

# LET'S TALK FINANCIAL WELLNESS<sup>®</sup>

March/April 2025

## IRA Mistakes You Can't Afford

With annual contributions limited by the IRS or your ability to save, your retirement security can't afford you to make missteps with your IRA. Yet many IRA investors do.

Younger people have many financial responsibilities: student loans, car loans, and the expenses of a first-time apartment or home. But that doesn't mean they should ignore saving for retirement. It may bring a modicum of reassurance that while an IRA is not an emergency fund, you can access IRA money without tax or penalties for a financial emergency. Premature withdrawals aren't ideal for anyone, but they're generally better than not contributing to an IRA as early as possible.

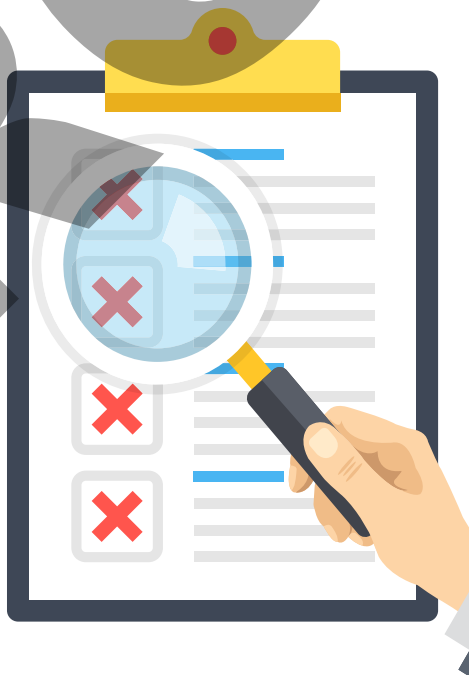
Married couples with one earner can make annual contributions for a spouse who is not working. As long as the earning spouse has enough earned income to equal the contributions, each spouse may invest up to the annual contribution limit set by the IRS each year, but there are limitations you need to know about.

Tax-sensitive procrastinators may make IRA contributions until the April 15, 2025, tax filing deadline. However, remember that last-minute contributions give your investments less time to compound, and you potentially have less money for retirement. If you can't contribute all at once at the beginning of the year for optimal compounding, use a monthly contribution strategy to contribute the most

you can, the earliest you can. It makes a big difference over the years.

Like the Roth IRA, traditional IRA contributions are allowable for people of any age. So, as long as you have earned income and can afford to contribute to an IRA, you have options.

Remember that, unlike traditional IRAs, Roth IRAs do not require minimum distributions, and contributions are not tax deductible.



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Retirement Version  
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# The Lowdown on Excise Tax

Generally, federal excise tax is imposed on the sale of specific goods, services, or particular uses. Some examples include fuel, airline tickets, heavy trucks and highway tractors, tires, tobacco, alcohol, indoor tanning services, and other goods and services. The tax may be imposed at the time of import, sale by the manufacturer, sale by the retailer, or use by the manufacturer or consumer.

## Reporting and Paying

You generally must file an IRS Form 720, Quarterly Federal Excise Tax Return to report and pay the tax. Excise taxes are in addition to any sales tax on items and independent of income tax. States may levy excise tax as well. A similar state or local form is on the tax authority's website. You can pass the cost of excise tax onto your customers.

## Deductible?

You can deduct federal excise taxes paid for goods or services on your small business taxes. Excise taxes collected from customers

are not deductible. Consider consulting a tax professional to help you with reporting and filing.



# Heirs or Beneficiaries?

The terms heirs and beneficiaries are interchangeable – right? Not necessarily when it comes to distributing your property after death. So, knowing the difference between the two is essential in estate planning.

## The Definition of Heirs

An heir is a legally identified person entitled to your estate property when no will or trust dictates distribution. In that case, state law dictates how an estate is distributed and which heirs are entitled to assets.

Generally, your heirs, in succession order are:

1. Your spouse,
2. Your children,
3. Your parents,
4. Your siblings,
5. Your grandparents,
6. Your next of kin.

If there is no next of kin, your property will revert back to the state.

## Beneficiaries Defined

A beneficiary is a person you've specifically named to receive proceeds and assets from:

- Life insurance,
- Employer-provided qualified retirement plans,
- Individual retirement accounts,
- Trusts, and
- Annuities, as well as property distributed under your will.



A beneficiary may or may not be an heir and vice versa. Understanding a beneficiary's role in your estate plan and their rights to your assets or property is key in planning. If you don't name beneficiaries with a will or other planning tools, they'll be chosen for you.

# Home Sweet Home Renovations



It's spring, and for many homeowners, thoughts are turning to home renovations. If this describes you, be aware that some qualified home improvements are eligible for tax deductions.

## Tax Credit

For starters, the federal income tax credit available through 2032 allows you to deduct up to 30% or \$3,200 annually for energy-efficient home renovations. The tax credit covers improvements such as installing heat pumps, heat pump water heaters, insulation, doors, and windows, as well as electrical panel upgrades, home energy audits, and more. You may claim the credit for your existing primary residence only.

If you use your home partly for business, the full credit is available for business use up to 20%. For more than 20% of business use, the credit is based on the share of expenses allocable to nonbusiness use.

In addition to the energy efficiency credit, homeowners can also take advantage of the modified and extended Residential Clean Energy credit, which provides a 30% income tax credit for clean energy equipment,

such as rooftop solar, wind energy, geothermal heat pumps, and battery storage through 2032, stepping down to 22% for 2033 and 2034.

## Rebates for Energy-Efficient Upgrades

The Inflation Reduction Act of 2022 provided \$8.8 billion for home energy efficiency and electrification improvement rebates. You may be able to save money on energy bills, improve in-home comfort, and reduce indoor and outdoor air pollution.

Household savings can range from hundreds of dollars for single items such as an electric cooktop or dryer to \$8,000 for a heat pump or cutting home energy use by 35% or more. Rebates will vary based on your household income and where you live since each state will administer the program separately. Rebates may be stacked on top of existing tax credits. For 2025, check with your tax professional as post-election tax changes are expected.

# Where to Put Your Emergency Fund

Like everything else, the costs of emergency repairs are increasing. Some alternative options that may pay more for liquid savings are:

- High-yield bank savings accounts
- Money market bank or mutual fund accounts

Each has advantages and disadvantages you should discuss with your financial professional before investing.

## Protect Your Money

When considering any alternatives, find out if the account or fund is backed by the Federal Deposit Insurance Corporation (FDIC) or covered by the Securities Investor Protection Corporation (SIPC). Both FDIC and SIPC insurance have limits but are crucial in safeguarding your investment.



# Claiming Deductions for Volunteer Work

Volunteering helps others and gives you a feeling of satisfaction. And it may give you a tax deduction. To qualify for a deduction, your expenses must directly relate to a qualified charity where you volunteer. Additionally, you must itemize deductions that have not been reimbursed for those volunteering expenses.

## Incidental Expenses

You may deduct expenses like postage, paper, printer ink, or other out-of-pocket costs incurred while volunteering. The cost of gear, a uniform, and possibly cleaning services may also be deductible.

## Travel

If you use your car for volunteer work, you can deduct mileage for the cost of your unreimbursed gas but not your car's maintenance. Other reasonable travel expenses will be tax deductible if tied to your volunteer work. Meals for volunteer service are 100% deductible.

## Record Keeping

As with any deductible expense, keep accurate records of your volunteer expenses. Retain any paper and electronic receipts and keep a mileage log. This will help make tracking expenses and providing the details to your tax professional more manageable at tax time.



# Are You Saving Enough?

When you think about retirement, what is foremost in your mind? Freedom from work? The chance to spend your time the way you want? The amount of money you will need to save to live comfortably?

## The "M" Factor

It's probably safe to assume that money will be essential to your retirement plans. Whether your goal is to retire early or to keep working past your full retirement age (the age at which you are eligible to claim 100% of your Social Security benefit), knowing how much you will need to save to pursue the retirement lifestyle you want is essential.

## More Than a Number

The age at which you plan to retire will impact the years you have to accumulate retirement savings. The earlier your retirement age, the more aggressive you need to be with the amount you're saving. Conversely, the longer you work, the more time you'll have to accumulate savings. Since no one can predict how long you'll live in retirement, saving as much as possible is wise.

## Your Retirement Lifestyle

Thinking about what you want to do once you retire will give you an idea of how much savings you'll need to maintain your lifestyle. If extensive travel or a move to a new location is among your goals, you may need to save more than if you plan to stay close to home. Your savings may stretch further if you plan to work part-time during retirement.



## Consider Withdrawal Methods

Many retirees withdraw 4% of their portfolio yearly. While this provides a predictable income, it has drawbacks. If the bulk of your retirement savings are subject to market volatility, your monthly income could drop, too.

Another option is the fixed dollar amount. This approach allows you to withdraw only interest payments you receive from your investments, most, if not all, of which will need to be invested in fixed-income securities.

Your financial professional can help you create a saving strategy considering your goals, risk tolerance and time horizon.

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## ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

November 05, 2024

Reference: **FR2024-1017-0210/E**

Org Id: 23568

1. Lets Talk Money Retirement - March/April 2025  
Rule: FIN 2210

Total Fee: \$125

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

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