

Cape Ann Savings

Trust & Financial Services



John T. Brennan, Esq. CFP®
SVP, Trust & Financial Services
Cape Ann Savings Bank
Trust & Financial Services

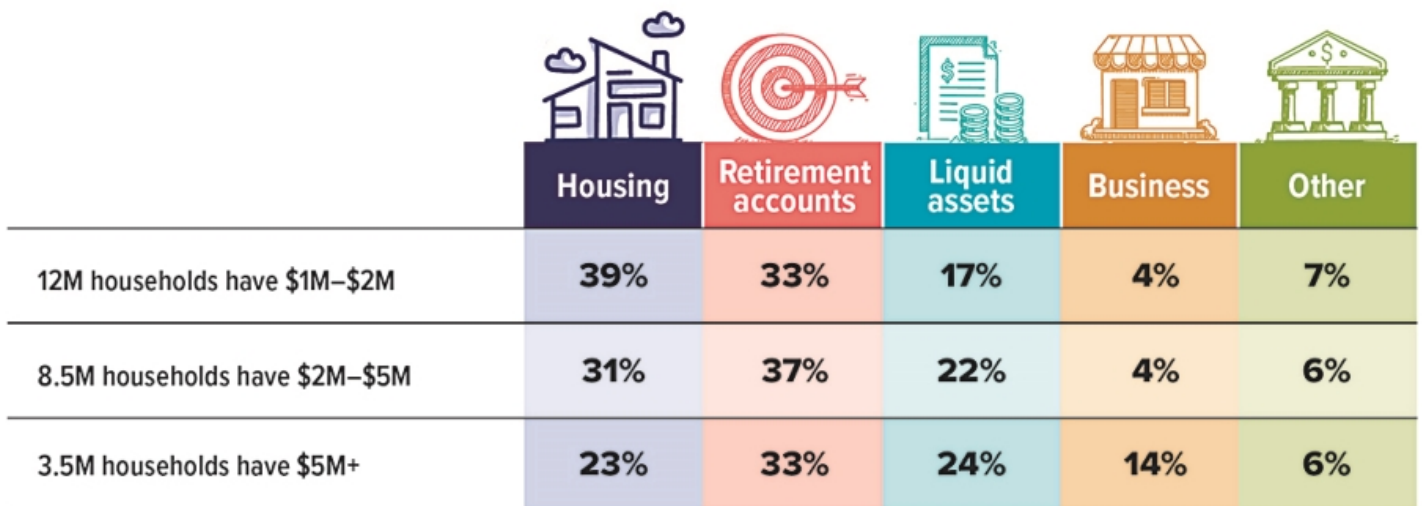
109 Main Street • Gloucester • MA • 01930
978-283-7079
john.brennan@castrust.com • <https://www.capeannsavings.bank>



Why Many Paper Millionaires Don't Feel Rich

According to an analysis of Census Bureau survey data, more than 24 million U.S. households — or one in five — reported having at least \$1 million worth of assets in 2023. About one-third of those households crossed that threshold after 2017, as home values and the stock market soared. For households with assets totaling \$1 million to \$2 million, much of that wealth is locked up in primary residences and retirement accounts. Meanwhile, high interest rates have made it costly to borrow against liquid assets like real estate when cash is needed for large expenses.

Share of wealth held in each asset type by household's net worth, 2023



Source: Bloomberg, October 9, 2025 (analysis of U.S. Census Bureau SIPP)

What Is Asset-Based LTCI?

When planning for the potential cost of long-term care, you've probably considered long-term care insurance (LTCI). But premiums can be expensive, and if you do buy the coverage, you probably hope you never have to use it. The prospect of paying costly premiums for long-term care insurance that you may never use might discourage you from buying coverage.

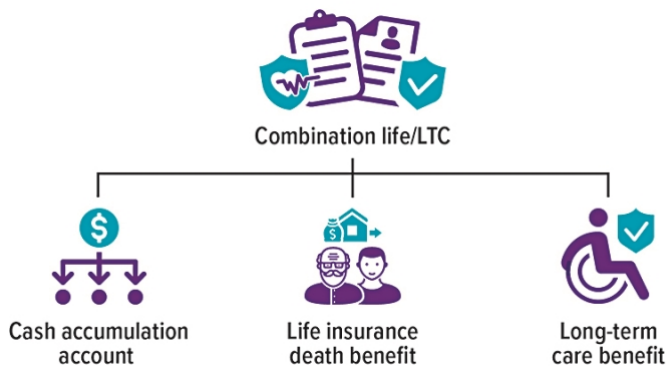
A possible solution is a type of insurance that blends several types of insurance coverage into a single policy. These hybrid LTC policies, also known as asset-based plans, combine the benefit of a life insurance policy or an annuity with the availability of long-term care benefits should you need them.

Life insurance asset-based plan

This type of plan combines permanent life insurance and long-term care coverage. Many such policies often require a substantial up-front premium, although some policies offer periodic premium payments (e.g., monthly, quarterly, annually). The amount of death benefit and long-term care allowance is based on your age, gender, and health at the time you buy the policy.

The appeal of this combination policy is that either you'll use the policy to pay for long-term care expenses, or your beneficiaries will receive the insurance proceeds at your death. In either case, someone will benefit from the premiums you pay. Benefits under an asset-based life insurance policy typically begin when the insured needs help with two or more activities of daily living such as eating, bathing, and dressing.

Example of combination permanent life/LTC policy features



Annuity asset-based plan

While policy provisions may differ from company to company, generally you put money into an annuity, usually in a lump sum or through a series of premium payments. You may also exchange another annuity or cash-value life insurance for a long-term care annuity via a Section 1035 exchange. The annuity typically pays a fixed rate of interest each year. In addition, the

annuity provides a long-term care benefit amount, usually equal to two or three times your annuity cash value, subject to a maximum benefit period, which is the maximum length of time that you may receive long-term care benefit payments from the annuity.

Long-term care annuity benefits are often paid monthly. There is usually a charge for the long-term care component that is deducted from your annuity each year. With this type of plan, you can use the annuity proceeds for long-term care, and if you don't use the long-term care benefit, you still have the typical annuity options (tax-deferred savings, lifetime income payments, etc.).

Whether an asset-based plan is right for you depends on a number of factors. But an asset-based plan may be a viable option available for long-term care planning that might merit a second look.

NOTE: *Permanent life insurance offers lifetime protection and a guaranteed death benefit as long as you keep the policy in force by paying the premiums. A portion of the permanent life insurance premium goes into a cash-value account, which accumulates on a tax-deferred basis throughout the life of the policy. Withdrawals of the accumulated cash value, up to the amount of the premiums paid, are not subject to income tax. Loans are also free of income tax as long as they are repaid. Loans and withdrawals from a permanent life insurance policy will reduce the policy's cash value and death benefit and could increase the chance that the policy will lapse, and might result in a tax liability if the policy terminates before the death of the insured.*

Generally, to be considered a tax-free exchange rather than a taxable surrender, you cannot receive the annuity proceeds directly; the proceeds from the annuity must be paid directly to the long-term care insurance company. Also, Section 1035 applies only if both the annuity contract and the long-term care insurance policy are owned by the same person or persons. A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the long-term care policy. It should be noted that carriers have the discretion to raise their rates and remove their products from the marketplace.

Generally, annuity contracts have fees and expenses, limitations, exclusions, holding periods, termination provisions, and terms for keeping the annuity in force. Most annuities have surrender charges that are assessed if the contract owner surrenders the annuity. Withdrawals of annuity earnings are taxed as ordinary income. Withdrawals prior to age 59½ may be subject to a 10% federal tax penalty. Any guarantees are contingent on the claims-paying ability and financial strength of the issuing insurance company.

The Race for AI Could Be Driving Up Your Power Bill

After nearly two decades of relatively stable prices, it's estimated that U.S. residential electricity rates increased 13% between 2022 and 2025, outpacing general inflation of 11% over the same period (as measured by the Consumer Price Index). In some regions where electricity was already more expensive, rates surged more than 20%. As a result, uncomfortably high electricity bills are impacting the finances of many Americans.¹

Meanwhile, as of mid-2025, 522 power-hungry hyperscale data centers used by technology companies to run artificial intelligence (AI) programs have sprung up around the nation. Another 180 facilities are expected to be constructed by 2028.²

If you have been shocked by your power bills recently, you may wonder if the furious race to monetize AI is the reason. Depending on where you live, the answer could be a resounding "yes."

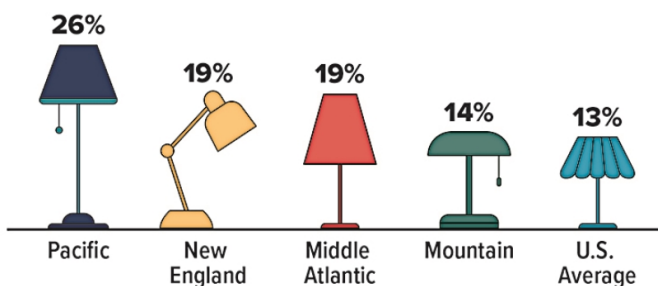
However, electricity prices vary by region and have many influences, from basic supply and demand forces to infrastructure costs and the price of fuels used to generate energy.

New demand from AI

In the United States, much of the electricity consumed by homes and businesses comes from a state or regional grid on which energy is traded. Customers' utility bills are based on the wholesale cost of electricity plus charges for operating, maintaining, and expanding the network. In some places, the supply of electricity (or capacity) has not kept up with demand from an influx of data centers, causing increases in wholesale prices that affect every customer getting their power from the same grid.

A Bloomberg analysis found that wholesale electricity costs near data center hubs were 267% higher in 2025 than they were five years earlier — with the impact on utility bills traveling longer distances than you might think.³

Regions with above-average increases in retail residential electricity prices (from 2022 to 2025)



Source: U.S. Energy Information Administration, May 14, 2025

One prominent example is "Data Center Alley" in Northern Virginia, the world's largest concentration of data centers. These data centers and others joined a large grid spanning from Illinois to Virginia, maximizing that network's capacity and pushing up prices for residents of 13 states.⁴

Blame it on the weather

Put simply, the nation's power grid infrastructure is aging and was not designed to power today's high-tech society. In addition, the costs to rebuild infrastructure and restore power to communities after recent historic natural disasters are passed on to utility customers. Notable examples in just the past five years include catastrophic wildfires in California (2025), Hurricanes Ian (2022) and Helene (2024) in Florida, and a polar vortex (or deep freeze) that caused an electric grid in Texas to fail (2021). Other powerful storms have caused expensive wind and flood damage in communities throughout the nation.⁵

Expanding capacity, but not enough

Rapid growth explains why data centers — which consumed less than 2% of U.S. electricity before 2020 — could gobble up as much as 12% of the nation's electrical power by 2028, according to Department of Energy projections.⁶

Developers and utilities are ramping up new electricity generation by building or restarting power plants and extending high-power transmission lines, but these types of projects are expensive, can be controversial, and often take years to complete.

By 2027, it's expected that capacity will be added to the nation's grid at twice the rate seen in the past five years, but it might still take several years to ease the power shortage. Consequently, data centers may have to wait years to connect to a grid, unless they commit to curbing their energy use during peak times when supplies are tight. Some companies are planning to generate their own power on-site, either as a stopgap or to bypass the grid indefinitely.⁷⁻⁸

Projections are based on current conditions, subject to change, and may not come to pass.

1) U.S. Energy Information Administration, May 14, 2025

2, 6-7) *The Wall Street Journal*, October 15, 2025

3) Bloomberg, September 30, 2025

4) Politico, October 3, 2025

5, 8) *The New York Times*, November 4, 2025

Voluntourism: Getting Away and Giving Back

Is your idea of a perfect vacation spending time alone on a beach with a good book? Or would you prefer a more active experience where you are part of a group, challenging yourself, and using your talents and skills to help others? If the latter sounds more appealing, then a volunteer vacation might be right for you.

A volunteer vacation allows you to give back, meet new people who share your interests, and immerse yourself in a different culture, with experiences that are not available to the average tourist.

If you love the outdoors, you can work on a national parks project in the United States or travel with a conservation group to Peru. If you want to work with children, you can find a service project at an orphanage in India or volunteer at a camp for children with special needs in Hawaii. Or you could make a difference teaching English at a school in a major city, working on an art conservation project in a museum, or caring for injured animals at a zoo.

Basic guidelines

Trip lengths vary, but many last from one to four weeks. During that time, you'll be expected to devote a substantial number of hours to project work. Yet volunteer vacations aren't all work and no play. Trips generally incorporate rest days or leisure periods where you're free to explore on your own or participate in a group tour, giving you unique insight into the area and a chance to unwind.

Some people are surprised that there's a cost associated with volunteering, but you'll typically need to pay for your own travel expenses. You may be able to deduct certain trip-related expenses on your federal income tax return. To do so, your trip must be sponsored by a qualified charitable organization, the personal element of your trip must be insignificant, and you must itemize deductions on your tax return. Consult with a tax professional if you have questions.

Before you sign up for a volunteer vacation, research the organization, including its tax status and how long it has been offering similar trips. Be sure that you understand exactly what you will be doing each day, what the organization will provide, and what your costs will be, including airfare, meals, lodging, local transportation, and insurance. With advance preparation, you might embark on a fun and meaningful adventure.

Many organizations offer volunteer vacations. Here are three to get you started.

American Hiking Society

americanhiking.org/volunteer-vacations — rugged, outdoor experiences working on U.S. hiking trails

International Volunteer HQ volunteerhq.org — volunteer vacation opportunities in 48 countries

Go Overseas gooverseas.com/volunteer-abroad — links to a variety of overseas volunteer opportunities

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.