LET'S TALK FINANCIAL WELLNESS®

July/August 2025

Make a Roth IRA Conversion

If you're nearing or in retirement and concerned about paying too much in taxes, you may want to convert a portion or all of your taxable retirement plan assets to a tax-free Roth IRA*. Here's how it works.

Overcoming Obstacles

A major concern for many people considering a Roth conversion is their tax bill. The amount you convert from a tax-deferred retirement plan, such as a 401(k) or a traditional IRA, is considered a distribution and is added to your taxable income in the year you convert. This can create a larger tax bill than expected and potentially move you into higher income tax brackets.

If you're nearing retirement but still working, the extra income can also cause you to become ineligible for current contributions to an existing Roth IRA. In 2025, contribution amounts begin to be limited when modified adjusted income hits $236,000 and phase out completely at $246,000 for taxpayers who are married and filing jointly. Limits for single and head of household filers phase out between $146,000 and $165,000.** But you do have alternative ways to save if that's the case.

Little by Little

Consider converting portions of tax-deferred retirement account assets in order to meet the income qualifications and keep your Roth IRA contribution eligibility. In this way, you spread out the conversion tax bill over time. If you were still working in 2024, you can contribute up to $7,000 to an IRA. If you're at least age 50, you can add another $1,000 in catch-up contributions.

Unlike traditional retirement accounts, the Roth IRA is not subject to what's known as required minimum distributions (RMDs), so, you needn't take a Roth distribution in your lifetime. Your financial professional can tell you more.

** Converting from a traditional IRA to a Roth IRA is a taxable event. A Roth IRA offers tax free withdrawals on taxed contributions. To qualify for the tax-free and penalty-free withdrawal of earnings, a Roth IRA must be in place for at least five tax years, and the distribution must take place after age 59½ or due to death, disability, or a first-time home purchase (up to a $10,000 lifetime maximum). Roth IRA distributions may be subject to state taxes.*

***IRS.gov*

Karen Petrucco
Account Manager

The Prudential Insurance Company of America
1060 Broadway #1161
Albany, NY 12204

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

With my training and commitment to my clients, I am confident I can provide a high level of personalized service. As your financial professional, I will work diligently to help you work toward your financial goals with appropriate insurance products, investment and financial planning strategies.

Retirement Version

Prudential

Develop Healthy Spending Habits

Developing and maintaining healthy spending habits seems easy in theory, but prove harder in practice. From the time we earn that first paycheck to receipt of our first retirement check, financial goals change, but smart spending habits hold true. Consider practicing these habits through the times of your life:

Young Adults

There is no better time to learn and practice healthy spending habits than in our early adult years. But today's Millennials are swamped with 24/7 sales messages on their electronic devices, television and in print. At any age, start by using your head and putting your heart in cold storage when shopping. When you hear "buy, buy, buy" answer the question "why, why, why?" before spending a dime.

Learn to curb your buying impulses. Ask questions. Do you really need to buy a new smartphone when your old one works just fine and is paid off? Do you know how those designer lattes add up each month, each year? Understand your total expenses and learn to differentiate between needs and wants.

Once you take the emotion out of buying, put your new spending plan in writing. Detail your income and expenses, and build an occasional indulgence into your budget. Ultimately, you'll appreciate the healthier financial life that you'll gain by consistently being disciplined.

Midlife Reset

Even the most disciplined savers can fall back into poor spending habits and see their debt levels rise. If this sounds like you, consider the following:

1. Forgive yourself. Everyone makes mistakes;
2. Review your budget and strategize for better spending health;
3. Pay your credit card balances with the highest rates first, until they're paid in full;
4. If you use your cards again, pay off balances in full each month;
5. Strive to buy with cash instead; and
6. Put the extra cash you saved toward long-term goals.

Near Retirement

The younger you are, the easier it may be to correct poor spending habits. But no time is more important to nail this financial aspect than when you're near retirement. Because this time of your life may include less income than when you worked, it's important to start by lowering your expenses.

Healthy spending habits near and in retirement may start and end with reducing your major expenses. Downsizing your living arrangements could provide the biggest boost to your disposable income. Paying off credit card debt is a must and planning for unexpected expenses should be a priority.

Know, for example, that a home you own will need maintenance at some point, so plan for its costs. Carry the insurance needed to pay for health, disability and long-term care. Revisit your spending plan regularly to account for changes in your life.

Leaving the Nest

When young adults leave the nest, they will confront a number of financial challenges for the first time in their lives, but there are some things they can do to ensure a successful experience.

Practice Good Debt Management
Credit cards are not free money, and balances for young adults often come with high interest rates. Paying any balance in full each month will keep the interest charges at bay.

Start a Regular Savings Regimen
Children watching parents save regularly tend to develop similarly good financial habits early in life.

Protect Belongings
Insure your student's belongings against a loss due to fire, theft and other perils.

Today's students own expensive items such as a car, computer, monitor, cell phone, television and gaming devices. Also, cover basics including clothing and bedding.

Prepare for Almost Anything

Even the most prepared people can't predict when an expensive surprise will come their way or how much it will cost. You can, however, prepare financially for the unexpected by creating an emergency fund to help meet surprise expenses.

Financial Emergencies
We have all experienced the shock of a big expense. For example:

- The car won't start and you learn it needs $800 worth of work.
- The furnace breaks down and you have to choose between a $5,000 replacement or a cold winter.
- Your company is struggling financially, and you find yourself in the unemployment line.

Unanticipated surprises like these can affect your budget in varying ways. An emergency fund may help you get through the rough spots.

Funding the Fund
There are two basic ways to accumulate an emergency fund. First, deposit any financial windfall into the fund. If you receive a bonus from your employer, an unexpected commission or a tax refund, sock it away in the emergency fund. You won't miss what you didn't have before.

Second, in lieu of a windfall, find a little bit of money to save regularly and put it away. Aim for three to six months of expenses as a target. This discipline can help you build your emergency fund sooner than you might think.

Too Good to be True

As college debt soars, so do the number of scams trying to separate you from your money. The Federal Trade Commission (FTC) reports a sharp uptick in scam complaints since late 2024 when payments resumed after pandemic pauses and Biden's forgiveness plan causing confusion. If you have student loans it pays to beware.

Know Their Tricks
Scammers can duplicate government seals, making their emails look official. Among their false promises is their claim of fast loan forgiveness if you pay an upfront fee ranging from $500 to $1,500 – illegal under federal law – plus demands for sensitive information like Federal Student Aid logins.

Understand that no one can offer immediate loan forgiveness. So, make sure any debt-relief offers are legitimate before taking action. Delete the emails and hang up on phone calls from pretenders. Lenders offer ways to make paying back student debt easier.

Retirement Readiness Checkup

Are you saving enough for retirement? It's easy to underestimate your retirement expenses, since you can't know everything the future will bring. But there are ways to more accurately gauge your financial needs, especially if you're just a few years from retirement.

Healthcare is Big

Healthcare expenses may consume the largest portion of your retirement income, so begin by checking out current costs for Medicare and Medigap health insurance policies, plus Part D prescription drug coverage. Then consider how premiums will likely increase modestly every year. Don't forget to include deductibles, co-payments and coinsurance in your calculations.

Location, Location

Housing is often another large expense in retirement, depending on whether you have a mortgage or rent, pay real estate taxes and face higher utility expenses compared to other regions. Don't assume you can painlessly leave everything and move to a less expensive locale, especially if you're moving away from family. Try a new location out for a few weeks at a time in the years before you plan to retire before committing.

Do a Test Run

Another way to gauge your retirement readiness is to try living on your monthly retirement income now. If your retirement income projects to 70-80% of what you earn now, the transition may not be difficult, while a tryout may convince you that living on less than 70% doesn't work for you.

Surprises Happen

Even when you make educated estimates, less predictable expenses could throw your retirement calculations out of whack.

A change in health is a possibility as you age. Long-term care, if needed, is costly. Perhaps you plan to work part-time, but poor health could alter this plan. Or maybe you have an adult child who needs to move back in with you. Ensuring a financial cushion can help offset these and other financial surprises.

Keep On Keeping On

The good news is you still may have time before retirement. Need more cushion? Maybe you can delay retirement by a year or two. Perhaps you can delay taking retirement plan distributions, allowing them to continue to potentially grow. Talk to a licensed financial professional to learn how to best prepare for your retirement.

This publication is prepared by LTM Marketing Solutions, LLC for the use of the sender and not written nor produced by the named representative. Content in this material is not intended to market or sell any specific products or services, but rather provide general information about the subject matter covered. This content is not intended as legal or tax advice. All individuals, including those involved in the estate-planning process, are advised to meet with their tax and legal professionals. We do not endorse or guarantee the content or services of any website mentioned in this newsletter. We encourage you to review the privacy policy of each website you visit. Limitations, restrictions and other rules and regulations apply to many of the financial and insurance products and concepts presented in this newsletter, and they may differ according to individual situations. The publisher and sponsor do not assume liability for financial decisions based on the newsletter's contents. Great care has been taken to ensure the accuracy of the newsletter copy prior to publication, however, markets and tax information can change suddenly. Whole or partial reproduction of Let's Talk Financial Wellness® without the written permission of the publisher is forbidden.

The attached has been given an 'Approved As Is' status by the Corporate Advertising Compliance Team. Advisors who are interested in using and/or customizing pre-approved materials should ensure an understanding of the **Pre-Approved Communications** section of the **Advisor Compliance Manual** posted on the Resource Center. This section of the compliance manual includes instructions on how to use pre-approved materials and meet the necessary Books and Records requirements.

FINRA

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

March 18, 2025

Reference: **FR2025-0306-0101/E**

Org Id: 23568

1. LTM July August 2025 Retirement
   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

Reminder: The fee charged for Regular filings submitted to the Advertising Regulation Department on January 1, 2025 and after, will increase from $125 to $300 (for the first 10 pages/minutes). The fee of $10 per additional page/minute has not changed. The filing fee for expedited filings will remain at $600 (for the first 10 pages/minutes) and $50 per additional page/minute. Please see https://www.finra.org/media-center/blog/funding-finras-mission-111224 for more information.

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