



VESTED INTEREST

NEWSLETTER OF THE WEALTH STRATEGIES GROUP AT CANANDAIGUA NATIONAL BANK & TRUST

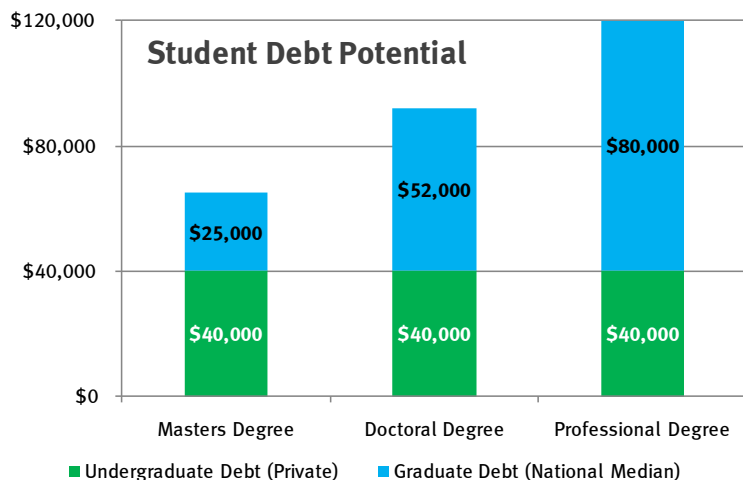


Containing the Cost of College For Your Family

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Earning a college degree is certainly a worthy goal. But attaining one can be so expensive that the unwary often pay far more than necessary, resulting in depleted savings and onerous loan re-payments.

The average annual cost for private college (including tuition, room & board, etc.) was \$40,000 in 2010. Public schools cost half as much, but that still totals \$80,000 over four years. Add on even more for graduate degrees.



- U.S. colleges have increased their fees since 1980 five times as fast as inflation.
- Total student debt in America is now greater than total credit card debt.
- Two thirds of college students graduate with outstanding loans that average \$25,000.

It's no wonder so many strapped graduates are moving back home or delaying marriage and starting a family! Fortunately, there are steps your family can take to control and even reduce expected college expenses before they get out of hand.

How CNB Can Help

CNB has recently partnered with College Assistance Plus ("CAPlus[®]") to offer education and advice specifically focused on helping our clients make successful financial decisions for their children and/or grandchildren. With college now such an expensive long-term commitment, it may be worth having a team of experts on your side.

Contact Kirsten Johnson at 800-724-2621 ext. 42221 or visit CNBank.com/CAPlus for more information.

Sources: *The Economist, CBS News, NY Times, FinAid.Org*



Avoiding the Traps of Short-Term Market Volatility

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I recently attended an investment seminar for fellow investment professionals. One of the speakers asked the group what the return of the best performing equity mutual fund was during 2000 – 2009. Many guesses were made but the correct answer was 18.2% per annum. The follow up question from the speaker was "what was the average return of investors in this same fund"? Again, many guesses were made but the astonishing correct answer was -11%! Why could a fund with such a great return give investors, on average, such a poor experience?

As long-term investors, we know the answer to this. Investor behavior drove investment into the fund as it was posting great returns. As markets fell, the fund returns didn't match up to the previous short-term performance and investors liquidated and got out. The average investor did exactly what the average investor always has been shown to do...*buy high and sell low*. Had they simply remained invested through this 10-year period, they would have had a great experience and been much wealthier today.

A similar phenomenon is happening right now. We are all aware that gold, as an asset class, has had a great 5-year run topping out recently at \$1,900 per ounce. At one point in August 2011, the largest Exchange Traded Fund of gold (ETF GLD) was larger in asset size than the largest ETF of the S&P 500 (ETF SPY)*.

Are investors really so sure that owning gold is a better investment than owning a share of the largest 500 companies in America? It seems to us that the gold bubble will eventually pop, as bubbles seem to do, and we expect the average investor will have a similar experience as the mutual fund investors had in the previous paragraph.

"You could take all the gold that's ever been mined, and it would fill a cube 67 feet in each direction. For what that's worth at current gold prices, you could buy all—not some—all of the farmland in the United States. Plus, you could buy 10 Exxon Mobils, plus have \$1 trillion of walking-around money. Or you could have a big cube of metal. Which would you take? Which is going to produce more value?" —Warren Buffett

The Experience of the Wealth Strategies Group

The Wealth Strategies Group is made up of professionals who spend a great deal of time understanding and working on investor behavior. We know volatility creates a sense of uneasiness but we believe in the tried and true long-term approach to investment management. We work closely with our clients to learn their risk tolerance levels so that we can allocate their assets appropriately to minimize risk for the level of return the client is seeking.

*Source: *Bloomberg*

Benefits of Having a Florida Resident Trust



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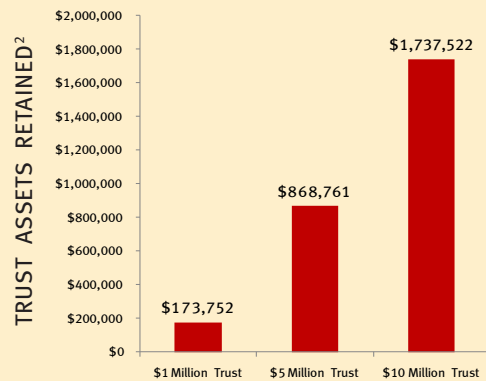
With an attractive tax structure and progressive trust laws, the State of Florida has earned its place as one of the top “trust friendly” states.

On taxes, Florida has long been an attractive option with no state income tax, no estate or inheritance tax, for trusts domiciled in Florida. Because Florida does not tax trust income or capital gains, over time this can have a significant positive impact to your trust, in particular for generation skipping trusts.

This lead into Florida’s “rule against perpetuities”, which defines how long a trust may exist before it must end and distribute to its beneficiary’s. In Florida a trust can continue for 360 years and although a long time it represents approximately 4 to 5 generations.

In states that have shorter time periods such as New York State, fortunes can dissipate sooner within 2 or 3 generations because the trust must end sooner thereby imposing estate taxes upon beneficiary’s receiving those assets.

In Florida, you are able to create trusts that skip 4 to 5 generations before those assets become subject to estate or generation skipping taxes. This can be a significant advantage in building longstanding wealth while benefiting multiple generations. The chart below shows the accumulated state income tax savings over 25 years—the amount that a trust from New York would retain if domiciled in Florida.



²Assumes 7% annualized return, of which 2% represents income distributions and 5% represents realized long-term capital gains. Hypothetical trust accounts in New York pay both federal and state income taxes on the realized long-term capital gains, and the hypothetical trust accounts in Florida pay only federal income taxes on the realized long-term capital gains.

In recent years, Florida has expanded their trust laws to provide greater flexibility and powers to trustees who are responsible for complex investment, administrative, tax and legal issues.

Among them is the power of a trustee to delegate certain functions or duties to other co-trustees, or investment functions to a third party agent who has a particular expertise.

It is increasingly difficult to name a trustee best suited to carry out all these responsibilities; a trust company may best be suited to handle the administration, tax and legal issues and investments, while a family member might be responsible for understanding the family relationships and financial needs, or to oversee an ongoing family business.

How We Can Help

Based in Sarasota, Canandaigua National Trust Company of Florida can help re-establish your trust assets in Florida as your Trustee to benefit from potential tax savings.

For more information , please contact your Relationship Manager at 585-419-0670 or visit CNTrustCompany.com to learn more.



Business and Personal Banking Switch Offers Available!

Bring your checks into any Canandaigua National Bank & Trust Bank Office - we have special offers just for you.

The Benefits of Optimum Checking

As a client of the CNB Wealth Strategies Group, we offer our Optimum Checking Accounts to you with:



- **No Monthly Maintenance Fees, Free Checks¹**
- **Overdraft Protection**
- **Identity Theft Protection**
 - Set Fraud Alerts
 - Order & Monitor Credit Reports
 - Organize and Secure Personal Information
 - Activate Restorative Services
- **Foreign ATM Fee Reimbursement²**
- **Loan Rate Discounts**
- **Travel Benefits**



Ask the Experts

Making Long-Term Care Costs Affordable

Tune in Sunday, November 27th at 8:00pm to News Radio 1180 WHAM to hear our Wealth Strategies Group Officers on “Ask the Experts.”

Call the show at 585-222-1180.

Show scheduled for 8:00pm. Time and topic subject to change.

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¹A monthly fee of \$15 will be charged on every statement date if the combined balance in CNB accounts for the statement period falls below \$20,000. The combined balance for the Optimum account is: the average daily balance in Checking, Savings, Money Market, Certificates of Deposit, Basic Business Checking; and the outstanding balance for auto loans, CNB in-house Mortgage loans, personal loans, home equity loans or lines of credit, a Wealth Strategies Group or Genesee Valley Trust relationship, or a qualified Online Brokerage Services (OBS) account.

²A monthly rebate of terminal usage fees at non-CNB ATMs; up to \$8 for Optimum and up to \$4 for e-essentials