# LET'S TALK FINANCIAL WELLNESS®

March/April 2025

# Still Time: Reduce Your 2024 Tax Bill

One simple move can lower your tax bill and increase your retirement savings. Contributing to an eligible retirement account by the April 15, 2025 income-tax deadline will reduce your 2024 taxable income by the amount you contribute.


**Individual Retirement Account (IRA)**

An IRA offers you the flexibility to choose various investments to hold in your account. For 2024 and 2025, you can contribute up to $7,000 to an IRA – $8,000 if you're age 50 or older. You must have "earned income," including money from wages, salaries, tips, bonuses, commissions, or self-employment, to contribute to an IRA. Your spouse can contribute to an IRA as well.

**SIMPLE IRA**

A "Savings Incentive Match Plan for Employees," or SIMPLE IRA, is a retirement savings plan designed for small businesses with 100 or fewer employees. Employers must match employee contributions dollar for dollar – up to 3% of an employee's compensation – or make a fixed 2% contribution for all eligible employees, even if an employee chooses not to contribute.

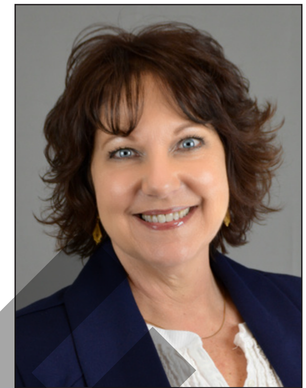
As with a traditional IRA, you can contribute to a SIMPLE IRA until April 15, following the end of the tax year, and benefit from the tax deduction.

**Solo 401(k)**

Solo 401(k) plans are designed to cover a business owner with no employees and his or her spouse. You can make elective deferrals of up to 100% of your earned income, or the annual contribution limit, plus employer nonelective contributions of up to 25% of compensation.

Contributions can be made until the company's tax return deadline, including extensions.

Financial and tax professionals can help you determine which plan is right for you.



**Karen Petrucco**
Account Manager

**The Prudential Insurance Company of America**
45 Prospect Ave
Albany, NY 12206

**Tel:** 800-243-5334
**Fax:** 800-720-0780
karen.petrucco@prudential.com
www.prudential.com

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.
1020924-00002-00

Standard Version

Prudential

# 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 milage 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.

# Inflation: Retirement's Rival

Thinking about retirement can bring mixed emotions. You may be looking forward to leisure time but still have some concerns about whether you'll have enough money to live the life you want without a steady paycheck. Creating a realistic spending plan and planning for economic changes are essential.

**Inflation is Inevitable**

Inflation — an increase in the prices of goods and services — makes buying food, driving a car, and heating and cooling your home more expensive. Over time, even low inflation can erode your retirement savings. So, as you create your retirement spending plan, account for rising prices in your budget.

**Location Makes a Difference**

Housing, food, and even gas prices may vary depending on where you live in retirement. Rising prices can affect rents, association fees, and property taxes. While you can't control inflation, you can be realistic about living costs before you decide whether to move or stay put.

**Don't Forget Health Care Costs**

Health care could be one of your most significant expenses in retirement. Even if you're relatively healthy now, your medical expenses will likely increase as you age. If you're eligible, consider saving money in a Health Savings Account (HSA) or Health Reimbursement Account (HRA) to pay future healthcare costs.

**Surviving Inflation**

Adding investments to your portfolio that are less affected by inflation is a good place to start. Here are just two of several types of investments to consider.

- Stocks have historically earned returns that outpace inflation. But stocks from some economic sectors, such as energy and consumer staples (household goods, food, hygiene products, etc.), perform better than others during periods of rising prices.

- Treasury Inflation-Protected Securities (TIPS) are indexed to inflation. As inflation rises, the principal increases (or decreases with deflation). Interest payments based on the principal are made twice a year. Investors receive either the adjusted principal or the original principal at maturity.

Consult your financial professional to discuss investment selections for your portfolio with at least some potential inflation protection.



---

FINRA

**ADVERTISING REGULATION DEPARTMENT REVIEW LETTER**

November 05, 2024

Reference: **FR2024-1017-0211/E**

Org Id: 23568

1. Lets Talk Money Standard - March/April 2025
   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

*Please send any communications related to filing reviews to this Department through the Advertising Regulation Electronic Filing (AREF) system or by facsimile or hard copy mail service. We request that you do not send documents or other communications via email.*

***NOTE:*** *We assume that your filed communication doesn't omit or misstate any fact, nor does it offer an opinion without reasonable basis. While you may say that the communication was "reviewed by FINRA" or "FINRA reviewed," you may not say that we approved it.*



Advertising Regulation
9509 Key West Avenue
Rockville, MD
20850
t 240 386 4500
f 240 386 4568