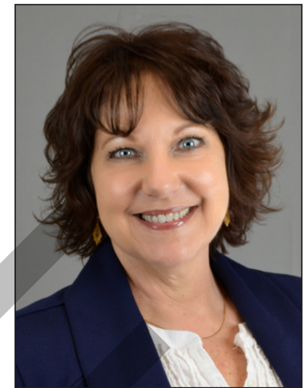
LET'S TALK
MONEY®
January/February 2025

YES, A RETIREMENT PORTFOLIO CAN BE TOO AGGRESSIVE



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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Stocks offer the potential for higher returns but also have greater investment risk, making portfolios susceptible to market downturns. Having a portfolio that is too heavily weighted in aggressive stocks is a concern, especially for anyone nearing retirement. With the start of a new year, it may be a good idea to review your total investments to make sure that they align with your objectives and timeline.

One Option

If you determine that you need to rebalance* your investments, an annuity can be a powerful tool to help stabilize and potentially reduce a retirement portfolio's overall risk. Annuities** offer options and guarantees that make them popular with retirees and investors nearing retirement.

Annuity Advantages

Annuities offer tax-deferred growth, which is a plus for high-net-worth individuals near retirement and who are most likely in their peak earning and tax-paying years. Also, an annuity offers a guaranteed income stream for life! Retirees appreciate knowing that one income source will always be there.

Choices

An annuity isn't a one-size-fits-all solution. You can choose from several types of annuities, which allow you to fine-tune your retirement investments to suit your unique circumstances. Ask your trusted financial professional about requirements, fees, and suitability before deciding.

Fixed annuities come in two different types: fixed immediate annuities, which pay an income right now, and fixed deferred annuities, which accumulate interest tax deferred and pay out income at a later date you choose. They pay a relatively modest annual return, generally slightly higher than the interest on

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At the start of 2024, the Federal Reserve Board estimated that 40% or more of individuals born in 1964 and earlier owned more stock than the 47%-67% equity allocation often recommended (depending on age).
Source: Survey of Consumer Finances, December 2023

High Net Worth Version

LTM Client Marketing
helping financial professionals stay connected

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A WIN-WIN PLANNING SOLUTION

Looking for a tax-efficient way to support your favorite charities while providing for your heirs? A charitable lead trust (CLT) may be a solution. With a CLT, you can make a meaningful impact on causes you support while potentially reducing your tax burden.

What is a Charitable Lead Trust?
It's a legal arrangement that allows you to transfer assets to a trust, which makes annual payments to the charity of your choice for a specified period. Once that period ends, the remaining trust assets can be passed on to your heirs or beneficiaries.

A Unique Opportunity
A key advantage of a CLT is its ability to generate a charitable deduction for you. By funding the trust, you can potentially offset a portion of your income, estate, and gift taxes. Additionally, any appreciation on the trust assets during the charitable period won't be subject to estate or gift taxes when they pass to your heirs. This can effectively transfer wealth to future generations while supporting causes that matter to you now.

Creating a charitable lead trust is a complex financial decision that requires careful consideration and the advice of tax, legal and financial professionals. But If you're passionate about giving back and want to leave a lasting legacy, a CLT may be a way to make a meaningful impact for generations to come.

MANY UNDERESTIMATE THE IMPORTANCE OF AN ESTATE STRATEGY

Although the percentage of younger people who have started planning their estates rose from 16% in 2020 to 24% in 2024, many Americans of all ages, even higher earners, don't have an estate strategy. In fact, among higher-than-average earners, the percentage dropped from 2023 to 2024.

Year	% with estate strategies
2020	45%
2021	45%
2022	48%
2023	49%
2024	45%

Source: 2024 Wills and Estate Planning Study, Caring.com, 2024

A ROTH IRA FOR YOUR CHILD

You might think individual retirement accounts (IRAs) are only for adults, but a Roth IRA can be a smart way to give your child a head start in building wealth.

Let's Talk Basics
Current tax law allows earnings on Roth IRA investments to potentially grow tax-free and can thus be withdrawn at age 59½ or older with no tax consequences or penalties. Unlike other retirement accounts, a Roth IRA allows contributions (but not earnings) to be withdrawn penalty-free at any time. This can be incredibly valuable when funding future education or a first home purchase.

Logistics
As a parent, grandparent, or legal guardian, you can open a custodial Roth IRA on behalf of a child and manage the account until the child reaches the age of majority (generally 18). If you wish, you can also make the annual contributions on the child's behalf, up to certain limits, leaving the child's earned income with them.

You may invest as much as the Roth IRA annual contribution limit or the child's earned income for the year if less. Thanks to the annual gift tax exclusion, which was $18,000 for 2024, your gift contributions should be gift—and estate-tax-free. These amounts change annually.

A Teaching Tool
Opening a Roth IRA for your child is also a powerful way to teach them the importance of investing and saving for the future. By involving them in the process and explaining how their contributions can grow over time, you're instilling valuable financial literacy skills that will serve them well in adulthood. It's an opportunity to start a conversation about long-term financial planning and set them on the path to financial independence from an early age.

If you're thinking about ways to invest in your child's future, consider talking with your trusted financial professional about the power of a Roth IRA. It's an investment that can truly make a difference.

A child's earned income for Roth IRA contributions can come from regular wages or self-employment, such as lawnmowing, babysitting, or even a lemonade stand.

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bank CDs. Their contracts guarantee a minimum credited interest and charge fees.**

Variable annuities offer a potentially higher return, accompanied by greater risk. They come in different classes, and the requirements vary. You can decide how the money will be invested, selecting from a menu of investment funds that go into a personal "sub-account." Income payments are based on the performance of those investments.***
Indexed annuities fall somewhere between the fixed and variable choices regarding risk and potential reward. The buyer receives a guaranteed minimum payout, but a portion of the return is tied to the performance of a market index.**

Despite potentially greater earnings, variable and indexed annuities are often criticized for their relative complexity and fees, including steep surrender charges.

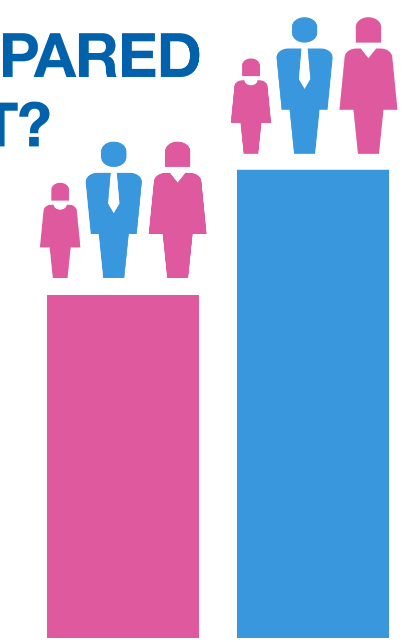
A thoughtful retirement investing strategy, whether or not it includes an annuity, can help set the stage for a more financially secure retirement aligned with your unique aspirations.

**Rebalancing a portfolio may create a taxable event if done outside of a retirement account.*

*** Annuity products are not FDIC-insured; their guarantees are backed solely by the claims-paying ability of the life insurance company issuing them. Earnings distributed from annuities are taxed as ordinary income and, if taken before age 59½, may be subject to an additional 10% tax.*

****Read the prospectus and consider the investment objectives before investing. Variable annuities are designed for long-term investing and are subject to investment risk, so when redeemed, they may be worth more or less than the amount invested. Additionally, they are subject to mortality and expense charges, administrative fees, and the expenses associated with the underlying funds.*

WHO'S BEST PREPARED FOR RETIREMENT?



Americans with average annual earnings in the 90 to 100 percentile ($216,000 and higher) have mean retirement savings of $913,300.

This is significantly higher than the $226,700 in mean retirement savings owned by those with average earnings in the 50 to 89.9 percentile ($75,000 to $216.000).

Source: Federal Reserve Data, 2023

SECURE ACT PROVISIONS EFFECTIVE FOR 2025

The IRS has issued final regulations updating some changes made by the SECURE and the SECURE 2.0 Acts that may impact your retirement asset legacy.

The 10-Year Distribution Rule

The final regulations answer the big question: Can a deceased plan owner's beneficiary who's started required minimum distributions (RMDs) be required to continue them, or can the remaining account balance be fully distributed within 10 years of the original plan owner's death? The answer is that the beneficiary must continue receiving annual payments. Exceptions may apply. Check with a trusted financial professional.

The IRS also clarified that an employer-defined-contribution plan may provide that if an employee participating in the plan dies before the required beginning date, then an eligible designated beneficiary (including a surviving spouse) may elect to receive the plan benefits using the 10-year rule or as annual payments over their life expectancy.

More 2025 Provisions

Other SECURE ACT provisions apply beginning in 2025.

For individuals, the SECURE 2.0 Act increased annual retirement catch-up contribution limits to either $10,000 or, if you're age 60 to 63, 150% of the 2024 catch-up contribution limit as indexed for 2025.

For employees and employers, part-time workers who have completed at least 500 hours of service must be allowed to participate in a business's retirement plan after two years, reduced from three years in 2024. Also, employers starting 401(k) and 403(b) plans generally must automatically enroll workers at an initial contribution rate of 3% of pay, with annual automatic deferral increases of 1% up to at least 10%. There's an exemption for existing plans.

In addition, the final regulations define new ages for RMDs from employer retirement plans. While those born before July 1, 1949, generally must still begin RMDs at 70½, if you were born between that date and Jan. 1, 1951, you can wait until age 72. Individuals born between the beginning of 1951 and the first day of 1959 can postpone taking out assets until they reach age 73, and employees born on or after the first day of 1960 needn't start until they reach 75.

We Value Your Input...

Your feedback is very important to us. If you have any questions about the subjects covered here, or suggestions for future issues, please don't hesitate to call. You'll find our number on the front of this newsletter. It's always a pleasure to hear from you.

FINRA

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

August 16, 2024

Reference: **FR2024-0731-0069/E**

1. Let's Talk Money HNW Jan-Feb 2025

Org Id: 23568

Rule: FIN 2210

Our review is based on your representation that the final version of this communication will prominently disclose the name of the member, pursuant to FINRA Rule 2210(d)(3)(A).

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

This year's Advertising Regulation Conference will be held on September 26-27 in Washington, D.C. For more information and to register, please view our site at: https://www.finra.org/events-training/conferences-events/2024-advertising-regulation-conference

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