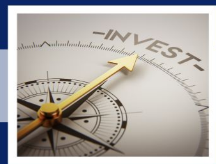
Seth's
Financial Forum

Plan Smart
LIVE WELL



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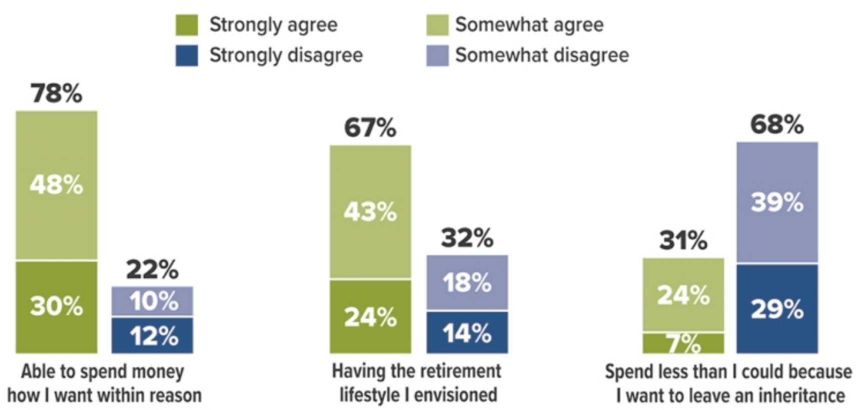
68%

Percentage of workers in 2024 who were confident that they had enough money to live comfortably in retirement, up from 64% in 2023. Retiree confidence remained fairly steady at 74% vs. 73% in 2023.

Source: Employee Benefit Research Institute, 2024

Enjoying Retirement Despite the Costs

In a 2024 survey, about half of retirees said that retirement costs were higher than they expected, but a large majority were enjoying the lifestyle they imagined (at least to some degree) and spending what they wanted within reason. Less than a third were holding back on spending to leave an inheritance.



Source: Employee Benefit Research Institute, 2024 (Totals may not add up to 100% due to rounding.)

Key Retirement and Tax Numbers for 2025

Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans and various tax deduction, exclusion, exemption, and threshold amounts. Here are a few of the key adjustments for 2025.

Estate, gift, and generation-skipping transfer tax

- The annual gift tax exclusion (and annual generation-skipping transfer tax exclusion) for 2025 is $19,000, up from $18,000 in 2024.
- The gift and estate tax basic exclusion amount (and generation-skipping transfer tax exemption) for 2025 is $13,990,000, up from $13,610,000 in 2024.

Standard deduction

A taxpayer can generally choose to itemize certain deductions or claim a standard deduction on the federal income tax return. In 2025, the standard deduction is:

- $15,000 (up from $14,600 in 2024) for single filers or married individuals filing separate returns
- $30,000 (up from $29,200 in 2024) for married joint filers
- $22,500 (up from $21,900 in 2024) for heads of households

The additional standard deduction amount for the blind and those age 65 or older in 2025 is:

- $2,000 (up from $1,950 in 2024) for single filers and heads of households
- $1,600 (up from $1,550 in 2024) for all other filing statuses

Special rules apply for an individual who can be claimed as a dependent by another taxpayer.

IRAs

The combined annual limit on contributions to traditional and Roth IRAs is $7,000 in 2025 (the same as in 2024), with individuals age 50 or older able to contribute an additional $1,000. The limit on contributions to a Roth IRA phases out for certain modified adjusted gross income (MAGI) ranges *(see table).* For individuals who are active participants in an employer-sponsored retirement plan, the deduction for contributions to a traditional IRA also phases out for certain MAGI ranges *(see table).* The limit on nondeductible contributions to a traditional IRA is not subject to phaseout based on MAGI.

MAGI Ranges: Contributions to a Roth IRA

	2024	2025
Single/Head of household	$146,000–$161,000	$150,000–$165,000
Married filing jointly	$230,000–$240,000	$236,000–$246,000
Married filing separately	$0–$10,000	$0–$10,000

MAGI Ranges: Deductible Contributions to a Traditional IRA

	2024	2025
Single/Head of household	$77,000–$87,000	$79,000–$89,000
Married filing jointly	$123,000–$143,000	$126,000–$146,000

Note: The 2025 phaseout range is $236,000–$246,000 (up from $230,000–$240,000 in 2024) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered. The phaseout range is $0–$10,000 when the individual is married filing separately and either spouse is covered by a workplace plan.

Employer-sponsored retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to $23,500 in compensation in 2025 (up from $23,000 in 2024); employees age 50 or older can defer up to an additional $7,500 in 2025 (the same as in 2024), increased to $11,250 in 2025 for ages 60 to 63.
- Employees participating in a SIMPLE retirement plan can defer up to $16,500 in 2025 (up from $16,000 in 2024), and employees age 50 or older can defer up to an additional $3,500 in 2025 (the same as in 2024), increased to $5,250 in 2025 for ages 60 to 63.

Kiddie tax: child's unearned income

Under the kiddie tax, a child's unearned income above $2,700 in 2025 (up from $2,600 in 2024) is taxed using the parents' tax rates.

Three Market-Moving Economic Indicators to Watch

Among all of the economic indicators released each month, three reports in particular can move the market: the Employment Situation, gross domestic product, and Personal Income and Outlays.

The Employment Situation

Each month, the Bureau of Labor Statistics (BLS) publishes the Employment Situation Summary report based on information from the prior month. The data for the report is derived primarily from two sources: (1) a survey of approximately 60,000 households, or about 110,000 individuals (household survey), and (2) an establishment survey of over 650,000 worksites. The information contained in each report includes the total number of employed and unemployed people, the unemployment rate, the number of people working full time or part time, average hourly and weekly earnings, and average hours worked per week.

According to the BLS, when workers are unemployed, they, their families, and the country as a whole can be negatively impacted. Workers and their families lose wages, and the country loses the goods or services that could have been produced. In addition, the purchasing power of these workers is lost, which can lead to unemployment for even more workers.

Investors pay particular attention to the information provided in this report. For instance, a rising unemployment rate may indicate a slowing economy. In this scenario, stock values may decline with falling corporate profits, while bond prices may rise as yields fall in response to lower interest rates. Slower wage growth may also be a sign of lower inflation and interest rates, and reduced economic productivity.

Gross domestic product

Gross domestic product (GDP) measures the value of goods and services produced by a nation's economy less the value of goods and services used in production. GDP offers a broad measure of the nation's overall economic activity in the U.S. and serves as a gauge of the country's economic health. GDP contains a vast amount of economic information, including gross domestic income (the net of incomes earned and costs incurred in the production of GDP); gross output (the value of the goods and services produced by the nation's economy); gross domestic purchase price index (measures the value of goods and services bought by U.S. residents); personal consumption expenditures (PCE) price index (costs of consumer goods and services); and profits from current production (corporate profits).

GDP can offer valuable information to investors, including whether the economy is expanding or contracting, trends in consumer spending, the status of residential and business investing, and whether prices for goods and services are rising or falling. A strong economy is usually good for corporations and their profits, which may boost stock prices. Increasing prices for goods and services may indicate advancing inflation, which can impact bond prices and yields. In short, GDP provides a snapshot of the strength of the economy over a month and a year and can play a role when making financial decisions.

Other Important Economic Indicators

- **Unemployment Insurance Weekly Claims report** — provides data on new claims filed, total claims paid, and the unemployment rate
- **Consumer Price Index** — measures changes in the average price of goods and services purchased by consumers
- **Federal Reserve's monthly industrial production index** — measures monthly and annual changes in output in manufacturing, mining, and utilities

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Personal Income and Outlays

The Personal Income and Outlays report measures household income, expenditures, and savings. It also includes data on consumer prices for goods and services. In particular, this report includes data on personal income, disposable (after-tax) personal income, personal consumption expenditures, personal savings, and prices for consumer goods and services as measured by the PCE price index.

In general, consumer spending, which accounts for more than two-thirds of the economy, usually influences market performance. Knowing what consumers are buying (i.e., durable goods, nondurable goods, or services) may offer insight into how various market sectors might perform. Changes in income and spending can have a direct impact on the market. Greater spending usually enhances corporate profits and stock values and vice versa. While the Consumer Price Index may be the more recognized measure of inflation, the PCE price index is the Federal Reserve's preferred measure of inflationary (or deflationary) trends. The rate of inflation and interest rates often move in the same direction because interest rates are the primary tool used by central banks (including the Federal Reserve) to manage inflation. Rising inflation usually prompts the Fed to increase interest rates, while falling inflation (and slowing economic growth) might lead to a decrease in interest rates to promote borrowing and stimulate the economy.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

What's New for 2025?

To help you stay informed, here are five changes you can look forward to in the new year.

Higher catch-up contributions for some. As of January 1, individuals ages 60 through 63 may be able to make increased catch-up contributions (if offered) to their workplace plan. The catch-up amount for people age 50 and older is $7,500 for 2025, but for people ages 60 through 63, the limit will be $11,250.[1]

Cap on out-of-pocket Medicare drug costs. A bit of welcome news for people with Medicare Part D prescription drug coverage — a $2,000 annual cap on out-of-pocket prescription costs takes effect on January 1.[2] People with Part D will also now have the option to pay out-of-pocket costs in monthly installments over the course of the plan year instead of having to pay all at once at the pharmacy, which may help make it easier to manage prescription drug costs.

Automatic enrollment for new workplace retirement plans. Businesses that have adopted 401(k) and 403(b) plans since the passage of the SECURE 2.0 Act in December 2022 are now required to automatically enroll eligible employees at a contribution rate of 3% to 10%. After the first year, this rate will increase by 1% each year until it reaches 10% to 15%. New companies in business less than three years and employers with 10 or fewer employees are excluded, and other exceptions apply. Employees may opt out of coverage or elect a different percentage.

REAL ID deadline. The deadline for getting a REAL ID is May 7 (although the TSA has announced that enforcement may be phased in). As of that date, every air traveler who is at least 18 years old will need a REAL ID-compliant drivers license or identification card or another TSA-acceptable form of identification for domestic air travel and to enter certain federal facilities. Other TSA-acceptable documents are active passports, passport cards, or Global Entry cards. Standard drivers licenses will no longer be valid ID for TSA purposes, but enhanced drivers licenses from certain states are acceptable alternatives. Travelers who don't have a REAL ID by the deadline could face delays at airport security checkpoints. Visit the TSA website at [tsa.gov](tsa.gov) for updates and information.

New credit scoring risk model for mortgages. In late 2025, lenders are expected to begin using VantageScore 4.0 and FICO Score 10 T (instead of Classic FICO) to qualify borrowers. These new credit scoring models will provide a more precise assessment of credit risk.[3] Models will consider trended credit data (an analysis of a customer's behavior over time or historical payment and balance information) and other data not previously considered as part of the Classic FICO score, such as rent, utility, and telecom payments. This change will potentially help more applicants qualify for mortgages.

1–2) These are indexed annually for inflation so may rise each year.

3) Fannie Mae and Freddie Mac, 2024