. Like all investments, SRI/ESG stocks and funds entail risk and could lose money, and there is no guarantee that an SRI/ESG investment will achieve its objectives.

Diversification and asset allocation do not guarantee a profit or protect against loss. Funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1) Morningstar, February 6, 2025

2) NYU Stern Center for Sustainable Business, 2021 (most recent data)

Tips to Help Preserve Your Inheritance

According to the Federal Reserve's Survey of Consumer Finances, taken every three years, slightly more than one in five U.S. households had received an inheritance as of 2022.¹ If you expect to receive an inheritance one day, these tips may help you better manage your financial windfall.

Wait a while before you act. Emotions run high after the death of a loved one. You might regret quitting your job, buying a sports car, or making other costly decisions before you have thought them through. Consider how the funds might be used to strengthen your financial position now and over the long term. You may also want to be discreet. Telling people that you have inherited a substantial amount of money may lead to unwanted advice, business or investment solicitations, and requests for financial support.

Boost (don't blow up) your lifestyle. If you have a large balance on a high-interest credit card or vehicle loan, consider paying it off and using the increased cash flow to save more toward your retirement or other long-term goals. Whether it would be wise to pay off your mortgage depends on your individual circumstances and goals. Investing represents an opportunity to grow an inheritance and potentially make it last longer. You could use any income generated by your portfolio to supplement your paycheck, which might allow you to live better now while preserving the bulk of the money for future needs, such as a child's education or your retirement.

Take advantage of tax deferral. If you inherit tax-deferred assets, such as those in a traditional 401(k) or IRA, keep in mind that withdrawals are taxed as ordinary income. You could choose to cash out and pay the taxes all at once, or you might consider transferring the inherited funds to a properly titled beneficiary IRA. Inherited retirement funds can be withdrawn over a period of up to 10 years, although some beneficiaries may have to take yearly required minimum distributions (if the original owner had started taking them). Spouses and other eligible designated beneficiaries receive preferential treatment. The rules and deadlines for handling inherited retirement account assets and taking distributions are complex. Because each choice could have far-reaching implications, be sure to seek tax guidance.

Consider meeting with a financial professional. Discussing your situation with someone outside of your family may help you gain perspective, clarify your goals, and make sound decisions. Although there is no assurance that working with a financial professional will improve investment results, he or she can consider your objectives and available resources and help you evaluate appropriate financial strategies.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

1) *The Washington Post*, November 10, 2023

Investments purchased through the Cape Ann Savings Bank Trust & Financial Services department are not FDIC insured, not FDIC guaranteed, not bank guaranteed and may lose principal value.