

# Cape Ann Savings

## Trust & Financial Services



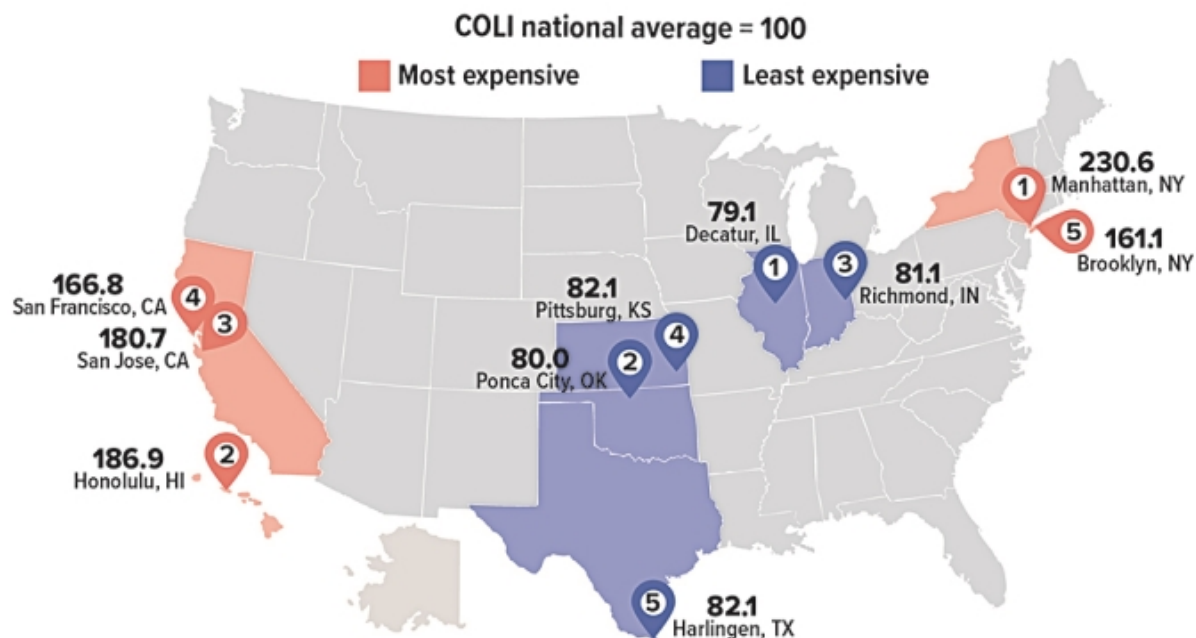
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## Cost of Living Varies Widely Across the U.S.

Residents of Manhattan, NY, live in the nation's most expensive urban neighborhoods, paying more than twice the national average to maintain a "professional/managerial" standard of living. By contrast, individuals who live in Decatur, IL, can stretch their dollars the farthest, paying less than 80% of the national average. Here are the five most and least expensive urban areas of the country, according to The Council for Community and Economic Research Cost of Living Index (COLI).



Source: The Council for Community and Economic Research Cost of Living Index, 2025 (2024 data)

# Catch Up for a More Comfortable Retirement

A 2024 survey found that only a third of U.S. workers age 50 and older feel that their savings contributions have them on track to enjoy a comfortable retirement.<sup>1</sup>

If your retirement account balance is lagging — or even if your nest egg seems robust — you can give your savings a boost by taking advantage of catch-up contributions that are available to those age 50 or older. This is often a time when salaries are highest, and you may thank yourself later if you put your current income to work for the future.

This opportunity is available for IRAs and employer-sponsored retirement plans — and there is a new opportunity in 2025 for some workers to make even bigger contributions to employer plans. You might be surprised by how much your savings could grow late in your working career.

## Employer plans

Employer plans offer the most generous tax-advantaged contribution limits, and employers often match employee contributions up to a certain percentage of salary. Employer plan contributions for a given tax year must be made by December 31 of that year, but employers will generally allow you to adjust your contributions during the year.

For 2025, the individual contribution limit for 401(k), 403(b), and government 457(b) plans is \$23,500, with an additional \$7,500 catch-up contribution for those age 50 and older, for a total of \$31,000. However, beginning in 2025, workers age 60 to 63 can make a larger catch-up contribution of \$11,250 for a total of \$34,750. Like all catch-up contributions, the age limit for this "super catch-up" is based on age at the end of the calendar year. It is not prorated, so you are eligible to make the full \$11,250 contribution if you are age 60 to 63 at any time during 2025 and do not turn 64 by the end of the year.

SIMPLE retirement plans have lower but still generous limits: \$16,500 in 2025 plus an additional \$3,500 catch-up contribution for employees age 50 and older or an additional \$5,250 for employees age 60 to 63. (Some plans have higher standard and age-50 catch-up limits: \$17,600 and \$3,850, along with the \$5,250 super catch-up.)

## IRAs

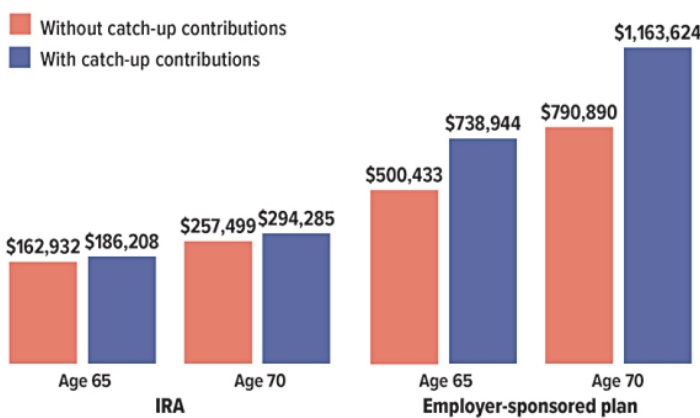
Unlike contributions to employer plans, IRA contributions can be made for the previous year up to the April tax filing deadline. So you can make contributions for 2024 up to April 15, 2025, and contributions for 2025 up to April 15, 2026. Make sure your IRA administrator knows which year the contributions are for.

The federal contribution limit in 2024 and 2025 for all IRAs combined is \$7,000, plus a \$1,000 catch-up

contribution for those 50 and older — for a total of \$8,000 each year. An extra \$1,000 might not seem like much, but it could make a big difference by the time you're ready to retire. If only one spouse is working, a married couple filing a joint return can contribute to an IRA for each spouse as long as the working spouse has earned income that is at least equivalent to both contributions.

## Savings Boost

Additional amounts that might be accrued between age 50 and age 65 or 70, based on making maximum annual contributions at current limits to an IRA or an employer-sponsored plan (includes additional catch-up for ages 60 to 63)



Assumes a 6% average annual return. If annual inflation adjustments to maximum contribution amounts were included, actual totals could be higher. This hypothetical example of mathematical compounding is used for illustrative purposes only and does not represent any specific investment. It assumes contributions are made at end of the calendar year. Rates of return vary over time, particularly for long-term investments. Fees and expenses are not considered and would reduce the performance shown if they were included. Actual results will vary.

## IRA MAGI limits

IRA contributions up to the combined limit can be traditional, Roth, or both. If an individual is an active participant in an employer-sponsored retirement plan, the ability to deduct traditional IRA contributions phases out in 2025 at a modified adjusted gross income (MAGI) of \$79,000–\$89,000 for single filers or \$126,000–\$146,000 for joint filers (\$77,000–\$87,000 and \$123,000–\$143,000 in 2024). If one spouse is an active participant in an employer-sponsored plan and the other is not, deductions for the nonparticipant phase out from \$236,000–\$246,000 in 2025 (\$230,000–\$240,000 in 2024).

The ability to contribute to a Roth IRA phases out in 2025 at a MAGI of \$150,000–\$165,000 for single filers and \$236,000–\$246,000 for joint filers (\$146,000–\$161,000 and \$230,000–\$240,000 in 2024).

1) AARP Financial Security Trends Survey, 2024

# Debt After Death: What Happens to Debt When Someone Dies?

Losing a loved one is never easy. In addition to the emotional challenges you may face, you might also be worried about what will happen to their debts once they are gone.

Generally, with limited exceptions, when a loved one dies you will not be liable for their unpaid debts. Instead, their debts are typically addressed through the settling of their estate.

## How are debts settled when someone dies?

The process of settling a deceased person's estate is called probate. During the probate process, a personal representative (known as an executor in some states) or administrator if there is no will, is appointed to manage the estate and is responsible for paying off the decedent's debts before any remaining estate assets can be distributed to the beneficiaries or heirs. Paying off a deceased individual's debts can significantly lower the value of an estate and may even involve the selling of estate assets, such as real estate or personal property.

Debts are usually paid in a specific order, with secured debts (such as a mortgage or car loan), funeral expenses, taxes, and medical bills generally having priority over unsecured debts, such as credit cards or personal loans. If the estate cannot pay the debt and no other individual shares legal responsibility for the debt (e.g., there is no cosigner or joint account holder), then the estate will be deemed insolvent and the debt will most likely go unpaid.

Estate and probate laws vary, depending on the state, so it's important to discuss your specific situation with an attorney who specializes in estate planning and probate.

## What about cosigned loans and jointly held accounts?

A cosigned loan is a type of loan where the cosigner agrees to be legally responsible for the loan payments if the primary borrower fails to make them. If a decedent has an outstanding loan that was cosigned, such as a mortgage or auto loan, the surviving cosigner will be responsible for the remaining debt.

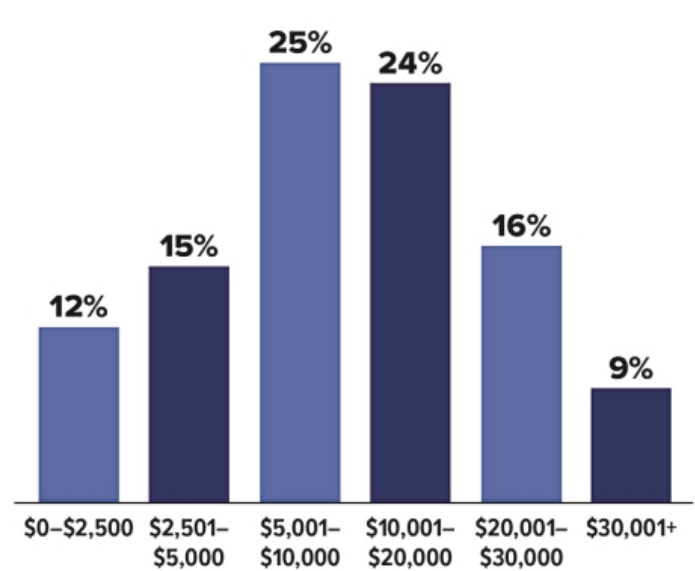
For cosigned private student loans, the surviving cosigner is usually responsible for the remaining loan balance, but this can vary depending on the lender and terms of the loan agreement.

If a decedent had credit cards or other accounts that were jointly held with another individual, the surviving account holder will be responsible for the remaining debt. Authorized users on credit card accounts will not be liable for any unpaid debt.

## Are there special rules for community property states?

If the decedent was married and lived in a community property state, the surviving spouse is responsible for their spouse's debt as long as the debt was incurred during the marriage. The surviving spouse is responsible even if he or she was unaware that the deceased spouse incurred the debt.

## How much debt Americans expect to leave behind when they die



Source: Debt.com Death and Debt Survey, 2024

## What if you inherit a home with a mortgage?

Generally, when you inherit a home with a mortgage, you will become responsible for the mortgage payments. However, the specific rules will vary depending on your state's probate laws, the type of mortgage, and the terms set by the lender.

## Can you be contacted by debt collectors?

If you are appointed the personal representative or administrator of your loved one's estate, a debt collector is allowed to contact you regarding outstanding debts. However, if you are not legally responsible for a debt it is illegal for a debt collector to use deceptive practices to suggest or imply that you are. Even if you are legally responsible for a debt, under the Fair Debt Collection Practices Act (FDCPA), debt collectors are not allowed to unduly harass you.

Finally, beware of scam artists who may pose as debt collectors and try to coerce or pressure you for payment of your loved one's unpaid bills.

# Have You Checked Your Social Security Statement Lately?

The Social Security Administration (SSA) provides personalized Social Security Statements to help Americans age 18 and older better understand the benefits that Social Security offers. Your Statement contains a detailed record of your earnings and estimates of retirement, disability, and survivor benefits — information that can help you plan for your financial future.

You can view your Social Security Statement online at any time by creating a *my* Social Security account at the SSA's website, [ssa.gov/myaccount](https://ssa.gov/myaccount). If you're not registered for an online account and are not yet receiving benefits, you'll receive a Statement in the mail every year, starting at age 60.

## Monthly benefit estimates

Your Social Security Statement tells you whether you've earned enough credits by working and paying Social Security taxes to qualify for retirement and disability benefits and, if you qualify, how much you might receive. Generally, monthly retirement benefits are projected for up to nine claiming ages from 62 to 70. If you qualify, you can also see how much your survivors might receive each month in the event of your death.

The amounts listed are estimates based on your average earnings in the past and a projection of future earnings. Actual benefits you receive may be different if your earnings increase or decrease in the future.

Amounts may also be affected by other factors, including cost-of-living increases (estimates are in today's dollars) and other income you receive. Estimates are based on current law, which may change.



*Because estimates change over time, check your Social Security Statement annually to stay on top of future benefits you or your family members might receive.*

## Annual earnings record

In addition to benefit information, your Social Security Statement contains a year-by-year record of your earnings. This record is updated when your employer reports your earnings (or if you're self-employed, when you report your own earnings). Earnings are generally reported annually, so your most recent earnings may not yet be on your Statement.

Because Social Security benefits are based on average lifetime earnings, it's important to make sure your earnings have been reported correctly. Compare your earnings record against past tax returns or W-2s. If you find errors, let the Social Security Administration know right away by calling (800) 772-1213.

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.