IN THIS ISSUE

Estate planning

Why you and your family might need a living trust

Living Trusts, Pro and Con

Trust terms enforced

Understand what you sign

Tax planning

Get ready for income tax filing

PBT Trust & Financial Services

INSIGHTS

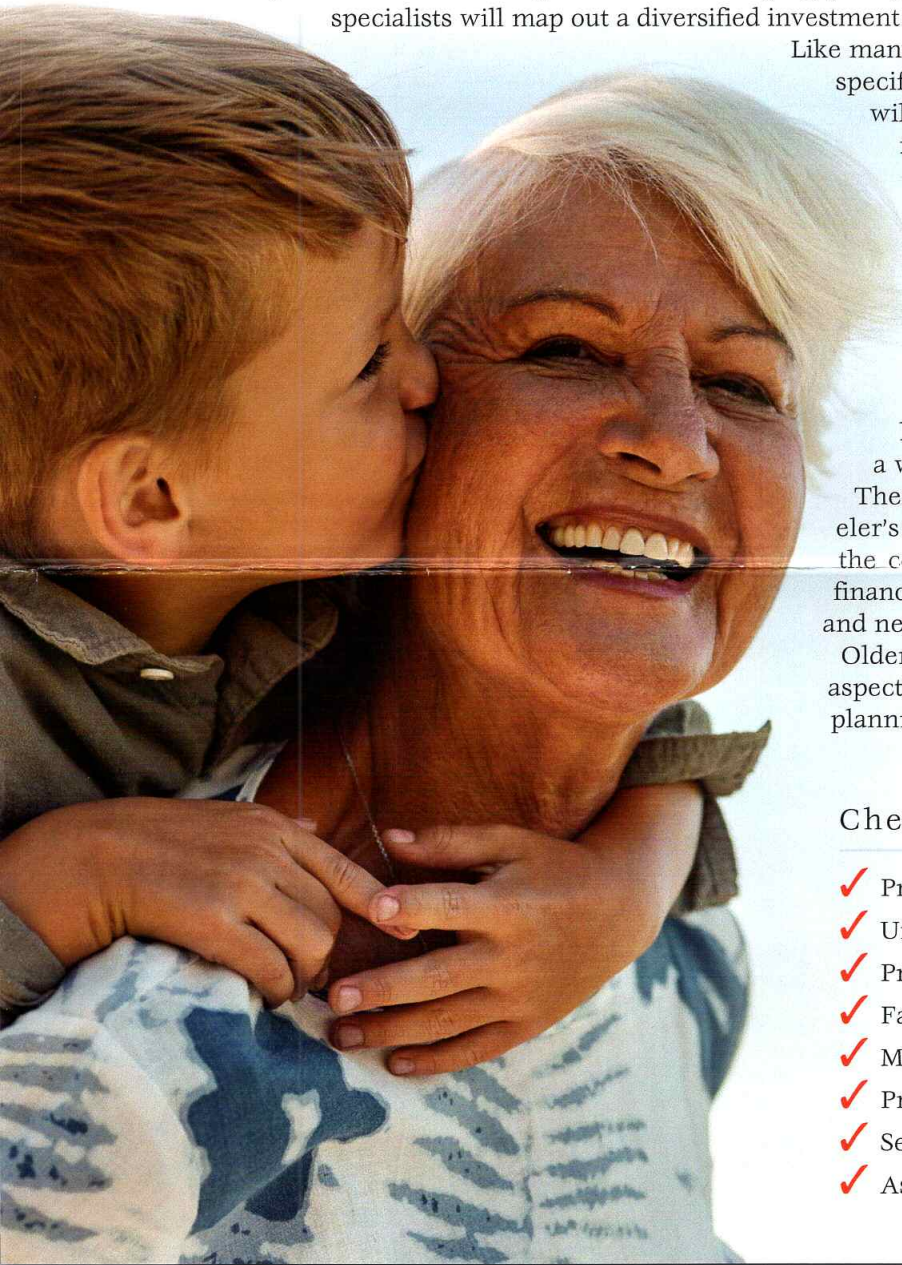
Trust, Estate & Investment News

January 2026

Why you and your family might need a living trust

New perspectives on revocable living trusts

One of the most useful and flexible wealth management tools is the revocable living trust. Traditionally, we like to point to three basic benefits that these trusts offer.



Professional asset management. After studying your goals and circumstances, our wealth-management specialists will map out a diversified investment program that is appropriate for your requirements. Like many of our customers, you may authorize us to select specific investments on your behalf, confident that we will carry out this responsibility faithfully. (We have no securities to sell, nor do we receive commissions on purchases and sales. Our annual compensation is limited to the moderate fees we charge as trustee.) Or, if you prefer, you may have each proposed investment change submitted for your approval. Our objective is not only to add to your financial security but to give you more opportunities to enjoy it.

Uninterrupted family financial protection. A living trust agreement can instruct us to perform a wide variety of special tasks when the need arises. These tasks might be as simple as paying a world traveler's quarterly estimated taxes while he or she is out of the country—or as complex as handling all household financial matters for a customer who has suffered a stroke and needs a housekeeper and nursing home care.

Older individuals often find this "future protection" aspect of our services especially attractive. With proper planning, living trusts can do much to avoid the financial

Checklist of living trust benefits

- ✓ Professional asset management
- ✓ Uninterrupted family financial protection
- ✓ Probate avoidance
- ✓ Family financial privacy
- ✓ Minimizing identity theft
- ✓ Protecting aging retirees
- ✓ Serving disabled loved ones
- ✓ Asset protection in divorce

management problems that arise during a prolonged period of incapacity—problems that might otherwise have to be dealt with by a court-appointed guardian or conservator.

Probate avoidance. Assets placed in a living trust are said to avoid probate because these assets are removed from your "probate estate"—the estate controlled by your will. Trust assets are distributed to beneficiaries, or held in continuing trust, as you direct in the trust agreement. Thus, using a living trust as the core of an estate plan usually leads to reduced settlement costs.

More importantly, delays are avoided. For example, a married person's living trust can simply keep operating, uninterrupted by estate-settlement procedures, for the benefit of the surviving wife or husband. Living trusts also help to keep estate plans private. Unlike probated wills, provisions for the distribution of assets contained in living trust agreements do not normally go on public record.

New benefits

But living trusts can do more. Among the emerging benefits are:

Minimizing identity theft. The problem of identity theft has exploded in recent years. A funded revocable trust may have its own tax ID number, rather than using the settlor's own Social Security number. In the event that the settlor's Social Security number is compromised, the trust assets will still be protected.

Protecting aging retirees. More and more retirements are lasting longer than 20 years, and more and more elderly are developing some level of cognitive impairment. A living trust can provide for successor trustees as the beneficiary's abilities decline. Checks and balances can be built into the plan, in the form of co-trustees or trust protectors. A care manager plan might also be included to provide annual or quarterly assessments of how the beneficiary is doing.

Serving disabled loved ones. A revocable trust may contain special-needs language to provide for an ill relative or an incapacitated adult child. The trust may also provide for successor trustees should the caregiver become incapacitated.

Asset protection in divorce. If gifted or inherited assets are segregated into a trust, they won't be commingled with other marital assets. As such, those assets won't be vulnerable in a subsequent divorce proceeding.

Notwithstanding the loss of urgency in estate planning attributable to the increase in the federal exemption from estate taxes, the traditional and emerging benefits associated with revocable living trusts will make them an essential part of late-stage life planning for years to come.

To get started

To set up a living trust with us, you give us your instructions in a trust agreement, prepared by your attorney, and transfer the stocks, bonds, investable cash or other assets you wish to place in your trust. Because the trust agreement is revocable, you can cancel the arrangement if you ever find it unsatisfactory. You also remain free to add assets, withdraw assets, or modify the terms of the trust.

Can resourceful management and responsive financial services eliminate all threats to financial security? Not quite. There always remains an element of luck. But as a wise person has said, you can't *hope* to be lucky. You have to *prepare* to be lucky.

We look forward to assisting you in your preparations.



Living Trusts, Pro and Con

Although a living trust may not be right for everyone, the advantages are impressive.

Potential Advantages	Potential Disadvantages
Professional asset management	Planning expenses—a lawyer is required to draft the trust plan
Avoidance of guardianship	Ongoing administration expenses, though these need to be compared with other comparable investment management accounts
Probate avoidance, which is especially useful if assets are owned in more than one state	Inconvenience of having a separate legal entity own and manage assets—this problem disappears if a corporate fiduciary is chosen
Financial privacy for the estate plan and the beneficiaries	
Continuity of investment management at death	
Uninterruptible financial protection at death of the grantor	



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Get ready for income tax filing



It's that time of year again, when we look back at our 2025 financial history to settle up with the IRS. Key dates to keep in mind:

- January 15, 2026, 4th quarter 2025 estimated tax payment;
- January 27, 2026, the IRS will begin accepting and processing individual 2025 tax returns;
- January 31, 2026, employers must issue Form W-2 to employees and Form 1099-NEC to independent contractors for 2025 income;
- February 2, 2026, most 1099s due to the recipients (1099-NEC, 1099-INT, 1099-DIV, 1099-R);
- February 17, 2026, Forms 1099-B, 1099-S, and 1099 MISC due to the recipients;
- March 15, 2026, Partnership (Form 1065) and S Corporation (Form 1120S) returns are due for 2025 income;
- April 15, 2026, individual federal income tax returns are due, as well as estimated tax payments for the first quarter of 2026.

"Above-the-line" adjustments

A variety of factors may be taken into account to reduce gross income to "adjusted gross income (AGI)." Among them are:

- expenses of a trade or business carried on by the taxpayer;
- losses from the sale or exchange of property;
- contributions to Health Savings Accounts;
- for the self-employed, contributions to health insurance, retirement plans, and 50% of the self-employment taxes for the year;
- alimony for divorces before 2019; and
- contributions to traditional Individual Retirement Accounts.

Note that the IRA contribution may be made until the time for filing the tax return.

Itemized deductions

The rough doubling of the standard deduction in 2017, coupled with the $10,000 cap on the deduction for state and local taxes (SALT), led to a sharp decline in the number of taxpayers who itemized deductions. Now that the SALT cap has been lifted to $40,000, itemizing may gain in popularity. Among the other expenses that may be deductible are:

- medical and dental expenses, but only to the extent that they exceed 7.5% of the taxpayer's AGI;
- home mortgage interest deduction, on debt up to $750,000 ($500,000 if the debt was secured before December 16, 2017);
- casualty and theft losses in federally declared disaster areas; and
- charitable contributions, up to 60% of AGI for cash contributions. Other percentage limits apply to gifts of ordinary income property and capital gain property. Gifts of property worth more than $5,000 must be documented by a qualified appraiser. Excess charitable contributions may be carried forward for five years. The deduction must be reduced by the value of any goods, services, or other benefits received in exchange for the contribution.

It's complicated

The tax preparation industry earned an estimated $14.5 billion in 2025. As you can see, the tax code is very complicated, so professional tax preparers are working hard for their money. Alternatively, there are several software packages available to facilitate the preparation of one's tax return filings on one's personal computer. As a rule, we recommend securing the services of a professional because getting the tax returns done correctly is well worth the expense.

Trust terms enforced

In the 1950s, Father and Mother created four trusts—one for each of their four young sons. Those trusts included termination when each beneficiary son reached age 30, presumably with the expectation that he would then be financially mature and able to handle the money.

One of the sons, Charles, married and had a child in 1972. His daughter was named Zazulak. In 1975, Charles commenced divorce proceedings, and in 1976, he executed his will. Charles provided nothing to his young daughter, instead he directed that his estate be divided among his brothers' trusts. In the event that a brother died before Charles, that brother's share would go to their mother—and if she had also died, the money would be divided among the trusts of the surviving brothers.

There matters stood until 2020, when Charles died. Apparently, he never took another look at his will. After a brother was named executor of the estate and offered the will for probate, Zazulak objected, arguing she was the sole heir of Charles' estate. The bequest to the trusts for the brothers failed, because by their terms, those trusts had all terminated years earlier, when the brothers reached age 30. Their mother had died as well.

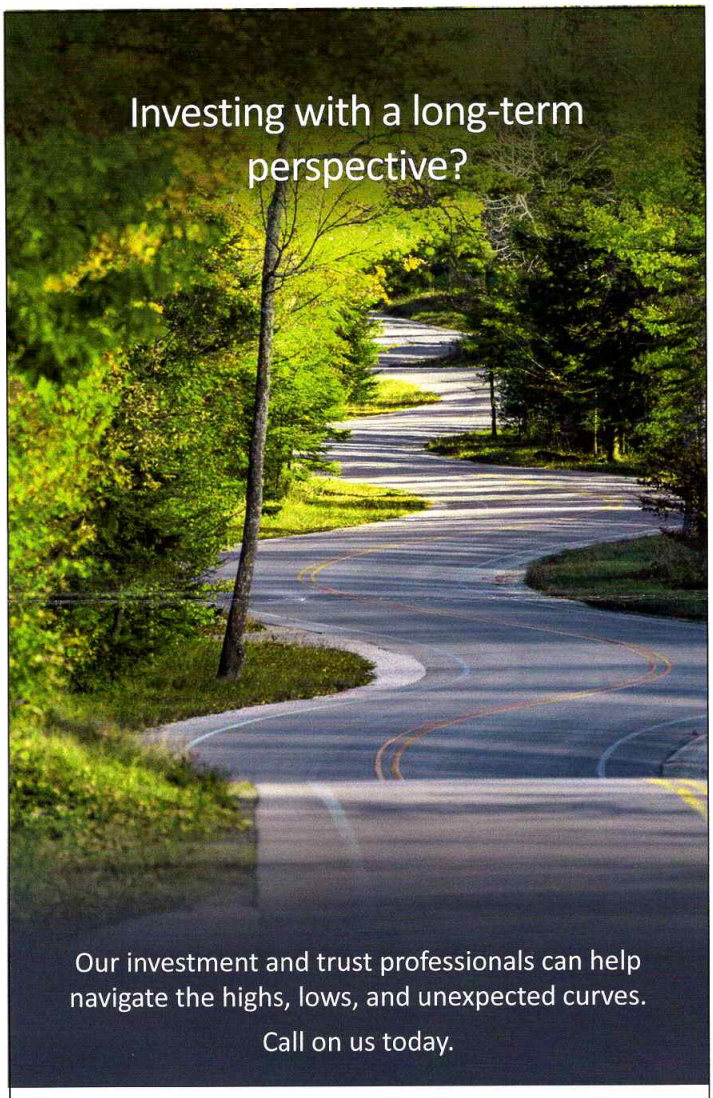
Zazulak won her case and became Charles' sole heir. Charles must have known that the trusts would terminate at age 30, because his own trust should have terminated in 1980. Why did he never revisit his estate planning documents? He took that secret to the grave.

Understand what you sign

When Daughter died intestate, she was survived by Father and Son. Father inherited Daughter's interest in a promissory note. Son approached Father, asking him to sign a disclaimer of his interest in that note, which Father did. Later, he had second thoughts and asked that his disclaimer be canceled. Father argued that although the disclaimer described the property interest he was giving up, it did not include the value of that interest. Had Father known how much he was giving up, he argued, he would not have signed the disclaimer.

This round goes to Son, as Minnesota law does not require a disclaimer to include the value of the disclaimed property, the Appellate Court ruled. Father's disclaimer is valid.

However, further legal proceedings will be required. There remains the question of whether Son fraudulently induced Father into signing the disclaimer, and there is also a possibility that the disclaimer was unlawful because Father was insolvent at the time that he signed it.



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