LET'S TALK FINANCIAL WELLNESS®

September/October 2024

INVESTING MOVES TO CONSIDER THIS FALL

Is your portfolio in line with your ability to tolerate risk? As we begin fall, there are some end-of-year investing moves that can help tune-up your holdings.

Harvest Losses

Generally, capital gains on investments you have owned for less than 12 months are taxed at your ordinary income tax rate, which may be as high as 37%. Loss harvesting concentrates on net profits. This strategy entails selling an investment at a loss to offset taxes on gains generated by more profitable investments.

Here's a hypothetical example,* say you have $10,000 in gains on a short-term investment and $6,000 in losses in another investment you plan to sell anyway. If you sell the second investment, you only incur tax on the $4,000 gain on the profitable investment that's not offset. What's more, if your losses exceed your gains, you can deduct up to $3,000 in net losses from your total 2024 income.

Rebalance Your Portfolio

The bullish stock market in 2024 may have given your portfolio a heavier weighting in growth investments than your risk tolerance can bear. It's time to look at rebalancing. Consider selling some of your overperforming securities and reinvesting the proceeds in fixed-income investments to potentially reduce your portfolio risk.**

Top Up Tax-efficient Accounts

For instance, if you expect a year-end bonus and haven't already contributed the maximum amounts to your tax-advantaged retirement accounts, consider using some or all of your bonus to do that. The maximum contribution to a 401(k) plan in 2024 is $23,000, or $30,500 for those 50 and older..IRA limits are $7,000/$8,000.

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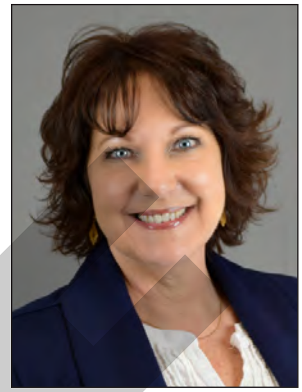
72% OF NEW INVESTORS PLAN TO INVEST IN STOCKS. HOWEVER, MANY FIRST-TIME INVESTORS FALSELY ASSOCIATE THE STOCK MARKET WITH SHORT-TERM INVESTING.

SOURCE: BANK RATE, 2023



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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.
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High Net Worth Version

Prudential

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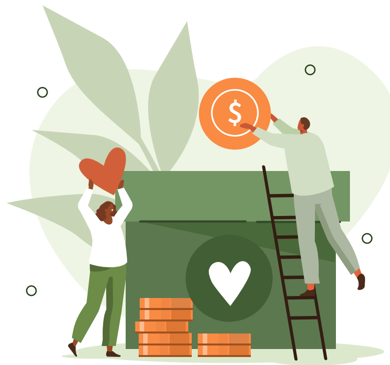
GENEROSITY REAPS TAX SAVINGS



Charitable giving has positive effects on both recipients and givers. One way to feel those positive effects and potentially save taxes is to make your gift with a life insurance policy you no longer need.* You might:

Gift an Insurance Policy
Doing so may reduce your taxable estate, potentially saving you thousands in estate tax. Most importantly, the charity will receive the entire benefit amount of the policy at your death. Your cost is the premiums already paid on the policy. Any premiums paid after the gift may be deductible for income tax purposes as well.

Name a Charity as Beneficiary
You can make the charity a revocable beneficiary. You still own the policy, can change beneficiaries and access its cash values. Making the charity a beneficiary also ensures the privacy of the transaction. Premiums you pay are not deductible.

Donate Policy Dividends
Although donating policy dividends won't provide the same benefit to a charity as the other strategies covered, you could receive the dividends paid to life insurance policies in cash and donate them to charity.

The dividends donated are income-tax deductible in the same manner as premiums paid on a gifted policy, and this strategy does not require any additional cash outlay from the donor. It also preserves the death benefit for your family or other beneficiaries.

Your insurance and tax professionals can help you make the right choice.

Applications for life insurance are subject to underwriting. No insurance coverage exists unless the required premium is paid to put an issued policy in force. Accessing cash values may reduce the death benefit and policy values, trigger tax consequences, surrender fees, and charges, and may require additional premium payments to maintain the contract. Guarantees are based on the issuer's claim-paying ability.

ELECTION YEAR STOCK PERFORMANCE

Investors often fear investing in election years because the stock market generally dislikes uncertainty, and election years foster it. That's why it's good to know that over the past 90 years, regardless of which party has won, the stock market (as measured by the S&P 500) has been down only two election years, 2000 and 2008. Primary season tends to be more volatile, but once the primary elections conclude, the market typically returns to an upward trajectory.*

For example, since 1932, U.S. stocks have seen an average gain of 11.3% in the 12 months after the primaries. Based on the S&P average, a hypothetical $1,000 stock investment when Franklin D. Roosevelt became president in 1933 would have been worth over $21 million in 2023.

Source: RIMES Technology, 2023. You cannot invest directly in an index. Past performance cannot predict future results. You must take certain adjustments into account in the combined income calculation.

SHOULD YOU CONSIDER A BACKDOOR ROTH IRA?

A backdoor Roth IRA offers a way for high earners to potentially circumvent income limits on Roth IRA contributions. But before you leap on the bandwagon, weigh your decision carefully.

A Key to The Door
Single taxpayers with incomes of more than $161,000 and married filing jointly with incomes of more than $240,000 are not allowed to make 2024 contributions to a Roth IRA. However, you can convert other types of IRAs to Roth IRAs at a current income tax on the converted amounts. The benefit is that assuming the tax bill now is worth it, your Roth IRA can grow tax-free, allow you to take tax-free retirement withdrawals, and have no minimum required distributions during retirement.*

The Catch
But tax-free accumulation comes with an administrative burden. Each year you do this, the converted contribution must be placed in a new separate Roth IRA account. Depending on how many years you have until retirement, you could end up with a multitude of separate Roth IRAs.

Follow the Rules
With each conversion, be sure to follow regulations carefully to avoid triggering additional tax liabilities. These regulations are subject to change at the discretion of Congress, so it's important to work with your trusted tax advisor to avoid surprises.

On the Other Side
For someone with a relatively short time until retirement, a backdoor Roth IRA could make sense. The backdoor Roth IRA strategy could also be beneficial if you anticipate having funds left in your traditional IRA because you could pass the money on to your heirs in a Roth IRA.

For Business Owners
You have other options that may be more attractive. Ask your financial and tax professionals about creating a deferred compensation plan that utilizes life insurance. Properly structured, the plan could reduce your current taxable income and grow tax deferred.

Another possibility is a profit-sharing plan based on age demographics that could accrue assets in a way favorable to you.

SUBSIDIZING TRADITIONAL IRA OR 401(K) DISTRIBUTIONS WITH TAX-FREE ROTH FUNDS COULD LOWER YOUR TAX BRACKET, POTENTIALLY REDUCING YOUR SOCIAL SECURITY AND MEDICARE TAXES, WHICH INCREASE AT HIGHER INCOME LEVELS.

To qualify for tax and penalty-free withdrawals of earnings, a Roth IRA or Roth 401(k) must be in place for at least five tax years, and the distribution generally must take place after age 59 ½, with a few exceptions.

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Healthcare and college savings accounts may offer tax-advantaged options for year-end tax planning. If your business has a flexible spending account, you may be able to increase your contribution. Do you have a high-deductible medical plan? Fund a health savings account. The maximum contribution for an HSA in 2024 is $4,150 for an individual and $8,300 for a family. Touch base with your trusted tax and financial professionals about tax-advantaged college savings plans and other tax strategies before implementing them.

Your situation and results may vary.

***Rebalancing a portfolio may create a taxable event if done outside of a retirement account, and asset allocation doesn't guarantee a profit or protect against a loss, but it may help reduce volatility.*

MINIMIZE THE ESTATE TAX BITE WITH AN IDGT

The current favorable estate tax exemption amount is scheduled to expire on December 31, 2025, unless Congress acts to extend it or make it permanent. Without action, the exemption amount will revert from $13.61 to $5.6 million per individual, adjusted for inflation. If this could impact you, consider transferring assets out of your estate starting now. With this in mind, this issue begins a series of trust strategies that may help minimize estate tax.

Short Definition
Intentionally defective grantor trusts (IDTs) can transfer wealth to beneficiaries while minimizing estate tax, however the grantor continues to pay income taxes on transferred assets.

Setting It Up
Using your available lifetime estate-and gift-tax exclusion, you, the grantor, irrevocably transfer assets you expect to appreciate to the IDGT with no federal gift-tax consequences. Be aware that after the transfer, you can no longer financially benefit from those assets. If the value of the gift exceeds your available tax exclusion, you may sell the assets to the trust on an installment sale basis for a long-term note (say 20 years) and incur no capital gains due to the trust's irrevocable status. As the assets held in the trust value grow, estate tax on the growth may be avoided for multiple generations.

Intentionally defective grantor trusts (IDGT) aren't for every high-net-worth individual. Your trusted tax and legal professionals can determine if one might be appropriate for you.

THE PAYCHECK NEXT DOOR

Everyone views wealth in a very personal way. Life experiences often influence those views. Many studies have been done on the subject, and here are some of the findings.

Happiness

While the old saying says money can't buy happiness, the *National Academy of Sciences* (PNAS) found that it can influence happiness. Those earning about $150,000 report 20% satisfaction with their lives and well-being compared to those earning $500,00, reporting 60% satisfaction.* Similarly, a Swedish study of lottery winners found that even years after winning, lottery winners had greater life satisfaction and mental health and were better prepared to face life's challenges, such as divorce, illness, and being alone. Apparently, substantial wealth made those things less difficult to cope with.**

Effect of Raises

According to PNAS, at the low end of the earnings spectrum, a raise is more likely to squash negative feelings about well-being than produce positive ones. At about $80,000 earnings, raises begin boosting feelings of satisfaction and well-being.

People at all income levels are tempted to use raises and bonuses to splurge. Before you treat yourself, financial professionals advise you to consider using raises and bonuses for any outstanding debt, to increase retirement savings, and for other investments. Then, treat yourself.

Another Happiness Influencer

The National Library of Medicine houses data confirms that for some people, keeping up with the Joneses is important for happiness. This data presents a split conclusion on neighborhood wealth's impact on happiness and satisfaction. Findings suggest that people are generally happier living in more affluent areas, and individuals' well-being is lower if they have less wealth or think they have less wealth than their neighbors.***

Personal Factors

Your neighborhood, paycheck, raise or bonus, the net worth of your assets, or the amount in your retirement accounts can't literally buy you happiness. Happiness is also highly influenced by personal factors, as the graphic illustrates.

However, it turns out that wealth may be associated with some of these categories of "happiness," specifically self-focused positive emotions such as pride and contentment. A more challenging, higher paying career may give you both contentment and pride. Confidence in how well you can care for your family financially may fuel your contentment and peace. Giving children and grandchildren access to better education and their consequent achievements may make you proud.***

**Well Being Depends on Social Comparison, 2021*

***Long-Run Effects of Lottery Wealth on Psychological Well-Being, 2020*

****American Psychological Association, cited by Psychology Today, 2024*

*****American Psychological Association, cited by Psychology Today, 2024*

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

June 10, 2024

Reference: **FR2024-0521-0158/E**

Org Id: 23568

1. Lets Talk Money September October 2024 HNW
   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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