ClientLine®

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THE BENEFITS OF FINANCIAL AND TAX STRATEGIES

A well-coordinated financial strategy encompasses more than just your investments. It considers every aspect of your finances, from budgeting to retirement saving, to ensure you're making decisions that can help you reach all your goals.

THE BIG PICTURE

A successful strategy should provide a complete view of all your finances. By knowing how much savings you have accrued and the debts you owe, you can come up with a roadmap for spending, saving and investing. Identifying your short- and long-term goals is a good place to start. Paying off debt might be a short-term goal, while saving for retirement generally is a long-term goal that could be years in the future. Setting aside money for a child's education might be a mid-term goal.

WORK TOWARD YOUR GOALS

A cornerstone of your strategy should be the probability of reaching all the milestones you've identified. You and your financial professional choose a target asset allocation based on your goals, time frame and risk tolerance. Whether you're an aggressive or a conservative investor, it's essential to periodically check your progress toward your goals and adjust your strategy as needed.

YOUR RETIREMENT PICTURE

What you want to do in retirement can be a factor in how much savings you'll need to accumulate. If you plan to travel, relocate or even start your own business,

you'll need to have sufficient funds for those endeavors. Your financial professional can help you estimate your future financial needs and build the wealth you'll need to meet them.

MARKET UPS AND DOWNS

Periods of market volatility and high inflation can affect your investments' performance over the short term. Investors may panic and sell investments when values are down. Historically, markets have always recovered their losses. Your financial professional can help you make investment decisions that aren't driven by short-term market fluctuations.

HELP WITH TAXES

Taxes can impact your finances both before and during retirement. A tax professional can help you create a tax-efficient estate plan, advise you on charitable donations and explain any tax breaks and deductions that are available to you.

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BEWARE OF TAX SCAMS

Don't fall victim to scams during this tax filing season. Recognize these red flags.

The IRS doesn't initiate contact with taxpayers or request personal or financial information through phone, email, text message or social media. You'll usually receive several letters from the IRS before an agent calls you or comes to your home or business.

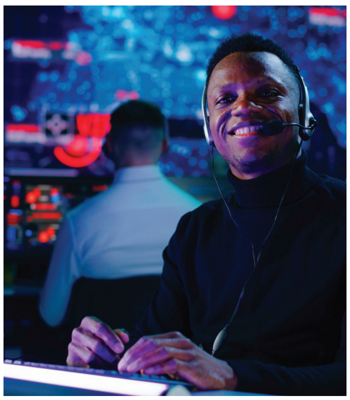
Also, the IRS doesn't call to demand immediate payment using a specific method, like gift cards or wire transfers. Any tax payments should be made directly to the United States Treasury.

IRS personnel will never threaten to send local police or immigration officers to arrest you if you don't pay.

If you're ever in doubt about the legitimacy of messages or letters you receive, contact your tax professional right away, or call the IRS.

CLIENT PROFILE

Elijah is an employee of a technology company and also has his own company on the side. He has contributed to a 401(k) plan for each job. Now he learned he contributed too much and could owe penalties. What should he do?



If Elijah's excess contributions happened in 2024, he still has until his tax filing deadline to distribute his excess contributions plus earnings on the excess to fall within the limit. If he doesn't take these steps before the deadline, Elijah will owe taxes on the excess, plus he won't receive basis in the excess deferrals. Remember that the excess deferrals left in the plan will be taxed again when distributed.

The 401(k) contribution limit for 2024 was $23,000, [$23,500 in 2025]. Those age 50 and older can contribute an additional $7,500 in both years. However, in 2025 the additional contribution limit rises to $11,250 for those age 60 to 63, thanks to a change from the Secure Act 2.0.

Client Profile is based on a hypothetical situation. The solutions discussed may or may not be appropriate for you.

LOAN CONSEQUENCES

If your company offers a 401(k) plan loan, it can be among your most cost-effective options for short-term needs (five or fewer years). However, these loans come with potential drawbacks. Before you take money from your 401(k), understand all the consequences.

THE BASICS

Not every 401(k) plan will allow loans, but the majority that do will have limits—typically no more than 50% of an account balance. Loans are potentially better for your bottom line than withdrawals, because doing the latter could trigger early withdrawal penalties.

Still, a 401(k) loan could be better than the alternatives, with potentially lower interest rates and automatic deduction of loan payments from your paycheck. Additionally, it won't require a credit check.

However, a 401(k) loan can cause some unintended consequences outlined below.

DRAWBACKS

One drawback is two-pronged: The amount of your loan will miss out on potential growth, while your paycheck will be lighter by the amount of your repayment until the loan is paid in full. The second drawback is more problematic. Whether you lose your job or leave it voluntarily, you will still have to repay the loan.

Many plans will require payment in full before you separate from employment. If you don't have the money to pay the entire loan, your plan administrator will deduct the amount from your account balance. This will create tax problems, as the IRS will see this repayment as a distribution with accompanying early withdrawal penalties and income tax due.

Discuss with your financial and tax professionals whether any loan is a necessity, as well as other alternatives, before you take a 401(k) plan loan. Be sure to consider how this or any loan may affect your long-term savings strategy.

TAXES AND RETIREMENT

If you are planning to move when you retire, look beyond state income taxes to estimate retirement living expenses.

TAXES ANYONE?

States levy taxes on general sales (although some may exempt food or clothing), real estate, rooms and meals, utilities, and even inheritances and estates. So, it's important to weigh all of these factors and figure how each tax may affect you.

EXEMPTIONS

Some states with the highest income tax rates may exempt Social Security and retirement plan income up to certain limits. Every state has to levy taxes somewhere, so do your homework to learn.

5 REASONS TO WORK WITH A TAX PROFESSIONAL

To help ensure you use every tax deduction to which you're legally entitled is to work with a knowledgeable tax professional. Here are five reasons this partnership can pay off, not only with this year's taxes but possibly with future tax bills and your long-term financial security as well.

1. YOU'RE A NEWBIE

If you're new to the working world, you may not realize how some simple steps like deducting interest on qualified student loans and putting money into a traditional IRA or company 401(k) plan can reduce your tax bill.

2. YOU OWE MONEY

A tax professional can tell you how choosing the right number of exemptions for your paycheck withholding or making the correct quarterly estimated tax payments can potentially save you interest costs and underpayment penalties.

3. YOU GET A REFUND

Getting a tax refund from the IRS means you gave an interest-free loan to the federal government. Deduct the right amount of money for taxes and direct what used to be your refund to building an emergency fund and other savings goals—prioritizing retirement.

4. YOU HAVE TUNNEL VISION

Maintaining a focus on one goal, such as reducing taxes, can come at a steep cost if you don't look at the bigger picture. You might, for example, combine current and future goals for your business by investing in new technology that is both tax-deductible and makes your company more productive and profitable now and in the future.

5. YOU NEED INFO YOU CAN TRUST

Dubious tax information can cost you. A tax professional can help you make informed decisions, such as whether to sell a declining long-term investment or keep it because it has a favorable long-term outlook.

Q

I'm getting ready to prepare and file my 2024 tax return and heard I could open a traditional IRA this year and deduct contributions from last year's income on my tax return. Is that true?

A

Anyone with earned income can open a traditional IRA before the tax filing deadline and contribute up to $7,000 of earnings ($8,000 if over age 50) for 2024 (and 2025), but they must qualify by income to get a tax deduction. (You can't deduct contributions to a Roth.)

The deductibility phases out at different income levels depending on your filing status and whether you or your spouse has a qualified retirement plan at work. This means if your Modified Adjusted Gross Income (MAGI) is below the stated range, you can contribute the full amount to an IRA. But if your MAGI falls within this range, your contribution limit is reduced progressively until you cannot contribute at all if your MAGI exceeds the range.

TRADITIONAL IRA DEDUCTIBILITY LIMITS

This chart shows the income phase-out range for deductible contributions to a traditional IRA.

	Single taxpayers covered by a workplace retirement plan	Married filing jointly where the spouse making the IRA contribution is covered by a workplace retirement plan.	Married filing jointly where the spouse contributes to the IRA is not covered by a workplace plan but the spouse is.
2024	$77,000—$87,000	$123,000—$143,000	$230,000—$240,000
2025	$79,000—$89,000	$126,000—$146,000	$236,000—$246,000

THE HIGH COST OF SENIOR CARE

Do you care for a senior parent or another loved one? According to The National Alliance for Caregiving (NAC) and AARP, more than 50 million Americans are unpaid caregivers. On average, these caregivers pay 26% of their income and give 24 hours a week to help loved ones—often to their own financial and health detriment.

Being the primary caregiver for an adult loved one can be a burden in some ways. The expense, stress and physical exhaustion caused by long hours may require that you take vacation, unpaid leave, or worse, quit your job which could impact your future financial security. But there may be some avenues of respite to consider.

POSSIBLE SOLUTIONS

Tax Breaks If your loved one lives with you, you may be able to claim them as a dependent or deduct the out-of-pocket care expenses you pay for them. To deduct expenses, you must provide more than half your loved one's support. Also, to deduct medical expenses you must itemize and the amount has to exceed 7.5% of your adjusted gross income. Talk with your tax advisor.

Employer Help Talk to your employer about programs or benefits it may offer, such as flexible schedules, working from home, family leave programs, and dependent care flexible spending accounts.

Other Assistance If your dependent is a veteran, the U.S. Department of Veterans Affairs may help pay for some home health care following hospitalization. For your mental health and well-being, the Family Caregiving Alliance provides a guide to respite services in each state.